

# Annual Report 2013



ALPINE SELECT

#### Board of Directors

Raymond J. Baer  
Thomas Amstutz  
Dieter Dubs  
Hans Müller  
Walter Geering

Chairman as of 25 April 2013  
Member (Chairman until 25 April 2013)  
Member as of 25 April 2013  
Member until 25 April 2013  
Member until 31 December 2013

#### Management

Walter Geering  
Claudia Habermacher

until 31 December 2013  
as of 1 January 2014

#### Auditors

KPMG AG  
Badenerstrasse 172  
8026 Zurich  
Switzerland

#### Company Info Sheet

Listing  
Stock Exchange Symbol  
Swiss Security Number  
ISIN Code  
Reuters  
Bloomberg  
Type of Shares  
Outstanding Shares

SIX Swiss Exchange  
ALPN  
1,919,955  
CH0019199550  
ALPN.S  
ALPN SW EQUITY  
Registered shares  
13,377,954

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

Corporate calendar: <http://www.alpine-select.ch/corporate-calendar>

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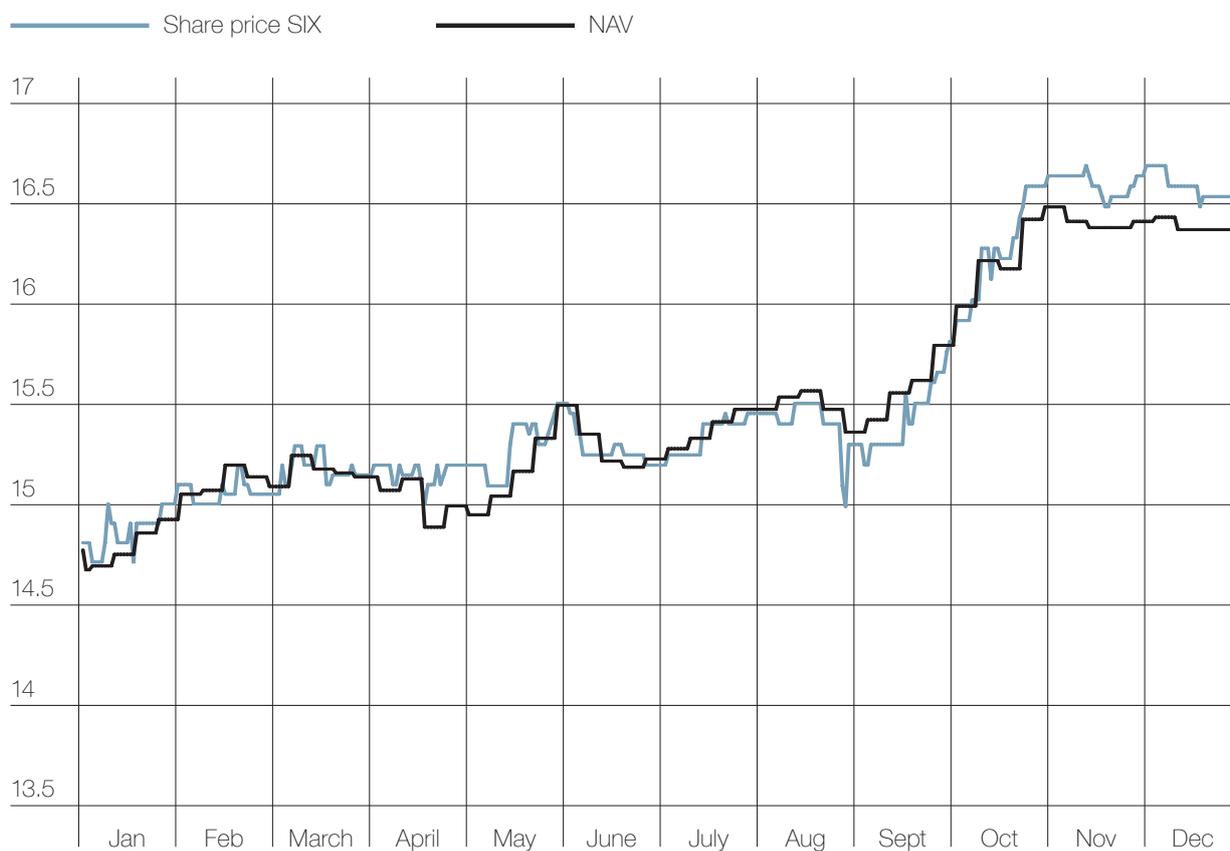
### Performance table

in CHF	31 Dec 2013	31 Dec 2012
Share price	16.60	14.82
NAV (unconsolidated)	16.60	14.79

in CHF	High 2013	Low 2013
Share price	16.65	14.64
Premium / (Discount) to NAV	1.5%	2.3%
NAV (unconsolidated)	16.60	14.72

### 12 months price-history in CHF for the year 2013

(weekly NAV and daily closing share price)



### Positions as a percentage of net asset value (NAV) on 31 December 2013

in %	0	5	10	15	20	25	30	35	40	45	50
Absolute Invest											<b>47</b>
HBM Healthcare											<b>27</b>
American Capital											<b>5</b>
Schaffner											<b>4</b>
Other long positions											<b>15</b>
Cash and other assets net											<b>2</b>

