

# Annual Report 2011



ALPINE SELECT

Board of Directors

Daniel J. Sauter, *Chairman*

Hans Müller

Walter Geering

Auditors

KPMG AG

Badenerstrasse 172

8026 Zurich

Switzerland

Company Info Sheet

Listing:	SIX Swiss Exchange
Stock Exchange Symbol:	ALPN
Swiss Security Number:	1.919.955
ISIN Code:	CH0019199550
Reuters:	ALPN.S
Bloomberg:	ALPN SW EQUITY
Type of Shares:	Registered shares
Outstanding Shares:	12'559'215

Net Asset Value is published on a weekly basis in  
Finanz und Wirtschaft, Zurich, on Bloomberg  
and on the Company website.

Corporate calendar: [www.alpine-select.ch/corporatecalendar.html](http://www.alpine-select.ch/corporatecalendar.html)



# ALPINE SELECT

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# Key figures

## Performance table\*

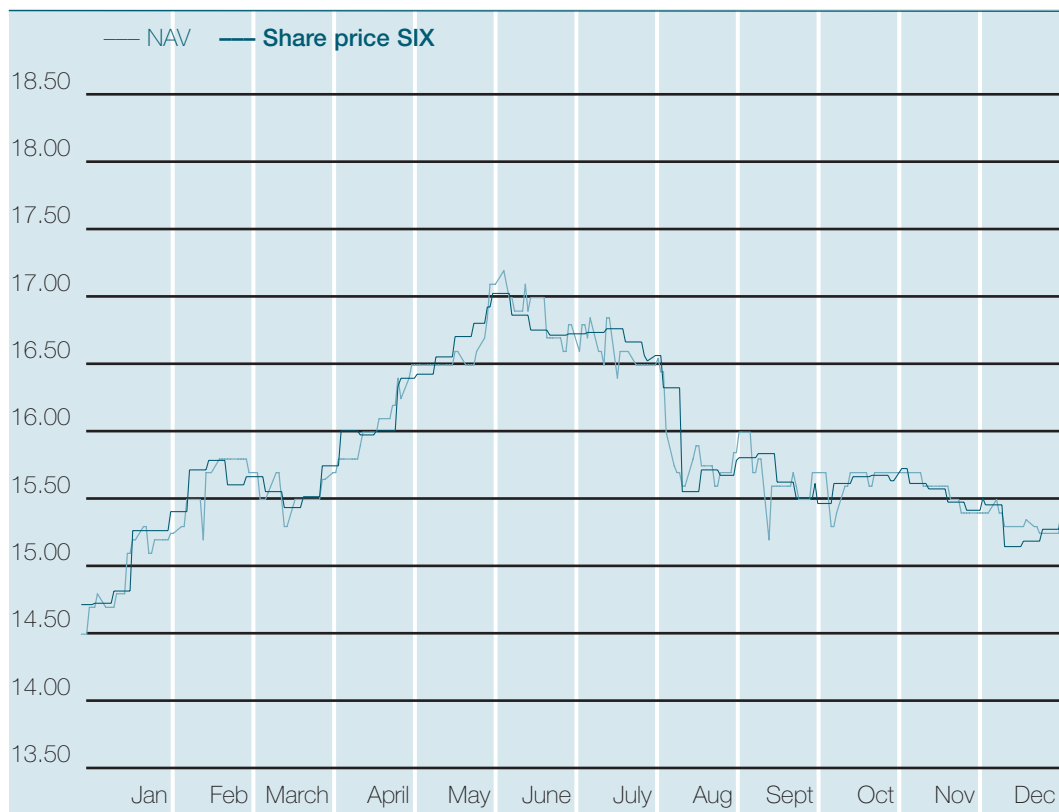
	31 December 2011	31 December 2010
Share price	CHF 15.45	CHF 14.67
NAV	CHF 15.43	CHF 14.86

	High 2011	Low 2011
Share price	CHF 17.10	CHF 14.67
Premium / (Discount) to NAV	1.7%	(2.1%)
NAV	CHF 17.03	CHF 14.86

\*All figures are adjusted for the dividend payment in April 2011 out of reserves from capital contributions.

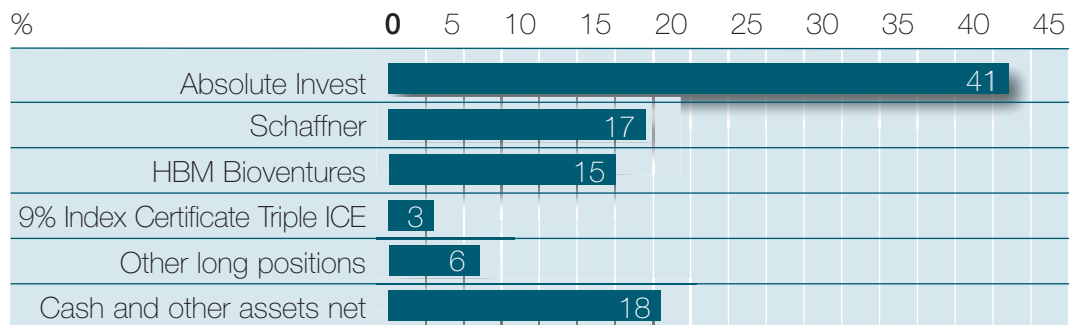
## 12 months price-history in CHF for the year 2011

(weekly NAV and daily closing share price)



## Key figures

### Positions as a percentage of net asset value (NAV) on 31 December 2011



### Monthly NAV-performance in %

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
<b>2006</b>	2.6	3.3	2.7	3.2	-4.4	1.6	0.8	-0.3	2.6	9.2	0.3	0.3	23.6
<b>2007</b>	7.5	-3.5	2.0	1.8	0.7	-0.7	-1.3	-6.0	0	0.6	-0.9	0.9	2.8
<b>2008</b>	-4.6	-0.7	-1.9	1.7	-2.1	-1.9	-2.4	-1.2	-5.7	-14.1	-11.0	-4.3	-39.6
<b>2009</b>	-2.3	-0.5	2.2	2.2	1.8	2.7	3.1	3.6	4.4	-0.2	-2.9	-0.2	14.6
<b>2010</b>	1.4	1.2	-0.6	4.2	0.8	2.8	0.8	1.8	2.5	3.4	7.6	3.6	33.4
<b>2011</b>	3.5	2.0	0.6	3.0	4.2	-1.2	1.2	-4.5	-2.0	1.7	-1.4	-0.5	3.8

### Monthly share price-performance in %

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
<b>2006</b>	3.7	4.5	3.7	1.8	-1.8	1.2	1.2	0	1.7	5.1	1.5	1.7	27.1
<b>2007</b>	8.9	-2.1	-0.5	2.1	0.5	-1.5	-0.5	-5.8	0	0.6	0	0.6	1.7
<b>2008</b>	-5.5	0	-2.3	1.2	-4.7	0	-1.2	-1.3	-6.3	-15.5	-9.6	-2.7	-39.6
<b>2009</b>	-2.7	-0.9	0.9	0.9	3.7	1.8	3.5	2.5	5.0	0.8	-2.3	0	13.6
<b>2010</b>	-1.2	2.8	2.4	1.5	0	3.0	1.5	0	4.0	3.8	7.4	3.1	32.0
<b>2011</b>	4.2	3.5	-0.8	3.6	3.7	-0.3	-1.8	-3.9	-0.9	0.0	-1.9	0.3	5.3

# Chairman's statement

Dear Shareholders

Despite continued turbulences in the financial markets Alpine Select had a good year. Excluding the pay-out to the shareholders and the adjustments for the share buy-back program, our net asset value (NAV) increased by 3.8% from CHF 14.86 to CHF 15.43. Throughout the year the shares traded near or at NAV. The share price increased during the reporting period by 5.3% from CHF 14.67 to CHF 15.45.

Absolute Private Equity, Absolute Invest and our CLO positions have been the best performers. During the year we launched a partial bid for Absolute Private Equity, which was not successful. As a consequence we submitted our entire stake to the bid of a third party and realized a substantial profit. Absolute Invest continued to implement its stated strategy throughout 2011 and hence made a significant contribution to our increased NAV. All of our CLO investments (Stone Tower, ING and Atrium) continued their pay-out during the year while at the same time the fair value increased by 17%. Together these were even outweighing the negative impact of our other holdings.

Schaffner Holding declined in value following general market trends while HBM Bioventures and AIRE closed the year almost unchanged. During the year we increased our holdings in HBM Bioventures on the back of the anticipated future development of their portfolio in conjunction with their stated strategy to deliver value back to their shareholders. The investment in BB Biotech was sold at a profit.

At the end of the reported period, long positions comprised of 10 positions or CHF 158.6 million of which our three core holdings (Absolute Invest, HBM Bioventures and Schaffner Holding) represent CHF 143.1 million or 90.2% of the total. Liquidity amounted to CHF 46.7 million at 31 December 2011. The group had no debt outstanding at year end.

In September 2011 Alpine launched a new share buy-back program for up to 10% of the outstanding shares, open until the Annual Shareholders' Meeting 2013. Until year-end 2011 the Company already repurchased 70'000 shares or 0.557% of the outstanding shares under this new program.

## Chairman's statement

Alpine proposes to its shareholders a dividend of CHF 1.00 per registered share as a payout from "reserves from capital contributions".

On behalf of the Board of Directors, I thank you for your continued trust and support.

A handwritten signature in black ink, appearing to read "D. Sauter", with a stylized, flowing script.

Daniel J. Sauter

Chairman of the Board of Directors

# Corporate governance

## **1. Group structure and shareholders**

### **1.1. Group business**

Alpine Select AG (the “Company” or “Alpine”) aims to achieve attractive absolute returns through investments in securities of Swiss and foreign corporations, taking advantage of particular corporate events or circumstances. Accordingly, the Company invested in a number of Swiss and foreign companies, which, in view of the manageable risk exposure, provided interesting investment opportunities.

### **1.2. Company and group structure**

Alpine, with registered offices at Bahnhofstrasse 23, Zug, Switzerland, is a joint stock company incorporated on 17 September 1997 under the laws of Switzerland and listed on the SIX Swiss Exchange.

Sumara AG, a joint stock company with registered offices at Bahnhofstrasse 23, Zug, Switzerland, is the only subsidiary of the Company. Alpine holds all its outstanding shares.

### **1.3. Significant shareholders**

The Company received three notifications of significant shareholders holding at least 3% of the Company’s outstanding shares in 2011: Fabrel AG reported falling below the 25% threshold as a consequence of having sold shares (published on 29 April 2011), Mr. Hans Hornbacher reported exceeding the 3% threshold as a consequence of having purchased shares (published on 11 June 2011) and Trinsic AG reported a change in the composition of the group around Trinsic AG (published on 14 December 2011). One of the beneficial owners of Trinsic AG is Daniel J. Sauter (see also section 3.2). The Company did not receive any further notifications in 2011.

Management transactions were regularly reported to the SIX Swiss Exchange and can be seen under: [http://www.six-exchange.com/obligations/disclosure/major\\_shareholders\\_de.html](http://www.six-exchange.com/obligations/disclosure/major_shareholders_de.html)



## Corporate governance

The following shareholders owned reportable amounts of shares :

	<b>31 Dec 2011</b>	<b>31 Dec 2010</b>
<b>Fabrel AG</b>		
Seestrasse 50, 6052 Hergiswil:		
- Number of shares (including 140 shares directly held by Hans Müller)	2'900'140	3'500'140
- Percentage	23.09%	26.36%
Beneficial owner of Fabrel AG is Hans Müller, 6052 Hergiswil		
<b>Trinsic AG</b>		
Artherstrasse 21, 6300 Zug:		
- Number of shares (including 100'000 shares directly held by the beneficial owners of Trinsic AG)	2'425'776	2'299'667
- Percentage	19.31%	17.32%
Beneficial owners of Trinsic AG are Daniel Sauter, 6300 Zug, Florian Sauter, 6340 Baar, Regina Sauter, 6300 Zug, Viktoria Sauter, 6300 Zug, and, partly indirect through Talpas AG, 7502 Bever, Michel Vukotic, 8706 Meilen, Corinne Vukotic, 8706 Meilen, Fabienne Vukotic, 8706 Meilen, and Aline Vukotic, 8706 Meilen.		
<b>Hans Hornbacher</b>		
3 Avenue de Grande-Bretagne, 98000 Monte-Carlo, Monaco:		
- Number of shares	415'637	–
- Percentage	3.31%	–

To the Company's best knowledge, there are no shareholder agreements in place. Resulting from the current share buy-back-program (see sections 2.4 and 2.5), the Company held at year-end 70'000 own shares, representing 0.557% of the share capital. Additional 311'261 shares were purchased until 29 February 2012 representing a total of 381'261 shares or 3.036% of the share capital. The program ends at the next Annual Shareholders' Meeting in 2012. The Board of Directors proposes to the Annual Shareholders' Meeting to extend the share buy-back-program until the Annual Shareholders' Meeting 2013 at which it intends to propose to the shareholders to cancel all re-purchased shares resulting in a reduction of the number of outstanding shares.

For information required under Art. 663c para. 3 Swiss Code of Obligations please see section 5.3 (Share ownership of members of the Board of Directors and Management).

# Corporate governance

## **1.4. Cross-Shareholdings**

There are no cross-shareholdings.

## **2. Capital structure**

### **2.1. Share capital**

As of 31 December 2011, the share capital of the Company amounts to CHF 251'184.30 and is divided into 12'559'215 registered shares with a nominal value of CHF 0.02 each. The share capital is fully paid-in. Each registered share carries one voting right.

The shares are listed on the SIX Swiss Exchange and are traded in Swiss Francs (symbol: ALPN; SSN: 1.919.955; ISIN: CH 0019199550). As per 31 December 2011, Alpine's market capitalization was, after adjustments for the current share buy-back program, CHF 193 million.

As of 31 December 2011, the share capital of Sumara AG, Zug amounts to CHF 1'306'230.00 and is divided into 1'306'230 bearer shares with a nominal value of CHF 1.00 each. The share capital is fully paid-in. Sumara AG, Zug is a fully owned subsidiary of Alpine.

### **2.2. Authorized share capital**

There is no authorized share capital.

### **2.3. Conditional share capital**

As of 31 December 2011, the Company's Articles of Association foresee that the share capital may be increased by an amount not exceeding CHF 125'592.14 through the issuance of a maximum of 6'279'607 registered shares to be fully paid-in with a nominal value of CHF 0.02 each through the exercise of conversion and/or option rights in connection with bonds or similar instruments issued by the Company or by its subsidiary and/or through the exercise of option rights granted to shareholders.

The respective owners of option and/or conversion rights are entitled to subscribe the new shares. Actual shareholders' subscription rights on such new shares are excluded. The Board of Directors determines the conditions of the option and/or conversion rights.

The Board of Directors is authorized to restrict or exclude the shareholders' pre-emption rights on the issue of bonds or similar instruments connected to option and/or conversion rights if these bonds are served to finance or refinance the acquisition of enterprises, parts of enterprises or participations in companies or new investments. If pre-emption rights are

# Corporate governance

excluded by a resolution of the Board of Directors, then (1) the bonds or similar instruments shall be issued at the respective market conditions and new shares shall be issued at the respective conditions of the option and/or conversion rights; (2) the exercise period shall not exceed ten years for conversion rights and five years for option rights from the respective date of issuance; (3) the price of the conversion or the option rights or their calculation procedure shall be determined at market conditions; with respect to the shares of the Company, they shall derive from the stock market price.

The acquisition of shares through the exercise of option and/or conversion rights as well as each following assignment of the shares is restricted by Art. 6 of the Articles of Association.

## **2.4. Changes in share capital**

At the Annual Shareholders' Meeting held on 28 April 2008 the shareholders entitled the Board of Directors to start a share buy-back-program to re-purchase shares to a maximum of 20% of the outstanding share capital which was CHF 317'282.88 as per 31 December 2007. In 2008, the Company acquired 2'051'917 treasury shares with a nominal value of CHF 0.02 each, corresponding to 12.93% of the share capital, via a second trading line at the SIX Swiss Exchange. In 2009 another 533'780 shares were acquired under this program. As announced on 17 February 2009, the share buy-back-program was terminated as per 31 March 2009 after a total of 2'585'697 shares or 16.30% of the outstanding share capital had been re-purchased.

The Board of Directors proposed to the shareholders at the Annual Shareholders' Meeting on 30 April 2009 to reduce the share capital from CHF 317'282.88 to CHF 265'568.94 by cancelling 2'585'697 shares with a nominal value of CHF 0.02 each and to adjust Art. 4 of the Articles of Association of the Company accordingly. The capital decrease was effective in the Commercial Register of the Canton of Zug as per 15 July 2009.

At the Annual Shareholders' Meeting held on 30 April 2009, the shareholders entitled the Board of Directors to start a new share buy-back-program under which shares up to a maximum of 10% of the outstanding share capital could be re-purchased. The program was started on 27 July 2009 with a duration until the next Annual Shareholders' Meeting on 29 April 2010. An extension of one year was approved by the Annual Shareholders' Meeting 2010. As per 31 December 2010, the Company had acquired 663'232 treasury shares with a nominal value of CHF 0.02 each, corresponding to 4.995% of the share capital, via the second trading line at the SIX Swiss Exchange. Further purchases of 56'000 shares took place in 2011. As announced on 18 January 2011, the share re-purchase program was terminated as per 4 March 2011 with a total of 719'232 shares re-purchased.

# Corporate governance

The Board of Directors proposed to the shareholders at the Annual Shareholders' Meeting on 18 April 2011 to terminate the current share buy-back-program and to reduce the share capital from CHF 265'568.94 to CHF 251'184.30 by the cancellation of 719'232 treasury shares with a nominal value of CHF 0.02 each and to change Art. 4 of the Articles of Association of the Company accordingly. The capital decrease was effective in the Commercial Register of the Canton of Zug as per 30 June 2011. A total of 12'559'215 shares are outstanding since.

All figures in this report as well as historic figures have been adjusted for these capital decreases.

## **2.5. Treasury shares**

At the Annual Shareholders' Meeting held on 18 April 2011, the shareholders entitled the Board of Directors to start a new share buy-back-program to re-purchase shares up to a maximum of 10% of the outstanding share capital. The program was started on 27 September 2011 with a duration until the next Annual Shareholders' Meeting. The Board of Directors proposes to the Annual Shareholders' Meeting on 18 April 2012 to extend this program for one year until the Annual Shareholders' Meeting 2013.

Resulting from the current share buy-back-program (see sections 2.4 and 2.5), the Company held at year-end 70'000 own shares, representing 0.557% of the share capital. Additional 311'261 shares were purchased until 29 February 2012 representing a total of 381'261 shares or 3.036% of the share capital. The program ends at the next Annual Shareholders' Meeting in 2012. The Board of Directors proposes to the Annual Shareholders' Meeting to extend the share buy-back-program until the Annual Shareholders' Meeting 2013 at which it intends to propose to the shareholders to cancel all repurchased shares, resulting in a reduction of the number of outstanding shares.

## **2.6. Shares and participation certificates**

The Company's share capital as per 31 December 2011 amounts to CHF 251'184.30 and consists of 12'559'215 registered shares with a nominal value of CHF 0.02 each. There are no preferential rights or similar rights. Each share carries one vote and has full dividend rights. There are no voting right restrictions and each shareholder can exercise his voting rights at the shareholders' meetings (see section 2.8 on Nominees). There are no participation certificates.

# Corporate governance

## **2.7. Profit sharing certificates**

There are no profit sharing certificates outstanding.

## **2.8. Limitation on share transferability and nominee registration**

Registered shareholders are those recognized as such by a corresponding entry in the Company's share register. Holders of shares shall be entitled, upon application, to be entered as registered shareholders with full voting rights as long as they explicitly declare that the shares were acquired for their own account (Art. 6 para. 2 of the Articles of Association).

In accordance with Art. 6 para. 3 of the Articles of Association, persons who do not declare in their application to hold the shares for their own account ("Nominees") will be registered in the Company's register with voting rights up to 9% of the share capital as registered in the Register of Commerce. Nominees who are bound by capital, voting power, management or in another manner or who coordinate their actions by agreement, union or in any other manner in order to elude the transfer restrictions are to be considered as one Nominee when applying this provision. Beyond this limitation, Nominees shall be registered as shareholders with voting rights only if the respective Nominee discloses name, address, nationality and shareholdings of the persons for the account of whom he holds 1% or more of the share capital as registered in the Register of Commerce (Art. 6 para. 4 of the Articles of Association).

With the reservation of Art. 653c para. 3 of the Swiss Code of Obligations, these restrictions apply to the acquisition of registered shares by exercising subscription, option as well as conversion rights (Art. 6 para. 7 of the Articles of Association). The alleviation or withdrawal of restrictions upon the transfer of registered shares requires a resolution of the Shareholders' Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares' nominal value.

## **2.9. Convertible bonds and warrants**

The Company does not have convertible bonds and/or warrants outstanding.

## **2.10. Share certificates**

Subject to Art. 5 para. 2 of the Articles of Association, the registered shares of the Company are arranged as book-entry securities (in the sense of the Swiss Code of Obligations) and intermediated securities (in the sense of the Swiss Federal Act on Intermediated Securities).

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After having been registered in the share register, the shareholder may at all times require certificates for his registered shares; however, he has no right to have the certificates for his registered shares printed and delivered. On the other side, the Company may decide, at any time, to print and deliver deeds for the registered shares (single deeds, certificates or global deeds). It may recall from the respective safe keeping system registered shares which are arranged as intermediated securities. Subject to the prior consent of the shareholders, the Company may cancel issued deeds which are deposited with it without substitution.

## **3. Board of Directors**

The duties of the Board of Directors of the Company and its subsidiary Sumara AG, Zug, are defined in the Swiss Code of Obligations, the Articles of Association and the Organizational Rules of the Company.

### **3.1. Members of the Board of Directors**

The members of the Board of Directors are:

Daniel J. Sauter

Born 1957, executive member, Chairman (since 1 January 2004), Swiss, term of office: 2001/2012

From 1976 to 1983, Daniel J. Sauter held various positions in Swiss banks, including Bank Leu AG, Zurich, from 1983 to 1998 he was Senior Partner and CFO of Glencore International AG, Baar, and from 1994 to 2001 CEO and Managing Director of Xstrata AG, Zug. Daniel J. Sauter is a graduate from the Swiss Banking School and holds a "Swiss Banking Diploma".

Hans Müller

Born 1947, non-executive member, Swiss, term of office: 2006/2012

Hans Müller held various positions in the Swiss machine industry from 1978 to 1996. Since 1997 he is Chairman and Managing Director of Fabrel AG, Hergiswil. Fabrel AG (beneficial owner is Hans Müller) is a significant shareholder of the Company. Hans Müller has over thirty years of experience in portfolio management and is member of the Board of Directors of various privately held companies. He holds a degree from the University of St. Gallen (lic. oec. HSG).

# Corporate governance

Walter Geering

Born 1943, executive member, Swiss, term of office: 2007/2012

From 1959 to 1994 he held different positions with banks in Switzerland and abroad, including 12 years in the general management of Swiss Volksbank and then served as CEO of LBBW Schweiz AG, a subsidiary of the Landesbank Baden-Württemberg AG from 1995 to 2006. Walter Geering is a financial analyst and has a management degree from the University of Zurich (MBA).

Daniel J. Sauter and Walter Geering as executive members of the Board of Directors will hereafter be referred to as the Management.

The non-executive member of the Board of Directors, Hans Müller, was not a member of the management of Alpine or Sumara AG, Zug in the last four business years and no significant business relationships exist between him and the Company or Sumara AG, Zug.

## **3.2. Other activities**

Daniel J. Sauter is a board member of Sika AG, Baar, Sulzer AG, Winterthur (until AGM 2012), Julius Baer Group AG, Zurich, Model Holding AG, Weinfelden and chairman of Trinsic AG, Zug.

Hans Müller is chairman and managing director of Fabrel AG, Hergiswil.

Walter Geering is member of the Board of Directors of Tiberius Asset Management AG, Zug as well as of one of its subsidiaries.

Members of the Board of Directors are currently not involved in permanent management consultancy functions for important Swiss or foreign interest groups. They are not in charge of or hold any official function or political assignment.

## **3.3. Election and term of office**

The members of the Board of Directors are elected by the Annual Shareholders' Meeting. Each member is elected individually for a period of one year and can be re-elected. The Board of Directors constitutes itself. It appoints its Chairman and a secretary who does not need to be a member of the Board of Directors.

In accordance with Art. 13 of the Articles of Association the Board of Directors comprises of a minimum of three and a maximum of nine members.

# Corporate governance

## **3.4. Internal organizational structure, delegated authorities and management board**

Daniel J. Sauter is the executive Chairman of the Board of Directors. The Board of Directors has not established any committees. The nature of the Company's business dictates that the Board of Directors takes an active role in defining the Company's investment strategy whilst delegating management and control tasks to the Company's Management. A formalized internal control system is in place since November 2007. Accounting functions and some administrative tasks have been outsourced to third parties who supply the Board of Directors with weekly and quarterly reports and adhere to the internal control system. The Board of Directors convenes at least three times a year. During 2011 the Board of Directors convened three times. Meetings normally last half a day.

## **3.5. Areas of responsibility**

The Board of Directors assumes the responsibilities as stipulated in Art. 716 et seq. of the Swiss Code of Obligations. The primary functions of the Board of Directors, as specified in the Company's Organizational Rules and Investment Guidelines, are:

- to ultimately direct the Company and to issue the necessary directives and, in particular, to develop Company strategies;
- to discuss and review investment opportunities proposed by the Management and to take investment decisions;
- to establish organizational policies, in particular to issue and amend the Organizational Rules;
- to organize the accounting, the financial control and the financial planning;
- to appoint and recall the persons entrusted with the management and representation of the Company and to grant signatory power;
- to ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law, the Company's Articles of Association, regulations and directives;
- to prepare the business report as well as the Shareholders' Meeting and to implement the resolutions;
- to inform the judge in the event of over-indebtedness;
- to pass resolutions regarding the subsequent payment of capital with respect to not fully paid-in shares; to pass resolutions regarding increases in share capital as far as they are within the competence of the Board of Directors (Art. 651 para. 4



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Swiss Code of Obligations) as well as the adoption of capital increases and the amendments to the Articles of Association entailed therewith;

- to verify the professional qualifications of the specially qualified auditors.

The Board of Directors delegates the management of the Company entirely to the Company's Management unless otherwise provided by law. The Company's Articles of Association and the Organizational Rules are published on the Company's Web Site ([www.alpine-select.ch/profile.html](http://www.alpine-select.ch/profile.html)).

## **3.6. Information and control instruments**

A formalized internal control system is in place to monitor the major work processes and risks on a monthly basis. The internal control system is supervised by the Board of Directors and supports the Management to follow pre-defined processes and evaluate corporate and process risks, their likelihood and prospective development.

The Board of Directors receives a NAV calculation and details for the valuation of specific assets on a weekly basis. In order to control and review the functioning of and the compliance with the internal control system as well as the Company's general activities, the Chairman of the Board of Directors meets monthly with the Chief Executive Officer to discuss issues at hand, identify and discuss risks and possible remedies and work through a checklist to e.g. ensure processes are followed, payments are made, dividends are collected, risks are weighted etc.

Since 1 January 2011, investment companies have to identify shareholders that exceed the 3% reporting threshold according to Art. 20 SESTO. On 11 November 2011 Alpine became a member of the Swiss Association of Investment Companies (SVIG), a self-regulatory organization for the indirect supervision of financial intermediaries in the fight against money laundering and terrorist financing. Alpine will timely introduce additional processes and control instruments in accordance with their guidelines.

## **4. Management**

### **4.1. Members of Management**

The Management of the Company and its subsidiary Sumara AG, Zug, consists of:

Daniel J. Sauter

Daniel J. Sauter acts as the executive Chairman of the Company since January 2004. For further information see section 3.1.

# Corporate governance

Walter Geering

Walter Geering is the Chief Executive Officer of the Company. For further information see section 3.1.

## **4.2. Other activities and interests**

See section 3.2 for Daniel J. Sauter and Walter Geering.

Members of the Management are currently not involved in permanent management consultancy functions for significant Swiss and foreign interest groups. They are not in charge of any official function or political assignment.

## **4.3. Management contracts**

Neither management contracts nor agreements of a similar nature exist.

## **5. Compensation, shareholdings and loans**

### **5.1. Content and method to determine the compensation**

In accordance with Art. 17 of the Articles of Association, the members of the Board of Directors and the Management are entitled to an annual compensation as determined by the Board of Directors and to be reimbursed for any out of pocket expenses they incur on behalf of the Company. In 2009, the Board of Directors decided that from 1 January 2010 onwards neither a bonus nor other variable compensation will be granted to members of the Board of Directors or the Management.

The annual compensation has no performance-related or other variable component and the compensation for all members of the Board of Directors and the Management is rendered in the form of a fixed cash payment determined by the Board of Directors. There are no management incentive schemes of any nature or that foresee the issuance of shares or share options.

Each member of the Board of Directors receives a fixed annual compensation of CHF 25'000 per business year for the exercise of the duties as member of the Board of Directors. This compensation is paid out in cash and the payment is made after the Annual Shareholders' Meeting. However, Members of the Board of Directors who are employed by the Company – Daniel J. Sauter and Walter Geering as members of the Management – are remunerated only on the basis of their employment agreements. Their remuneration under the employment agreements was initially determined by the Board of Directors at its full discretion and is based on a full time equivalent. Therefore the paid out cash

# Corporate governance

remuneration for every member of the Management depends on the workload and assignments of the respective member of the Management during the business year.

The compensation paid in 2010 and 2011 is listed in section 5.7 below.

## **5.2. Allocation of shares**

In 2011 no shares were allocated to members of the Board of Directors, the Management or parties closely linked to such persons.

## **5.3. Share ownership of members of the Board of Directors and Management**

As of 31 December 2011, Daniel J. Sauter and parties closely linked to him held directly and indirectly an aggregate of 2'425'776 shares in the Company. The non-executive member of the Board of Directors, Hans Müller and parties closely linked to him, held 2'900'140 shares. All transactions were disclosed as management transactions to the SIX Swiss Exchange.

## **5.4. Options**

No options have been issued.

## **5.5. Additional fees and remuneration**

In 2011 a commitment fee of CHF 200'000 was paid to Fabrel AG, Hergiswil, whose beneficial owner is Hans Müller, in connection with a temporary standby creditline granted to Alpine.

No other additional fees and remunerations have been paid to members of the Board of Directors or Management.

## **5.6. Loans to members of the Board of Directors and Management**

No loans have been granted to members of the Board of Directors and Management or parties closely linked to such persons.

## **5.7. Compensation**

For the method of determining the compensation of the members of the Board of Directors and the Management, see section 5.1 above.

Neither share nor stock option plans exist.

# Corporate governance

The following table shows the compensation of the members of the Board of Directors:

in CHF	2011	2010
Daniel Sauter, executive member, Chairman	181'128	101'306
Hans Müller, member <sup>1)</sup>	27'000	26'900
Walter Geering, executive member	178'680	182'620
<b>Total</b>	<b>386'808</b>	<b>310'826</b>

<sup>1)</sup> Including 8% resp. 7.6% value added tax

The increase of the total compensation from CHF 310'826 in 2010 to CHF 386'808 in 2011 is the result of a larger workload of the Management in 2011, especially due to Alpine's partial bid for Absolut Private Equity AG shares.

## 6. Shareholders' participation rights

### 6.1. Voting right restrictions

There are no voting right restrictions (see section 2.8 on Nominees).

### 6.2. Statutory quorums

The General Meeting of the Shareholders passes its resolutions and carries out its elections with an absolute majority of the share votes represented except to the extent legal or statutory provisions provide otherwise.

A resolution of the Shareholders' Meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented nominal value of the shares is required for:

- the cases listed in Art. 704 para. 1 Swiss Code of Obligations;
- the alleviation or withdrawal of restrictions upon the transfer of registered shares;
- the conversion of registered shares into bearer shares;
- the dissolution of the Company followed by the liquidation;
- the recall of the members of the Board of Directors according to Art. 705 para. 1 Swiss Code of Obligations;
- the amendment of Art. 13 of the Articles of Association concerning election and term of office of the members of the Board of Directors;

# Corporate governance

- the removal from the Articles of Association of increased requirements for resolutions of the Shareholder's Meeting, especially those of Art. 12 of the Articles of Association.

## **6.3. Convening of Shareholders' Meetings**

In addition to the legal provisions, the following rules are set forth in Art. 8 para. 3 and Art. 9 para. 2 of the Articles of Association:

- Extraordinary Shareholders' Meetings shall be convened by the Board of Directors within 60 days after shareholders representing at least 10% of the share capital request such meeting in writing, setting forth the items to be discussed and the proposals to be decided upon;
- The Shareholders' Meeting shall be convened by mail to the shareholders and usufructuaries at least 20 days prior to the meeting day. The convening letter shall state the day, time and place of the meeting, the agenda, the proposals of the Board of Directors, the proposal of the shareholders who have requested the Shareholders' Meeting or that an item to be included on the agenda.

## **6.4. Items on the agenda**

Shareholders representing at least 10% of the share capital may request that items be included in the agenda of a Shareholders' Meeting. Such requests must be filed in writing setting forth the items to be discussed and the proposals to be decided upon, at least 45 days prior to the respective Shareholders' Meeting.

## **6.5. Registration in the shareholders' register**

The deadline for the inscription of registered shareholders into the share register in view of their participation in the Shareholders' Meeting is established every year by the Board of Directors. It is usually settled about 15 days before the Shareholders' Meeting. No exception will be granted.

## **7. Changes in control and defensive measures**

### **7.1. Mandatory offer**

There is no statutory opting out or opting up (see also Art. 6 para. 8 of the Articles of Association).

# Corporate governance

## **7.2. Change of control clause**

There exist no agreements or statutory requirements which could affect or influence a change in control of the Company. In particular, no special agreement exists that provides any benefit to the members of the Board of Directors or the Management of the Company as a consequence of a takeover (change of control clauses).

## **8. Auditors**

### **8.1. Duration of mandate and term of office**

On 29 April 2010, the Annual Shareholders' Meeting elected KPMG AG, Zurich as the new auditors for a term of one year. KPMG AG audited the financial statements of 2010 according to Art. 18 of the Articles of Association and was re-elected for a further one year term at the Annual Shareholders' Meeting 2011. Marc Ziegler is the auditor in charge for Alpine and its subsidiary since KPMG AG's election in 2010.

As member of the Swiss Association of Investment Companies (SVIG) – a self-regulatory organization for the indirect supervision of financial intermediaries in the fight against money laundering and terrorist financing – Alpine will timely introduce processes and control instruments in accordance with their guidelines (see section 3.6). The external auditors will audit the functioning of these control instruments the first time in 2013.

### **8.2. Audit fees**

For the year 2011 audit fees amounted to CHF 63'904 (2010: CHF 76'543).

### **8.3. Additional fees**

An amount of CHF 4'320 was paid to KPMG AG, Zurich in connection with the audit and the reporting regarding the reduction of the share capital (cancellation of treasury shares) during the year ended 31 December 2011. In 2011 and 2010 no other fees were paid to KPMG AG, Zurich for services rendered other than reported in section 8.2 and 8.3.

### **8.4. Surveillance and control instruments**

The work of external auditors and their independence is assessed and examined by the Chairman of the Board of Directors and the Chief Executive Officer in a planning meeting with the auditors as well as in meetings during the audit and in a post audit meeting. The

# Corporate governance

quality, know-how, cost-consciousness and timely reports are major factors in the assessment of the auditors' work. Their written reports, findings and suggestions are discussed in detail at the meetings of the Board of Directors. Regular meetings between members of the Board of Directors and the auditors take place. In 2011 three such meetings took place.

## **9. Information policy**

The Company maintains a transparent and pertinent information policy and complies with the ad-hoc publicity guidelines.

Shareholders are regularly informed through the following means:

- The annual report, published in English. In accordance with legal requirements, the report is published at least 20 days before the Annual Shareholders' Meeting. A copy of the report is posted to all shareholders registered in the share register upon their request;
- The semi-annual report, published in English;
- Quarterly reports, published in English;
- Monthly reports, published in English;
- Weekly net asset value reports;
- Ad-hoc releases, as required.

Information is disclosed through:

- Reuters: ALPN.S;
- Bloomberg: ALPN SW EQUITY;
- Finanz und Wirtschaft, Zurich;
- Internet: [www.alpine-select.ch/news](http://www.alpine-select.ch/news), RSS or E-Mail.

The corporate calendar is published on the company's website under:

[www.alpine-select.ch/corporatecalendar.html](http://www.alpine-select.ch/corporatecalendar.html)

# Consolidated financial statements

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER</b>			
<b>in TCHF</b>	Notes	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		46'732	20'782
Financial assets at fair value through profit or loss - trading	6	2'082	4'479
Other current assets	7	185	15'833
<b>Total current assets</b>		<b>48'999</b>	<b>41'094</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss - trading	6	158'565	170'741
Furniture and equipment		7	13
<b>Total non-current assets</b>		<b>158'572</b>	<b>170'754</b>
<b>TOTAL ASSETS</b>		<b>207'571</b>	<b>211'848</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss - trading	6	12'989	1
Current income tax liabilities	13	1'150	0
Accounts payable and accrued liabilities		178	175
<b>Total current liabilities</b>		<b>14'317</b>	<b>176</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	8	503	688
<b>Total non-current liabilities</b>		<b>503</b>	<b>688</b>
<b>Shareholders' equity</b>			
Share capital	9	251	266
Additional paid-in capital		80'998	115'597
Treasury shares	9	(1'100)	(8'515)
Retained earnings		112'602	103'636
<b>Total shareholders' equity</b>		<b>192'751</b>	<b>210'984</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>207'571</b>	<b>211'848</b>



# Consolidated financial statements

<b>CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER</b>			
<b>in TCHF</b>	Notes	<b>2011</b>	<b>2010</b>
<b>OPERATING INCOME</b>			
Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading	10	801	52'160
Dividend income		10'424	1'579
Interest income from financial assets		957	1'972
Other income		424	15
Foreign exchange (losses) / gains on cash and cash equivalents, net		(395)	226
<b>Total operating income</b>		<b>12'211</b>	<b>55'952</b>
<b>OPERATING EXPENSES</b>			
General and administrative expenses	11	(1'256)	(963)
Commissions and other bank fees		(989)	(1'115)
Interest expense on bank overdrafts		(27)	(4)
Depreciation on furniture and equipment		(6)	(7)
<b>Total operating expenses</b>		<b>(2'278)</b>	<b>(2'089)</b>
<b>Profit before tax</b>		<b>9'933</b>	<b>53'863</b>
Income tax	8/13	(967)	(691)
<b>Profit for the year</b>		<b>8'966</b>	<b>53'172</b>
Other comprehensive income for the year, net of tax		0	0
<b>Total comprehensive income for the year</b>		<b>8'966</b>	<b>53'172</b>
Profit per share in CHF (basic and diluted)	14	0.71	4.18

# Consolidated financial statements

<b>CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER</b>			
<b>in TCHF</b>	Notes	<b>2011</b>	<b>2010</b>
<b>Cash flows from operating activities</b>			
Net profit before tax		9'933	53'863
Adjustments for:			
- Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading		(801)	(52'160)
- Dividend income		(10'424)	(1'579)
- Interest income		(957)	(1'972)
- Interest expense		27	4
- Depreciation on furniture and equipment		6	7
- Foreign exchange losses / (gains) on cash and cash equivalents, net		395	(226)
- Other non-cash expense		0	48
Withholding taxes received		15'722	18'448
Increase in other current assets		(8)	(13)
Increase (Decrease) in accounts payable and accrued liabilities		3	(107)
Dividends received	6	10'424	1'579
Interest received		891	1'486
Interest paid		(27)	(4)
Income taxes paid		0	0
<b>Net cash inflow from operating activities</b>		<b>25'184</b>	<b>19'374</b>
<b>Cash flows from investing activities</b>			
Purchases of financial assets at fair value through profit or loss - trading	6	(153'397)	(128'393)
Proceeds from sale of financial assets at fair value through profit or loss - trading	6	168'467	114'188
Proceeds from short sale of financial liabilities at fair value through profit or loss - trading	6	91	117
Net cash inflow from currency forwards	6	13'201	5'000
<b>Net cash inflow (outflow) from investing activities</b>		<b>28'362</b>	<b>(9'088)</b>
<b>Cash flows from financing activities</b>			
Purchase of treasury shares, incl. transaction costs	9	(2'083)	(4'558)
Dividend paid to shareholders		(25'118)	0
<b>Net cash outflow from financing activities</b>		<b>(27'201)</b>	<b>(4'558)</b>
Effect of exchange rate changes on cash and cash equivalents		(395)	226
<b>Net increase in cash and cash equivalents</b>		<b>25'950</b>	<b>5'954</b>
Cash and cash equivalents at beginning of year		20'782	14'828
<b>Cash and cash equivalents at end of year</b>		<b>46'732</b>	<b>20'782</b>
Cash and cash equivalents consist of:			
Current accounts at banks		46'732	20'782
<b>Cash and cash equivalents as defined for the consolidated statement of cash flows</b>		<b>46'732</b>	<b>20'782</b>

# Consolidated financial statements

<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>					
<b>in TCHF</b>	Share capital	Additional paid-in capital	Treasury shares	Retained earnings	Total
<b>Balance at 1 January 2010</b>	<b>266</b>	<b>115'597</b>	<b>(3'960)</b>	<b>50'464</b>	<b>162'367</b>
Profit for the year				53'172	53'172
Other comprehensive income for the year					0
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>53'172</b>	<b>53'172</b>
Purchase of treasury shares under program 2 (Note 9)			(4'558)		(4'558)
Income tax on transaction costs included in "Purchase of treasury shares under program 2" (Note 9)			3		3
<b>Total contributions by and distributions to owners of the Company</b>	<b>0</b>	<b>0</b>	<b>(4'555)</b>	<b>0</b>	<b>(4'555)</b>
<b>Balance at 31 December 2010</b>	<b>266</b>	<b>115'597</b>	<b>(8'515)</b>	<b>103'636</b>	<b>210'984</b>
Profit for the year				8'966	8'966
Other comprehensive income for the year					0
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>8'966</b>	<b>8'966</b>
Purchase of treasury shares under program 2 (Note 9)			(981)		(981)
Cancellation of treasury shares (Note 9)	(15)	(9'481)	9'496		0
Dividend paid to shareholders <sup>*)</sup>		(25'118)			(25'118)
Purchase of treasury shares under program 3 (Note 9)			(1'102)		(1'102)
Income tax on transaction costs included in "Purchase of treasury shares under program 3" (Note 9)			2		2
<b>Total contributions by and distributions to owners of the Company</b>	<b>(15)</b>	<b>(34'599)</b>	<b>7'415</b>	<b>0</b>	<b>(27'199)</b>
<b>Balance at 31 December 2011</b>	<b>251</b>	<b>80'998</b>	<b>(1'100)</b>	<b>112'602</b>	<b>192'751</b>

<sup>\*)</sup> The Annual Shareholder's Meeting held on 18 April 2011 decided to pay the dividend out of the capital contribution reserves

# Notes to the consolidated financial statements

## **1. Corporate information**

Alpine Select AG (the "Company", "Alpine" and together with its subsidiary Sumara AG, the "Group") is a limited liability company incorporated on 17 September 1997 under the laws of Switzerland. The Company has its registered office at Bahnhofstrasse 23 in Zug (Switzerland).

The Company's purpose is to invest in securities of any form of Swiss or foreign corporations taking advantage of particular corporate circumstances. As of 31 December 2011, the Company has three employees all working part-time.

## **2. Accounting policies**

### **2.1. Basis of presentation of the consolidated financial statements**

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS"), Swiss law and the special provisions for investment companies according to the Listing Rules and the Directive of Financial Reporting of the SIX Swiss Exchange and are presented in Swiss Francs (CHF) / thousands of Swiss Francs.

The consolidated financial statements have been prepared under the historical cost basis except for financial assets and financial liabilities at fair value through profit or loss and all derivative instruments which are recorded at fair value. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

### **2.2. Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended Standards and Interpretations issued for financial years beginning on or after 1 January 2011.

- IAS 24: Related Party Disclosures - Amendment (effective 1 January 2011);
- IAS 32: Financial Instruments: Presentation: Classification of Rights issued - Amendment (effective 1 February 2010);
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement - Amendment (effective 1 January 2011);

# Notes to the consolidated financial statements

- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010);
- Various: Annual improvements to IFRS (May 2010) – Omnibus Change to many Standards (mostly effective 1 July 2010 and 1 January 2011);

The adoption of the new and revised/amended standards and interpretations during the year 2011 did not have any effect on the consolidated financial statements or the performance of the Group.

In 2012, the Group will adopt the following revised standards:

- IFRS 7: Financial Instruments: Disclosures: Transfers of Financial Assets - Amendment (effective 1 July 2011);
- IAS 12: Income Taxes: Deferred Tax: Recovery of Underlying Assets - Amendment (effective 1 January 2012);

The Group has not yet determined the potential effects of these revised/amended standards on the consolidated financial statements and the performance of the Group.

In 2013, the Group will adopt the following new and revised standards:

- IFRS 7: Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities - Amendment (effective 1 January 2013);
- IFRS 10: Consolidated Financial Statements (effective 1 January 2013);
- IFRS 11: Joint Arrangements (effective 1 January 2013);
- IFRS 12: Disclosure of Interests in Other Entities (effective 1 January 2013);
- IFRS 13: Fair Value Measurement (effective 1 January 2013);
- IAS 1: Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income - Amendment (effective 1 July 2012);
- IAS 19: Employee Benefits – Amendment (effective 1 January 2013);
- IAS 27: Separate Financial Statements (effective 1 January 2013);
- IAS 28: Investments in Associates and Joint Ventures (effective 1 January 2013);

The Group has not yet determined the potential effects of these new and revised/amended standards on the consolidated financial statements and the performance of the Group.

# Notes to the consolidated financial statements

In 2014, the Group will adopt the following new standard:

- IAS 32: Financial Instruments: Offsetting Financial Assets and Financial Liabilities - Amendment (effective 1 January 2014);

The Group has not yet determined the potential effects of this amended standard on the consolidated financial statements and the performance of the Group.

In 2015, the Group will adopt the following new standard:

- IFRS 9: Financial Instruments and related amendments to IFRS 7 regarding transition (effective 1 January 2015);

The Group has not yet determined the potential effects of this new standard on the consolidated financial statements and the performance of the Group.

## 2.3. Foreign currencies

Foreign currency transactions are recorded at the rate of exchange prevailing at the date of the transaction. On the reporting date monetary assets and liabilities denominated in foreign currencies are translated into Swiss Francs at the exchange rates prevailing at that date. The resulting exchange gains and losses are included in profit or loss. The exchange rate difference resulting from foreign currency positions within "Cash and cash equivalents" is disclosed separately in profit or loss. Other exchange rate differences are included in "Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading" (see also Note 10).

The following exchange rates have been applied:

		2011	2010
<b>USD/CHF</b>			
Balance sheet	End of year rate	0.9351	0.9321
<b>EUR/CHF</b>			
Balance sheet	End of year rate	1.2139	1.2505

# Notes to the consolidated financial statements

## **2.4. Financial assets and financial liabilities at fair value through profit or loss**

Financial assets at fair value through profit or loss may comprise equity investments, bonds, collective investment schemes, futures, options, warrants, swaps as well as currency forward contracts. Financial liabilities at fair value through profit or loss mainly include futures and options sold short as well as currency forward contracts. For the positions at year-end we refer to the investment table under Note 6.

Financial assets and financial liabilities at fair value through profit or loss are initially recorded at their fair value (corresponding to their cost) and are subsequently measured at their fair value. Transactions are recognized on the trade date.

The fair value of investments that are traded in an organized financial market is determined by reference to quoted market prices at the close of business on the statement of financial position date.

In estimating the fair value of securities for which no market quotation is available, the Group considers all appropriate and applicable factors relevant to their value, including but not limited to the following: net asset value, results of operations, multiples and discounted cash flow analysis, comparable transactions. The fair values so determined may differ from the values that are actually realized upon the sale of the investments.

All realized and unrealized gains and losses including foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized in profit or loss. The realized and unrealized gains and losses are calculated based on the weighted average cost formula.

## **2.5. Cash and cash equivalents**

Cash and cash equivalents include cash at banks and short-term deposits with an original maturity of up to three months.

## **2.6. Furniture and equipment**

Furniture and equipment is measured at the acquisition cost less accumulated depreciation and accumulated impairment losses. A straight-line method of depreciation is applied through the estimated useful life of 8 years for furniture and equipment.

# Notes to the consolidated financial statements

## **2.7. Dividend income**

Dividend income is recognized in profit or loss on the date the Company's right to receive payments is established and recorded net of withholding tax when applicable. For quoted equity securities the date usually equals the ex-dividend date.

## **2.8. Income taxes**

Alpine Select AG and Sumara AG have the status of a holding company in the Canton of Zug and as such benefit from the participation exemption at federal level on income from dividends, stock dividends and capital gains and from the complete exemption at cantonal and communal level. For federal tax purposes, the Companies are subject to income tax at a rate of 7.84% (based on the profit before tax) on income which does not qualify for the participation exemption.

## **3. Subsidiaries**

Since 2005 the Company holds a 100% interest in Sumara AG, Zug. The consolidated financial statements include the financial statements of Alpine Select AG and Sumara AG. The financial statements of Sumara AG are prepared for the same reporting year as the parent company Alpine Select AG, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

## **4. Operating segments**

IFRS 8 requires entities to define operating segments and segment performance in the financial statements based on information used by the "Chief operating decision-maker". The Board of Directors is considered to be the "Chief operating decision-maker". An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other operating segments. The Group invests in securities, quoted or non-quoted, of Swiss and foreign corporations, taking advantage of significant transactional events such as spin-offs, acquisitions, mergers, carve-outs and recapitalizations.

The investment strategy and the Group's performance are evaluated on an overall basis and are not based on specific markets or industries. Thus the Group operates as one segment.



# Notes to the consolidated financial statements

## 5. Financial risk management

The Group maintains various positions of derivative and non-derivative financial instruments in accordance with the Group's investment policy. The investment policy of the Group allows investing in securities, quoted or non-quoted, of Swiss and foreign corporations, taking advantage of significant transactional events such as spin-offs, acquisitions, mergers, carve-outs and recapitalizations. The Group will actively pursue investment opportunities in which it believes its involvement will become a success factor for the investee and the Group.

The Group's investment portfolio mainly comprises quoted securities. Its investments are denominated in Swiss Francs, US Dollar and Euro. The investments held in foreign currencies may expose the Group in a certain degree to a currency exposure risk. To manage the foreign currency risk the Group uses foreign currency forward contracts.

The Group's investment policy and activities involve exposure to various market and price risks and degrees thereof. The Group manages and limits these risks by diversification among markets, instruments and investments as well as through the use of trading limits. The Group's portfolio is reviewed and managed on a daily basis. Based on the SIX Swiss Exchange requirements for investment Companies the Group calculates and publishes the net asset value weekly.

The following attempts to summarize the nature of the principal risks associated with the instruments and markets in which the Group invests; however it does not represent a comprehensive review of all risks associated with the Group's activities.

The Board of Directors regularly reviews and agrees policies for managing these risks which are summarized below.

**Price risk / concentration risk:** Price risk is the risk of potential adverse change to the value of financial instruments because of changes in market conditions such as interest and currency rate movements and volatility in prices. Although the Group will attempt to mitigate risks associated with market fluctuations and investment concentrations, it is possible that at any given time significant concentrations of investments may be made in markets and/or individual investments, including other investment companies, which might be both illiquid and volatile. Accordingly, risks exist that the

# Notes to the consolidated financial statements

Group might not be in a position to readily dispose of its holding in such markets or investments when it chooses to do so and also that the prices achieved on disposal are different from those reported in the Group's consolidated statement of financial position.

The Group is exposed to the price risk of its investments, which are listed on European stock exchanges. The Company is listed on the SIX Swiss Exchange as Investment Company. For the calculation of a meaningful sensitivity analysis for the Group's portfolio in respect of the price risk, the Group has therefore chosen the IGSP Investment Index of the SIX Swiss Exchange being an index that is composed by and calculated based on its members. The volatility of the IGSP Investment Index for the 5 years period until 31 December 2011 is 18.09% (standard deviation) and 16.71% (standard deviation) for the 5 years period until 31 December 2010.

If – in the year under review - the IGSP Investment Index would have increased by a yearly standard deviation of 18.09%, the positive impact on the Group's result before tax would have been TCHF 28'688 (2010: TCHF 28'536). An equal but opposite change would have resulted in an equal but opposite impact on the Group's result before tax.

Some of the equity investments in which the Group invests, directly or indirectly, are subject to the risks inherent to their respective industries. In addition, market liquidity is limited for certain of these investments. The Group attempts to minimize such risks.

**Credit risk:** Financial assets that potentially expose the Group to credit risk mainly consist of "Cash and cash equivalents", the four CLO-investments, the Bonds "Triple ICE KI Bank Julius Baer" and the part "Other" of "Other current assets" (see Note 7). The extent of the Group's exposure to credit risk in respect of these assets is limited to the carrying value as reported in the Group's consolidated statement of financial position being CHF 57.4 million for the year under review and CHF 30.7 million for the year ended 31 December 2010.

The Group mitigates the exposure to credit risk by transacting with reputable and established institutions such as Bank Julius Baer & Co. AG, Zurich in respect of "Cash and cash equivalents".

## Notes to the consolidated financial statements

The four CLO-investments in Atrium V Ltd., ING Investment Management CLO, Stone Tower CLO VI LTD and the Var. Obl. Stone Tower CLO VII of total CHF 5.6 million as per 31 December 2011 (2010: CHF 4.8 million) represent 3.5% (2010: 2.8%) of the total "Long Positions" in the investment table. These CLO-investments offer the Group the opportunity to invest in diversified portfolios of below investment grade debt obligations. The intrinsic investments are primarily in floating rate leveraged loans, senior secured bonds and synthetic securities and partly in unsecured high yield bonds. A high portion of the investments of the CLO's are debt financed, allowing a high leverage to the investors. The assets are diversified to mitigate single credit or industry risk to the Group. Since several years now the Group benefits from on-going distributions that further limit the risks in these positions.

The bonds "Triple ICE KI Bank Julius Baer" of CHF 4.9 million as per 31 December 2011 (2010: CHF 5.1 million) represent 3.1% (2010: 3.0%) of the total "Long Positions" in the investment table. The Julius Baer Triple ICE (Income, Cash or Equity) Units with Knock-In quanto CHF is a financial instrument which pays a guaranteed coupon. The invested capital is protected up to the Knock-In-Barrier. If the Knock-In-Barrier is reached, the investor will, as a general rule, receive an amount in cash which takes into account the decrease in value of the underlying with the lowest performance compared to the strike price.

**Liquidity risk:** The liquidity risk is defined as the risk that the Group could not be able to settle or meet its obligations on time or at a reasonable price. The Group monitors this risk and maintains sufficient cash and cash equivalents to settle its liabilities at the time they become due. Furthermore, ample and readily available credit lines are at the disposal of the Group.

The liquidity risk is considered to be low since there are no material liabilities.

The Group's liquidity risk is managed on a daily basis by the Group's management and is monitored on a weekly basis by the Board of Directors. The financial liabilities of the Group are low and usually mature in the next 12 months. Although the Group's financial liabilities are low it is the Group's policy to have 100% of the anticipated payables for the next 12 months available in cash and cash equivalents.

## Notes to the consolidated financial statements

The following table summarizes the maturity profile of the Group's financial liabilities for the year ended 31 December 2011 and 2010 based on contractual and undiscounted payments:

in TCHF	On demand	Less than 3 months	3 to 12 months	Total
<b>31 December 2011</b>				
Financial assets / (liabilities) at fair value through profit or loss				
- Forward exchange contracts, settled gross	0	(10'907)	0	(10'907)
- of which: inflow	0	138'521	0	138'521
- of which: outflow	0	(149'428)	0	(149'428)
Accounts payable and accrued liabilities	0	(66)	(112)	(178)
<b>Total</b>	<b>0</b>	<b>(10'973)</b>	<b>(112)</b>	<b>(11'085)</b>
<b>31 December 2010</b>				
Financial assets / (liabilities) at fair value through profit or loss				
- Forward exchange contracts, settled gross	0	4'479	0	4'479
- of which: inflow	0	97'232	0	97'232
- of which: outflow	0	(92'753)	0	(92'753)
Accounts payable and accrued liabilities	0	(54)	(121)	(175)
<b>Total</b>	<b>0</b>	<b>4'425</b>	<b>(121)</b>	<b>4'304</b>

The amounts to be paid approximate the amounts stated above due to the short-term nature of the liabilities and due to limited differences in underlying foreign exchange rates. Current tax liabilities are not included since they are not regarded as a financial liability.

**Interest rate risk:** The majority of the Group's financial assets and liabilities are non-interest-bearing. Interest-bearing are mainly the Group's positions of cash and cash equivalents and bonds. Interest-bearing financial assets and financial liabilities mature in the short-term. Therefore, the Group's exposure to fair value interest rate risk due to fluctuations in the prevailing market interest rates is limited.

Any excess cash of the Group usually is invested in fiduciary fixed-term deposits with a maturity of not more than two days. Short-term bank loans the Group may borrow from time to time to fund its activities are at fixed interest rates with the term to maturity of not more than twelve months. At 31 December 2011 and 2010 the

## Notes to the consolidated financial statements

Group did neither have investments in fiduciary fixed-term deposits nor short-term bank loans.

The Group's interest rate risk positions are monitored on a regular basis by the Group's management. Changes in interest rates are therefore not expected to significantly impact the Group's results of operations.

An increase of 100 basis points in short-term deposit interest rates as at the reporting date would have increased the result before tax by CHF 0.5 million (2010: CHF 0.2 million). A decrease of 100 basis points would have resulted in an opposite and proportional effect.

**Currency risk:** The Group may enter from time to time into transactions denominated in currencies other than the Swiss Franc. Consequently, the Group is exposed to the risk that the exchange rate of foreign currencies against the Swiss Franc may change in a manner that will adversely impact the Group's results of operations and/or net assets.

The Group seeks to mitigate the currency risk on the foreign currency net exposures by putting short-term currency forward contracts in place.

The following table sets out the Group's total exposure of financial assets and financial liabilities at fair value through profit or loss to foreign currency risk.

in TCHF	Cash and cash equivalents	Currency forwards	Other financial ass./liab. at fair value through profit or loss	Net exposure
<b>31 December 2011</b>				
US Dollar	458	(139'728)	86'148	(53'122)
Euro	9	(9'700)	4'986	(4'705)
<b>Total</b>	<b>467</b>	<b>(149'428)</b>	<b>91'134</b>	<b>(57'827)</b>
<b>31 December 2010</b>				
US Dollar	93	(81'004)	106'010	25'099
Euro	1	(11'749)	4'152	(7'596)
<b>Total</b>	<b>94</b>	<b>(92'753)</b>	<b>110'162</b>	<b>17'503</b>

## Notes to the consolidated financial statements

The following table sets out the Group's net exposure to foreign currencies of its financial assets and financial liabilities designated at fair value through profit or loss for the year ended 31 December 2011 and 2010.

	2011		2010	
	Currency change in %	Gain / (loss)	Currency change in %	Gain / (loss)
<b>in TCHF</b>				
CHF to (strengthen) versus the US Dollar	(5.0%)	2'656	(5.0%)	(1'255)
CHF to (strengthen) versus the Euro	(5.0%)	235	(5.0%)	380
<b>Net gain / (loss)</b>		<b>2'891</b>		<b>(875)</b>

If – at 31 December 2011 – had the Swiss Franc continued to strengthen versus the Euro and the US Dollar by 5% by keeping all other variables constant, the effect on the Group's net profit before tax and equity in the year under review would have been TCHF 2'891 (2010: TCHF -875). An adverse change of the Swiss Franc for both foreign currencies would have resulted in an equal but opposite effect for 2011 and 2010.

The Group's currency risk positions are monitored on a regular basis by the Group's management.

**Other risks:** Some of the companies in which the Group invests, directly or indirectly, are subject to the risks inherent to their respective industries. In addition, established markets do not exist for certain of these holdings, and, therefore, they must be considered illiquid. The Group attempts to minimize such risks by performing extensive investment research.

**Risk assessment disclosure required by Swiss Law:** The risk assessment process of the Group (Alpine Select AG and Sumara AG) ensures both, the early recognition and analysis of risks as well as the possibility to take corresponding measures. Management evaluates and analyses potential risks of the Group on the probability of coming into effect and the possible impact on the financial statements based on periodic and systematic identification of such risks.

The Board of Directors has decided on measures that should enable the Group to reduce risks of material misstatements regarding financial statement or accounting processes. Residual risks are monitored and periodically, at least on a yearly basis, reported to and discussed by the Board of Directors.

# Notes to the consolidated financial statements

**Fair values:** The following table shows a comparison by category of carrying amounts and fair values of the Group's financial instruments.

in TCHF	Carrying amount		Fair value	
	2011	2010	2011	2010
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss - trading				
- current	2'082	4'479	2'082	4'479
- non-current	158'565	170'741	158'565	170'741
<b>Loans and receivables</b>				
Cash and cash equivalents	46'732	20'782	46'732	20'782
Other current assets	185	111	185	111
<b>Financial liabilities at fair value through profit or loss</b>				
Financial liabilities at fair value through profit or loss - trading				
- current	12'989	1	12'989	1
- non-current	0	0	0	0
<b>Financial liabilities at amortized cost</b>				
Accounts payable and accrued liabilities	178	175	178	175

Market values have been used to determine the fair value of listed financial assets and financial liabilities designated at fair value through profit or loss. The carrying amounts of "Cash and cash equivalents", "Other current assets" and "Accounts payable and accrued liabilities" approximate the fair value due to the short-term nature of these positions.

**Capital management:** The Group's capital is represented by the net assets as set out in the table below.

in TCHF	2011	2010
Current assets	48'999	41'094
Non-current assets	158'572	170'754
<b>Total assets</b>	<b>207'571</b>	<b>211'848</b>
Current liabilities	(14'317)	(176)
Non-current liabilities	(503)	(688)
<b>Total liabilities</b>	<b>(14'820)</b>	<b>(864)</b>
<b>Net assets</b>	<b>192'751</b>	<b>210'984</b>

# Notes to the consolidated financial statements

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group's objective is to invest in a diversified portfolio of listed equity investments, corporate debt, commercial paper, derivatives and short sales in order to provide the shareholders with "above average returns" through both, capital growth and income.

The Group manages its capital structure and makes adjustments to it if the economic conditions change. To maintain or adjust the capital structure the Group may return capital to shareholders or issue new shares. During the year under review the Group purchased treasury shares in the amount of CHF 2.1 million (2010: CHF 4.6 million). Further reference is made to Note 9.

The Group monitors and reports its net asset value on a weekly basis.

## 6. Financial assets and financial liabilities at fair value through profit or loss – trading

in TCHF	2011	2010
<b>Financial assets at fair value through profit or loss - trading</b>		
Positive fair value of currency forward contracts	2'082	4'479
Financial assets held for trading	158'565	170'741
<b>Total</b>	<b>160'647</b>	<b>175'220</b>
of which current	2'082	4'479
of which non-current	158'565	170'741
<b>Financial liabilities at fair value through profit or loss - trading</b>		
Negative fair value of currency forward contracts	12'989	0
Trading options sold short	0	1
<b>Total</b>	<b>12'989</b>	<b>1</b>
of which current	12'989	1
of which non-current	0	0



## Notes to the consolidated financial statements

The following table analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data.

in TCHF	Level 1	Level 2	Level 3	Total
<b>31 December 2011</b>				
Positive fair value of currency forward contracts	0	2'082	0	2'082
Financial assets held for trading	158'565	0	0	158'565
Negative fair value of currency forward contracts	0	(12'989)	0	(12'989)
<b>Total</b>	<b>158'565</b>	<b>(10'907)</b>	<b>0</b>	<b>147'658</b>
<b>31 December 2010</b>				
Positive fair value of currency forward contracts	0	4'479	0	4'479
Financial assets held for trading	170'741	0	0	170'741
Trading options sold short	(1)	0	0	(1)
<b>Total</b>	<b>170'740</b>	<b>4'479</b>	<b>0</b>	<b>175'219</b>

Further details are shown in the investment table on the following pages.

# Notes to the consolidated financial statements

<b>Investment table as of 31 December 2011</b>		<b>in TCHF</b>		
	Number of shares at	Fair value at	Additions	Reductions
	1 January 2011	1 January 2011		
<b>LONG POSITIONS</b>				
Absolute Invest AG	1'990'807	70'513	46'380	(37'481)
Absolute Private Equity AG	2'257'744	30'725	61'489	(103'804)
AIRE GmbH & Co. KGaA	350'000	4'152	898	
Atrium V Ltd.	1'500	950		
BB Biotech AG	18'000	1'112		(1'150)
HBM Bioventures AG	246'574	10'482	26'742	(3'786)
Highland Financial Partners LP	600'000	0		
ING Investment Management CLO	2'000	1'491		
Invisa Inc. <sup>2)</sup>	130'000	1		
Orior AG	70'000	3'822		(3'848)
Peoples Choice Financial Corporation	70'800	0		
Prime New Energy AG (in liquidation)	210'492	21		
Prokmu Invest AG	57'350	0		
Schaffner Holding AG	134'914	40'069	12'888	(13'393)
Stone Tower CLO VI LTD	2'000	1'287		
Vitafort International Corporation	317'543	0		
Var. Obl. Stone Tower CLO VII	2'000'000	1'043		
8.5 % Triple ICE KI Bank Julius Baer	5'000'000	5'073		(5'005)
9.0 % Triple ICE KI Bank Julius Baer		0	5'000	
<b>Total Long Positions</b>		<b>170'741</b>	<b>153'397</b>	<b>(168'467)</b>
of which gains				
of which gains from second line trades				
of which losses				
of which losses from second line trades				

<sup>1)</sup> Unrealized gains / (losses) also include reversed unrealized gains / (losses) from prior year.

<sup>2)</sup> Reverse split 5:1

## Notes to the consolidated financial statements

in TCHF								
Realized gains/(losses) net of FX	Realized FX gains/(losses)	Unrealized gains/(losses) net of FX <sup>1)</sup>	Unrealized FX gains/(losses) <sup>1)</sup>	Fair value at 31 December 2011	Number of shares at 31 December 2011	Stock price (closing) in local currency at 31 December 2011		Dividends received
For the period 1 January to 31 December 2011								
4'958	(5'853)	(4'507)	6'535	80'545	2'266'717	USD	38	7'978
20'810	791	(12'157)	2'146	0	0			
		315	(379)	4'986	429'272	EUR	10	
		322	4	1'276	1'500	USD	910	550
69		(31)		0	0			
(125)		(3'254)		30'059	752'357	CHF	40	
				0	600'000	USD	0	
		74	6	1'571	2'000	USD	840	563
		6		7	26'000	USD	0	
488		(462)		0	0			38
				0	70'800	USD	0	
		(21)		0	210'492	CHF	0	
				0	57'350	CHF	0	
4'442		(11'531)		32'475	141'814	CHF	229	595
		148	6	1'441	2'000	USD	770	700
				0	317'543	USD	0	
		260	5	1'308	2'000'000	USD	70	
5		(73)		0	0			
		(103)		4'897	5'000'000	CHF	98	
<b>30'647</b>	<b>(5'062)</b>	<b>(31'014)</b>	<b>8'323</b>	<b>158'565</b>				<b>10'424</b>
25'905	1'548	1'123	8'702					
4'952	0							
(105)	(834)	(32'137)	(379)					
(105)	(5'776)							

# Notes to the consolidated financial statements

Investment table as of 31 December 2011	in TCHF			
	Number of shares at	Fair value at	Additions	Reductions
	1 January 2011	1 January 2011		
<b>TRADING OPTIONS</b>				
FX-OTC-E-Option (Call EUR / Put CHF; Strike: 1.35)	(5'000'000)	(1)		
FX-OTC-E-Option (Call EUR / Put CHF; Strike: 1.32)				(91)
<b>Total Trading Options</b>		<b>(1)</b>	<b>0</b>	<b>(91)</b>
of which gains				
of which losses				
of which assets	0			
of which liabilities	(1)			
<b>CURRENCY FORWARDS</b>				
Currency Forwards CHF/USD; USD/CHF		4'258		
Currency Forwards CHF/EUR; EUR/CHF		221		
<b>Total Currency Forwards</b>		<b>4'479</b>	<b>0</b>	<b>0</b>
of which gains				
of which losses				
of which assets		4'479		
of which liabilities		0		

<sup>1)</sup> Unrealized gains / (losses) also include reversed unrealized gains / (losses) from prior year.

<sup>2)</sup> Reverse split 5:1

## Notes to the consolidated financial statements

in TCHF							
Realized gains / (losses) net of FX	Realized FX gains / (losses)	Unrealized gains / (losses) net of FX <sup>1)</sup>	Unrealized FX gains / (losses) <sup>1)</sup>	Fair value at 31 December 2011	Number of shares at 31 December 2011	Stock price (closing) in local currency at 31 December 2011	Dividends received
For the period 1 January to 31 December 2011							
117		(116)		0	0		
91				0	0		
<b>208</b>	<b>0</b>	<b>(116)</b>	<b>0</b>	<b>0</b>			<b>0</b>
208	0	0	0				
0	0	(116)	0				
				0			
				0			
	12'980		(15'099)	(10'840)			
	221		(287)	(67)			
<b>0</b>	<b>13'201</b>	<b>0</b>	<b>(15'386)</b>	<b>(10'907)</b>			<b>0</b>
0	23'253	0	2'093				
0	(10'052)	0	(17'479)				
				2'082			
				(12'989)			

# Notes to the consolidated financial statements

<b>Investment table as of 31 December 2010</b>		<b>in TCHF</b>		
	Number of shares at	Fair value at	Additions	Reductions
	1 January 2010	1 January 2010		
<b>LONG POSITIONS</b>				
Absolute Invest AG	1'877'214	60'545	83'382	(84'611)
Absolute Private Equity AG	1'576'509	13'282	14'139	(6'277)
AIRE GmbH & Co. KGaA	398'400	4'249		(517)
Atrium V Ltd.	1'500	418		
BB Biotech AG		0	1'802	(742)
Bellevue Funds (LUX) SICAV	123'077	6'164		(6'506)
HBM Bioventures AG	261'136	12'522	8'159	(9'575)
Highland Financial Partners LP	600'000	0		
ING Investment Management CLO	2'000	558		
Invisa Inc.	130'000	2		
Orior AG		0	9'000	(5'837)
Peoples Choice Financial Corporation	70'800	0		
Prime New Energy AG (in liquidation)	210'492	21		
Prokmu Invest AG	57'350	0		
Schaffner Holding AG	172'061	27'530	864	(9'910)
Stone Tower CLO VI LTD	2'000	621		
Vitafort International Corporation	317'543	0		
Var. Obl. Stone Tower CLO VII	2'000'000	413		
2.5 % Convertible Bonds HBM Bioventures AG	8'707'000	9'377	6'027	(14'288)
2.25 % Convertible Bonds Schaffner Holding AG	4'143'000	4'240	20	(4'163)
8.5 % Triple ICE KI Bank Julius Baer		0	5'000	
<b>Total Long Positions</b>		<b>139'942</b>	<b>128'393</b>	<b>(142'426)</b>
of which gains				
of which gains from second line trades				
of which losses				
of which losses from second line trades				

<sup>1)</sup> Unrealized gains / (losses) also include reversed unrealized gains / (losses) from prior year.

## Notes to the consolidated financial statements

in TCHF							
Realized gains / (losses) net of FX	Realized FX gains / (losses)	Unrealized gains / (losses) net of FX <sup>(1)</sup>	Unrealized FX gains / (losses) <sup>(1)</sup>	Fair value at 31 December 2010	Number of shares at 31 December 2010	Stock price (closing) in local currency at 31 December 2010	Dividends received
For the period 1 January to 31 December 2010							
5'576	(169)	9'754	(3'964)	70'513	1'990'807	USD 38	
741	(22)	10'625	(1'763)	30'725	2'257'744	USD 15	
(1'373)	(295)	4'320	(2'232)	4'152	350'000	EUR 9	
		681	(149)	950	1'500	USD 680	479
21		31		1'112	18'000	CHF 62	
1'446		(1'104)		0	0		
(2'135)		1'511		10'482	246'574	CHF 43	
				0	600'000	USD 0	
		1'132	(199)	1'491	2'000	USD 800	519
		15	(16)	1	130'000	USD 0	
197		462		3'822	70'000	CHF 55	
				0	70'800	USD 0	
				21	210'492	CHF 0	
				0	57'350	CHF 0	
1'200		20'385		40'069	134'914	CHF 297	
		865	(199)	1'287	2'000	USD 690	581
				0	317'543	USD 0	
		813	(183)	1'043	2'000'000	USD 56	
(421)		(695)		0	0		
(175)		78		0	0		
		73		5'073	5'000'000	CHF 101	
<b>5'077</b>	<b>(486)</b>	<b>48'946</b>	<b>(8'705)</b>	<b>170'741</b>			<b>1'579</b>
4'126	12	50'745	0				
5'532							
(3'069)	(498)	(1'799)	(8'705)				
(1'512)							





## Notes to the consolidated financial statements

in TCHF							
Realized gains/(losses) net of FX	Realized FX gains/(losses)	Unrealized gains/(losses) net of FX <sup>1)</sup>	Unrealized FX gains/(losses) <sup>1)</sup>	Fair value at 31 December 2010	Number of shares at 31 December 2010	Stock price (closing) in local currency at 31 December 2010	Dividends received
For the period 1 January to 31 December 2010							
		116		(1)	(5'000'000)	CHF 0	
<b>0</b>	<b>0</b>	<b>116</b>	<b>0</b>	<b>(1)</b>			<b>0</b>
0	0	116	0				
0	0	0	0				
				0			
				(1)			
	3'892		2'129	4'258			
	1'108		83	221			
<b>0</b>	<b>5'000</b>	<b>0</b>	<b>2'212</b>	<b>4'479</b>			<b>0</b>
0	14'182	0	2'223				
0	(9'182)	0	(11)				
				4'479			
				0			

# Notes to the consolidated financial statements

## 7. Other current assets

in TCHF	2011	2010
Withholding tax	0	15'722
Other	185	111
<b>Total other current assets</b>	<b>185</b>	<b>15'833</b>

## 8. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are disclosed net in the consolidated statement of financial position. Deferred tax liabilities result from valuation differences of financial assets and financial liabilities at fair value through profit or loss - trading. Deferred tax assets are recognized for tax losses carried-forward to an extent for which the realization of the related tax benefit is probable through future taxable profits.

The movements of deferred tax assets and liabilities were as follows:

in TCHF	Fin. assets at fair value through profit or loss	Capitalized tax losses carried forward	Total
<b>Balance at 1 January 2010</b>	<b>(371)</b>	<b>371</b>	<b>0</b>
Deferred tax (expense) / income	(2'438)	1'750	(688)
<b>Balance at 31 December 2010</b>	<b>(2'809)</b>	<b>2'121</b>	<b>(688)</b>
Deferred tax income / (expense)	2'264	(2'079)	185
<b>Balance at 31 December 2011</b>	<b>(545)</b>	<b>42</b>	<b>(503)</b>

Deferred tax assets and deferred tax liabilities are netted in case there is a legally enforceable right and the deferred income taxes relate to the same fiscal authority. Provisions for deferred taxes are calculated in accordance with the liability method using a tax rate of 7.84% (based on the result before tax).

As of 31 December 2011 the Group has tax losses carried-forward of approx. CHF 19.0 million (2010: approx. CHF 37.9 million) which will expire in the year 2015. As per 31 December 2011 the unrecorded tax losses carried-forward amounted to approx. CHF 18.5 million (2010: approx. CHF 10.8 million). Due to the uncertainty of

# Notes to the consolidated financial statements

market movements, an exact estimate concerning future profits is not possible. As a result, only deferred tax assets of TCHF 42 (2010: TCHF 2'121) corresponding to tax losses carried-forward of CHF 0.5 million (2010: CHF 27.2 million) are capitalized to the extent that they can be netted with related deferred tax liabilities.

## 9. Share capital and treasury shares

**Share capital:** The share capital of the Company as of 31 December 2011 is CHF 251'184.30 (31 December 2010: CHF 265'568.94) consisting of 12'559'215 (31 December 2010: 13'278'447) fully paid-in registered shares with a nominal value of CHF 0.02 each. No preferential or similar rights exist. Each share has one vote and all shares are equally entitled to dividends. There are no voting right restrictions. The Company does not have participation certificates.

The Annual Shareholders' Meeting held on 18 April 2011 decided to reduce the share capital by CHF 14'384.64 from CHF 265'568.94 to CHF 251'184.30 by cancelling 719'232 treasury shares. The decrease of the share capital was recorded in the Commercial Register of the Canton of Zug as per 30 June 2011.

**Re-purchase program 2 (extended until February 2011):** In July 2009 the Company started a re-purchase program under which 316'926 treasury shares were re-purchased until 31 December 2009 at an average price of CHF 12.33 per share. The total purchase costs of TCHF 3'964 include transaction costs of TCHF 57. The income tax effect on transaction costs amounts to TCHF 4 applying the tax rate of 7.84%.

The Annual Shareholder Meeting held on 29 April 2010 entitled the Company's Board of Directors to continue the re-purchase program that was started in July 2009 and to re-purchase a maximum of 1'327'844 treasury shares being 10% of the nominal share capital of the Company.

During the year ended 31 December 2010 the Company acquired another 346'306 treasury shares at an average price of CHF 13.05 per share under the continued re-purchase program for a total amount of TCHF 4'558 including transaction costs of TCHF 37. The income tax effect on transaction costs as per 31 December 2010 amounts to TCHF 3 applying the tax rate of 7.84%.

# Notes to the consolidated financial statements

In February 2011, the Company acquired another 56'000 treasury shares at an average price of CHF 17.52 per share under the continued re-purchase program for a total amount of TCHF 981.

Since July 2009, when the re-purchase program 2 was started, until 30 June 2011, when the decrease of the share capital was recorded in the Commercial Register of the Canton of Zug, a total of 719'232 treasury shares (5.4% of the outstanding share capital) were acquired for a total amount of TCHF 9'409 including transaction costs of total TCHF 94. The total income tax effect on transaction costs as per 30 June 2011 amounts to TCHF 7 applying the tax rate of 7.84%. All 719'232 treasury shares were cancelled as per 30 June 2011 when the share capital of the Company was reduced.

**New re-purchase program 3:** The Annual Shareholders' Meeting held on 18 April 2011 entitled the Company's Board of Directors to start a new re-purchase program and to re-purchase a maximum of 1'255'921 treasury shares being 10% of the nominal share capital of the Company.

During the year ended 31 December 2011 the Company acquired 70'000 treasury shares at an average price of CHF 15.42 per share under the new re-purchase program 3 for a total amount of TCHF 1'102 including transaction costs of TCHF 23. The income tax effect on transaction costs under the new re-purchase program amounts to TCHF 2 as per 31 December 2011 applying the tax rate of 7.84%.

**Treasury shares / sale of treasury shares:** Own shares of the Company held directly or indirectly by its subsidiaries are designated as treasury shares. Treasury shares are presented in the consolidated statement of financial position as a deduction from equity. The acquisition of treasury shares is presented as a change in equity. Gains or losses on the sale, issuance or cancellation of treasury shares are recognized in equity.

No treasury shares were sold during the years ended 31 December 2011 and 2010. After considering the deduction of 70'000 treasury shares, 12'489'215 shares were outstanding as of 31 December 2011 (31 December 2010: 12'615'215 outstanding shares).

## Notes to the consolidated financial statements

**Conditional share capital:** The share capital could be increased by an amount not exceeding CHF 125'592.14 through the issue of a maximum of 6'279'607 registered shares to be fully paid-in with a nominal value of CHF 0.02 each through the exercise of conversion or option rights in connection with bonds or similar instruments that may be issued by the Company or by its subsidiary or through the exercise of option rights granted to shareholders.

### 10. Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading

in TCHF	2011	2010
Realized gains – financial assets held for trading	25'905	4'126
Realized gains – financial assets held for trading (second trading line)	4'952	5'532
Realized losses – financial assets held for trading	(105)	(3'069)
Realized losses – financial assets held for trading (second trading line)	(105)	(1'512)
Net realized currency losses – financial assets held for trading	(5'062)	(486)
<b>Net realized – financial assets held for trading</b>	<b>25'585</b>	<b>4'591</b>
Unrealized gains – financial assets held for trading	1'123	50'745
Unrealized losses – financial assets held for trading	(32'137)	(1'799)
Net unrealized currency gains / (losses) – financial assets held for trading	8'323	(8'705)
<b>Net unrealized – financial assets held for trading</b>	<b>(22'691)</b>	<b>40'241</b>
<b>Total financial assets held for trading, net</b>	<b>2'894</b>	<b>44'832</b>
Realized gains – financial liabilities held for trading (Trading options)	208	0
Unrealized gains – financial liabilities held for trading (Trading options)	0	116
Unrealized losses – financial liabilities held for trading (Trading options)	(116)	0
<b>Total financial liabilities held for trading (Trading options)</b>	<b>92</b>	<b>116</b>
Realized gains – currency forwards	23'253	14'182
Realized losses – currency forwards	(10'052)	(9'182)
Unrealized gains – currency forwards	2'093	2'223
Unrealized losses – currency forwards	(17'479)	(11)
<b>Total currency forwards, net</b>	<b>(2'185)</b>	<b>7'212</b>
<b>Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading</b>	<b>801</b>	<b>52'160</b>

# Notes to the consolidated financial statements

## 11. General and administrative expenses

in TCHF	2011	2010
Personnel expenses incl. social costs	(428)	(340)
Legal, accounting and auditing fees	(333)	(345)
Other office expenses	(495)	(278)
<b>Total general and administrative expenses</b>	<b>(1'256)</b>	<b>(963)</b>

## 12. Employee benefits

Besides the statutory social security schemes there are independent pension plans or pension insurance policies covering one employee of the Group. The Group's contributions to such plans are charged to profit or loss in the period to which the contributions relate and amount to TCHF 11.9 for the year ended 31 December 2011 (2010: TCHF 7.4). The Group has no material defined benefit pension or post-retirement schemes at 31 December 2011 and 2010 and therefore no further disclosures are provided.

## 13. Income tax

The components of income tax for the year ended 31 December are as follows:

in TCHF	2011	2010
Current tax expenses	(1'152)	(3)
Deferred tax income / (expense)	185	(688)
<b>Total income tax</b>	<b>(967)</b>	<b>(691)</b>

As per 31 December 2011, current income tax expense of TCHF 1'152 (2010: TCHF 3) was recognized. TCHF 2 (2010: TCHF 3) thereof relate to income tax on transaction costs for the acquisition of treasury shares and TCHF 1'150 (2010: TCHF 0) were recognized under Current income tax liabilities. Deferred tax income and expense is presented on a net basis.

# Notes to the consolidated financial statements

Reconciliation of income tax:

<b>in TCHF</b>	<b>2011</b>	<b>2010</b>
Net profit before tax	9'933	53'863
Expected tax expense at the domestic rates applicable to profit in the countries concerned	(779)	(4'223)
Weighted average applicable tax rate	7.84%	7.84%
Dividend income exempt from tax	407	0
Tax effect of tax losses for which no deferred income tax asset was recognized	(595)	0
Benefit from previously unrecognized tax losses of a prior period		
- used to reduce current tax expense	0	1'782
- used to reduce deferred tax expense	0	1'750
<b>Total income tax expense</b>	<b>(967)</b>	<b>(691)</b>
Effective tax rate on the net profit before tax	9.7%	1.3%

The applicable tax rate per company is the domestic income tax rate applicable to the profit of the company concerned for the fiscal year 2011.

The applicable weighted average tax rate is based on the applicable tax rate per company and the company mix of the profit before income tax. The applicable weighted average tax rate in the fiscal year 2011 and 2010 is 7.84% (based on the result before tax).

## 14. Profit per share

	<b>2011</b>	<b>2010</b>
Net profit of the year in TCHF as per the consolidated statement of comprehensive income	8'966	53'172
Weighted average number of outstanding shares	12'557'482	12'729'450
<b>Profit per share in CHF (basic and diluted)</b>	<b>0.71</b>	<b>4.18</b>

## 15. Net asset value (NAV) per share

The net asset value per share is calculated using the adjusted number of outstanding shares at the end of the statement of financial position date. The net asset value per share at 31 December 2011 is CHF 15.43 (2010: CHF 16.72 unadjusted resp. CHF 14.86 when adjusted for the dividend paid out of the capital contribution reserves in April 2011).

# Notes to the consolidated financial statements

## 16. Contingencies; commitments

For the presented periods, no contingent liabilities and/or commitments exist.

## 17. Significant shareholders

To the best knowledge of the Company, the following shareholders held a participation exceeding 3% of the share capital of the Company at 31 December 2011 and 2010.

	31 Dec 2011	31 Dec 2010
<b>Fabrel AG</b>		
Seestrasse 50, 6052 Hergiswil:		
- Number of shares (including 140 shares directly held by Hans Müller)	2'900'140	3'500'140
- Percentage	23.09%	26.36%
Beneficial owner of Fabrel AG is Hans Müller, 6052 Hergiswil		
<b>Trinsic AG</b>		
Artherstrasse 21, 6300 Zug:		
- Number of shares (including 100'000 shares directly held by the beneficial owners of Trinsic AG)	2'425'776	2'299'667
- Percentage	19.31%	17.32%
Beneficial owners of Trinsic AG are Daniel Sauter, 6300 Zug, Florian Sauter, 6340 Baar, Regina Sauter, 6300 Zug, Viktoria Sauter, 6300 Zug, and, partly indirect through Talpas AG, 7502 Bever, Michel Vukotic, 8706 Meilen, Corinne Vukotic, 8706 Meilen, Fabienne Vukotic, 8706 Meilen, and Aline Vukotic, 8706 Meilen.		
<b>Hans Hornbacher</b>		
3 Avenue de Grande-Bretagne, 98000 Monte-Carlo, Monaco:		
- Number of shares	415'637	–
- Percentage	3.31%	–

## 18. Related party transactions

The remuneration of the Board of Directors in 2011 amounts to TCHF 387 (2010: TCHF 311). As of 31 December 2011 and 2010 two members of the Board of Directors, Daniel Sauter and Hans Müller, owned directly or indirectly more than 3% of the shares of the Company (reference is made to above Note 17). Furthermore, a commitment fee of TCHF 200 was paid to Fabrel AG, Hergiswil in connection with a standby credit-line to allow Alpine to offer for a large block of shares of Absolute Private



# Notes to the consolidated financial statements

Equity AG. The commitment fee is recorded in "General and administrative expenses" (Note 11). The beneficial owner of Fabrel AG is Hans Müller, Hergiswil. Apart from the remuneration of the Board of Directors and the commitment fee, there were no other related party transactions in 2011 and 2010.

## **19. Events after the balance sheet date**

The consolidated and the statutory financial statements for the year ended 31 December 2011 were authorized for issue by the Board of Directors on 8 March 2012. The Annual Shareholders' Meeting called for 18 April 2012 will vote on the final approval of the consolidated and statutory financial statements. There were no significant events to report until this date.

# Report of the Statutory Auditor on the Consolidated Financial Statements to the Shareholders' Meeting of Alpine Select AG, Zug

As statutory auditor, we have audited the accompanying consolidated financial statements of Alpine Select AG, which comprise the statement of financial position, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and notes (pages 22 to 55 of the Annual Report) for the year ended 31 December 2011.

## **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), Article 14 of the Directive on Financial Reporting issued by the SIX Swiss Exchange and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Report of the Statutory Auditor on the Consolidated Financial Statements to the Shareholders' Meeting of Alpine Select AG, Zug

## Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with article 14 of the Directive on Financial Reporting issued by the SIX Swiss Exchange and with Swiss law.

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

KPMG AG



Marc Ziegler  
Licensed Audit Expert, Auditor in Charge



Alexander Fähndrich  
Licensed Audit Expert

Zurich, 8 March 2012

# Statutory financial statements

<b>BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER</b>			
<b>in CHF</b>	Notes	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		6'533'022	18'766'502
Unrealized gains from currency forward contracts, net	3	0	1'833'052
Other current assets	4	184'616	14'422'298
Treasury shares	5	1'079'208	8'427'481
<b>Total current assets</b>		<b>7'796'846</b>	<b>43'449'333</b>
<b>Non-current assets</b>			
Securities	6	78'665'161	67'221'070
Participation	7	69'055'306	69'055'306
Furniture and equipment		6'719	13'411
<b>Total non-current assets</b>		<b>147'727'186</b>	<b>136'289'787</b>
<b>TOTAL ASSETS</b>		<b>155'524'032</b>	<b>179'739'120</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		144'357	130'000
Unrealized losses from currency forward contracts, net	3	4'321'943	0
Trading options sold short		0	116'500
<b>Total current liabilities</b>		<b>4'466'300</b>	<b>246'500</b>
<b>Shareholders' equity</b>			
Share capital	1	251'184	265'569
Legal reserves			
- General reserves		11'706'850	13'752'702
- Capital contribution reserves (Reserven aus Kapitaleinlagen)	8	84'238'540	109'356'970
- Reserves for treasury shares	5	1'079'208	8'427'481
Retained earnings		47'689'898	19'622'820
Net profit of the year		6'092'052	28'067'078
<b>Total shareholders' equity</b>		<b>151'057'732</b>	<b>179'492'620</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>155'524'032</b>	<b>179'739'120</b>

# Statutory financial statements

<b>INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER</b>			
<b>in CHF</b>	Notes	<b>2011</b>	<b>2010</b>
<b>OPERATING INCOME</b>			
Gain on securities, net		4'837'483	15'270'258
(Loss) / gain on derivative financial instruments, net		(906'005)	2'967'905
Dividend income		3'132'000	0
Income from reversed impairment charge on participation	7	0	10'055'306
Interest income		407'909	1'545'747
Other income		424'003	14'488
Foreign exchange losses, net		(41'503)	(29'917)
<b>Total operating income</b>		<b>7'853'887</b>	<b>29'823'787</b>
<b>OPERATING EXPENSES</b>			
General and administrative expenses		(1'216'287)	(895'097)
Commissions and other bank fees		(523'819)	(847'465)
Depreciation furniture and equipment		(6'692)	(6'692)
Interest expenses		(10'442)	(3'312)
<b>Total operating expenses</b>		<b>(1'757'240)</b>	<b>(1'752'566)</b>
<b>Net profit before tax</b>		<b>6'096'647</b>	<b>28'071'221</b>
Taxes		(4'595)	(4'143)
<b>Net profit of the year</b>		<b>6'092'052</b>	<b>28'067'078</b>

# Notes to the statutory financial statements

## 1. Share capital

The Annual Shareholders' Meeting held on 18 April 2011 decided to reduce the share capital by CHF 14'384.64 from CHF 265'568.94 to CHF 251'184.30 by cancelling 719'232 treasury shares. The decrease of the share capital was recorded in the Commercial Register of the Canton of Zug as per 30 June 2011.

The fully paid-in share capital of Alpine Select AG (the "Company") amounts to CHF 251'184.30 (2010: CHF 265'568.94) and is divided into 12'559'215 (2010: 13'278'447) registered shares with a nominal value of CHF 0.02 each. No preferential or similar rights exist. Each share has one vote and all shares are equally entitled to dividends. There are no voting right restrictions. The Company does not have participation certificates.

The shares of the Company are listed on the SIX Swiss Exchange and are traded in Swiss Francs (Symbol: ALPN; SSN: 1.919.955; ISIN: CH 0019199550).

## 2. Conditional share capital

The share capital could be increased by an amount not exceeding CHF 125'592.14 through the issue of a maximum of 6'279'607 registered shares to be fully paid-in with a nominal value of CHF 0.02 each through the exercise of conversion or option rights in connection with bonds or similar instruments that may be issued by the Company or by its subsidiary or through the exercise of option rights granted to shareholders.

## 3. Currency forward contracts

Open currency forward contracts are valued at market prices.

## 4. Other current assets

in CHF	2011	2010
Withholding tax	0	14'312'409
Other	184'616	109'889
<b>Total</b>	<b>184'616</b>	<b>14'422'298</b>

## 5. Treasury shares

During the year 2011 the Company acquired 126'000 treasury shares (2010: 346'306) of which 56'000 treasury shares under the continued re-purchase program 2 at an average price of CHF 17.52 per share and 70'000 treasury shares under the new re-pur-

# Notes to the statutory financial statements

chase program 3 at an average price of CHF 15.42 per share. The average price for the 346'306 treasury shares purchased during the year 2010 amounted to CHF 13.05 per share.

The Annual Shareholder Meeting held on 18 April 2011 decided to annul the 719'232 treasury shares (of which 663'232 treasury shares were purchased during the year 2010 and 56'000 treasury shares were purchased between 1 January 2011 and 4 March 2011, when the re-purchase program 2 was stopped) and to reduce the nominal share capital of the Company (reference is made to above Note 1) and entitled the Company's Board of Directors to launch a new re-purchase program 3 for a maximum of 1'255'921 treasury shares being 10% of the nominal share capital of the Company.

As per 31 December 2011, a total of 70'000 treasury shares with a nominal value of CHF 0.02 each, corresponding to 0.557% of the share capital, were purchased under the re-purchase program 3 via the second trading line at the SIX Swiss Exchange. The re-purchase program 3 is continued in 2012.

The treasury shares are valued at the lower of cost or market. The changes in treasury shares were as follows:

	Price per share <sup>1)</sup>	Number of shares	in CHF
<b>Balance at 31 December 2010</b>		<b>663'232</b>	<b>8'427'481</b>
Acquisition of treasury shares (re-purchase program 2)	17.52	56'000	981'029
Cancellation of treasury shares (see Note 1)		(719'232)	(9'408'510)
Acquisition of treasury shares (re-purchase program 3)	15.42	70'000	1'079'208
<b>Balance at 31 December 2011</b>		<b>70'000</b>	<b>1'079'208</b>

<sup>1)</sup> The price per share reflects the average purchase price per re-purchase program in 2011

## 6. Securities

Securities are recorded at the lower of cost or market.

## 7. Participation

Unchanged to prior year, the Company owns 100% of Sumara AG, Zug an investment company with a share capital of CHF 1'306'230. The participation is stated at cost. The provision for impairment of CHF 10'055'306 that was booked in 2008 on that participation was reversed in the year 2010.

# Notes to the statutory financial statements

## **8. Capital contribution reserves (Reserven aus Kapitaleinlagen)**

As a result of the capital contribution principle, a new regulation in Swiss tax law that came into force as per 1 January 2011, the Company has – to the best of its knowledge – identified “Capital contribution reserves” of CHF 109'356'970 and re-allocated the components accordingly within shareholders' equity as per 31 December 2010. Federal Tax Authorities (Eidgenössische Steuerverwaltung) approved CHF 101'508'484 thereof as Capital contribution reserves in the sense of article 20 of the Federal Tax Law (DBG) and refused the approval for the remainder of CHF 7'848'486. Federal Tax Authorities state in their explanation of the reasons for the refusal that the CHF 7'848'486 would represent “costs that arose in connection with the capital increases”.

Contrary to the Federal Tax Authorities, the Company is of the opinion that the amount of CHF 7'848'486 qualifies as Capital contribution reserves and therefore has not reclassified the components within shareholders' equity as per 31 December 2011.

The Company has agreed to the proposal of the Federal Tax Authorities that - should distributions be made out of Capital contribution reserves – they would first be made out of the approved amount of CHF 101'508'484. Should – on a later stage – distributions be planned out of the amount that was not approved by Federal Tax Authorities and should – at that time – the legal situation on which the above difference is based not be finally assessed, the Company would reserve its right to formally appeal the decision of the Federal Tax Authorities then.



# Notes to the statutory financial statements

## 9. Significant shareholders

To the best knowledge of the Company the following shareholders held a participation exceeding 3% of the share capital of the Company at 31 December:

	31 Dec 2011	31 Dec 2010
<b>Fabrel AG</b>		
Seestrasse 50, 6052 Hergiswil:		
- Number of shares (including 140 shares directly held by Hans Müller)	2'900'140	3'500'140
- Percentage	23.09%	26.36%
Beneficial owner of Fabrel AG is Hans Müller, 6052 Hergiswil		
<b>Trinsic AG</b>		
Artherstrasse 21, 6300 Zug:		
- Number of shares (including 100'000 shares directly held by the beneficial owners of Trinsic AG)	2'425'776	2'299'667
- Percentage	19.31%	17.32%
Beneficial owners of Trinsic AG are Daniel Sauter, 6300 Zug, Florian Sauter, 6340 Baar, Regina Sauter, 6300 Zug, Viktoria Sauter, 6300 Zug, and, partly indirect through Talpas AG, 7502 Bever, Michel Vukotic, 8706 Meilen, Corinne Vukotic, 8706 Meilen, Fabienne Vukotic, 8706 Meilen, and Aline Vukotic, 8706 Meilen.		
<b>Hans Hornbacher</b>		
3 Avenue de Grande-Bretagne, 98000 Monte-Carlo, Monaco:		
- Number of shares	415'637	–
- Percentage	3.31%	–

## 10. Compensation

Each member of the Board of Directors is entitled to receive CHF 25'000 compensation per year. The compensation is paid out in cash and the payment is made after the Annual General Meeting.

Members of the Board of Directors who are employed by the Company have waived their board fees and are instead remunerated by a fixed annual salary only. Variations occur due to the workload whilst the amounts remain fixed as per the individual contracts. The Board of Directors has decided that from 1 January 2010 onwards neither bonus nor other variable compensation will be granted anymore.

# Notes to the statutory financial statements

Neither share nor stock option plans exist.

The following table shows the compensation of the members of the Board of Directors:

<b>in CHF</b>	<b>2011</b>	<b>2010</b>
Daniel Sauter, executive member, Chairman	181'128	101'306
Hans Müller, member <sup>1)</sup>	27'000	26'900
Walter Geering, executive member	178'680	182'620
<b>Total</b>	<b>386'808</b>	<b>310'826</b>

<sup>1)</sup> Including 8% resp. 7.6% value added tax

A commitment fee of CHF 200'000 was paid to Fabrel AG, Hergiswil (beneficial owner: Hans Müller), in connection with a standby credit-line to allow Alpine to offer for a large block of shares of Absolute Private Equity AG. Apart from that there were no other payments in 2011 and no other accruals as of 31 December 2011. No loans were granted to or received from members of the Board of Directors.

## **11. Fire insurance value**

The fire insurance value for Furniture and equipment amounts to CHF 80'000 as per 31 December 2011 (2010: CHF 80'000).

## **12. Risk management**

The risk assessment process of the Group (Alpine Select AG and Sumara AG) ensures both, the early recognition and analysis of risks as well as the possibility to take corresponding measures. Management evaluates and analyses potential risks of the Group on the probability of coming into effect and the possible impact on the financial statements based on periodic and systematic identification of such risks.

The Board of Directors has decided on measures that should enable the Group to reduce risks of material misstatements regarding financial statement or accounting processes. Residual risks are monitored and periodically, at least on a yearly basis, reported to and discussed by the Board of Directors.

Proposed appropriation  
of available earnings as of 31 December  
(Proposal of the Board of Directors)

in CHF	2011	2010
Retained earnings at the beginning of the year	47'689'898	19'622'820
Net profit of the year	6'092'052	28'067'078
Dissolution of capital contribution reserves (Reserven aus Kapitaleinlagen) *)	12'177'954	25'118'430
<b>Available for distribution</b>	<b>65'959'904</b>	<b>72'808'328</b>
<b>Proposal of the Board of Directors for appropriation of retained earnings</b>		
Dividend *)	12'177'954	25'118'430
To be carried forward	53'781'950	47'689'898
	<b>65'959'904</b>	<b>72'808'328</b>
Total dividend distribution	12'177'954	25'118'430
- of which from Capital contribution reserves	12'177'954	25'118'430
- of which from other reserves	0	0

\*) The dividend sum covers all outstanding registered shares. However, the shares held by the Company at the time of declaration of the dividend are not entitled to a dividend. For this reason, the reported dividend sum (as well as the Dissolution of capital contribution reserves) may be correspondingly lower.

# Report of the Statutory Auditor on the Financial Statements to the Shareholders' Meeting of Alpine Select AG, Zug

As statutory auditor, we have audited the accompanying financial statements of Alpine Select AG, which comprise the balance sheet, income statement and notes (pages 56 to 64 of the Annual Report) for the year ended on 31 December 2011.

## **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

## **Auditor's responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the financial statements for the year ended on 31 December 2011 comply with Swiss law and the company's articles of incorporation.

# Report of the Statutory Auditor on the Financial Statements to the Shareholders' Meeting of Alpine Select AG, Zug

## Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG



Marc Ziegler  
Licensed Audit Expert, Auditor in Charge



Alexander Fähndrich  
Licensed Audit Expert

Zurich, 8 March 2012

This annual report is for the information of the shareholders of Alpine Select AG and does not constitute an offering. This document does not purport to be a complete description of the securities, markets or developments referred to in the material.

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# ALPINE SELECT

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