### Monthly NAV performance in %

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
2009	-2.3	-0.5	2.2	2.2	1.8	2.7	3.1	3.6	4.4	-0.2	-2.9	0.0	14.7
2010	1.4	1.2	-0.6	4.2	0.8	2.8	0.8	1.8	2.5	3.4	7.6	3.7	33.4
2011	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
2012	1.5	3.1	0.0	1.8	-2.7	2.6	0.3	1.4	1.4	0.6	-2.8	1.3	8.7
2013	1.8	0.2	0.5	-0.7	3.9	-2.1	1.0	-1.2	3.9	3.5	-0.1	0.3	11.4

### Monthly share price performance in %

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
2009	-2.7	-0.9	0.9	0.9	3.7	1.8	3.5	2.5	5.0	0.8	-2.3	0.0	13.6
2010	-1.2	2.8	2.4	1.5	0.0	3.0	1.5	1.4	2.5	3.8	7.4	3.1	32.0
2011	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
2012	1.0	2.9	4.1	0.6	0.0	0.6	0.9	0.3	-0.6	-0.6	-1.9	1.3	8.8
2013	1.9	-0.3	0.6	0.3	2.0	-1.9	1.6	-1.0	2.9	5.1	0.3	0.0	12.0

\* All figures are adjusted for the dividend payment in April 2013 out of reserves from capital contributions and the change in share capital as per 2 July 2013.

## Chairman's Statement and Review of Operations

Dear Shareholders

While 2013 was a year of numerous personal changes for Alpine Select, our investment strategies and our core beliefs remain untouched.

After many years of service, Walter Geering resigned from his position of CEO and Board member. He is succeeded by Claudia Habermacher as CEO. In addition, two new Board members, Dieter Dubs and I, have been appointed.

Our core investment strategies (discount-, risk arbitrage, tactical exploitation of under-researched short term opportunities and liquid hedge funds) remain firmly intact. So is our core belief that shareholders' interests should come first. As a proof of alignment of interest with shareholders, Board members hold more than 5% in Alpine while more than 30% are held by anchor shareholders.

Alpine Select achieved a steady performance in 2013, resulting in another good year. Including the pay-out to the shareholders, the adjustments for the share buy-back program and the increase of the share capital, our net asset value increased by 12.2% from CHF 14.79 to CHF 16.60 whereas the share price increased during the reporting period by 12.0% from CHF 14.82 to CHF 16.60. Throughout the year, the shares traded at – or near the net asset value thereby highlighting an important commitment of ours.

The most significant contribution by far to our positive result was achieved through our biggest portfolio holding of CHF 59 million in HBM Healthcare Investments Ltd., followed by American Capital, which was increased at attractive prices. After many years as an anchor shareholder of Schaffner Holding, we have prudently reduced the position to CHF 9 million, a more typical portfolio size.

During the year we increased our holdings in Absolute Invest by direct purchases and by a public offering for the remaining outstanding shares. In our Semi-Annual Report 2013 we published for the first time a consolidated statement of the two companies. The majority of the liquid part of the portfolio of Absolute Invest has been redeemed and the proceeds were distributed to its shareholders. At the end of 2013 the following largest positions remained:

1. Cheyne New Europe Fund, a real estate project development company with projects in Eastern Europe, predominantly in Prague, the Balkans and Turkey. The fund has a closed end structure and repayments are not expected to commence before 2018. The position size is USD 21.7 million and given the illiquid nature of the investment, we considered a discount of some USD 10 million in the reported value to be justified, since it reflects more accurately the net present value (discount rate of 8% p.a.).
2. Cheyne Investment Grade CDO Fund, with broadly and globally diversified specialized structured credit exposures. The position size is USD 26 million with a stated maturity of December 2014.
3. CQS Directional Opportunities Fund, a Global Macro Hedge Fund with a superior track record and monthly liquidity. Position size is USD 15 million.

After a couple of early visits to Japan which confirmed our positive outlook, we have substantially increased our exposure to dedicated Japanese Hedge Funds, which has already resulted in a positive

contribution. With an underlying exposure of some CHF 40 million at year-end, we continue to hold an optimistic view on the still neglected and in our estimation, undervalued Japanese stock market.

Furthermore, we successfully invested in a special situation in Italy, Unipol and Fondiaria (a re-structured insurance conglomerate) and in a tailor-made structured product with a view on a narrowing interest rate differential between Italy and France, which was sold at a decent profit in March. Last but not least, we started to build up a position in Altin, an investment company with a well-diversified Hedge Fund portfolio at attractive discount levels.

On a consolidated view the Company had CHF 13 million cash and no debt outstanding at year-end.

The share buy-back program which started in September 2011 closed on 14 March 2013. The Company repurchased 381,261 shares (or 3.036% of the outstanding share capital) between October 2011 and December 2012. The shares were cancelled and the share capital reduced by CHF 7,625.22 to CHF 243,559.08 on 2 July 2013. As in the past, the Annual Shareholders' Meeting has instructed the Board of Directors to buy back again up to 10% of own shares at its sole discretion. However, new regulations are limiting such purchases.

In order to facilitate further investments and to allow some core investors to increase their holdings, the Annual Shareholders' Meeting also resolved to increase the share capital. We are happy to confirm that we successfully executed the capital increase on 2 July 2013 with an accelerated bookbuilding procedure. The new share capital is CHF 267,559.08 represented by 13,377,954 shares.

For 2012 we decided to pay a dividend of CHF 1.00 per registered share as a result of comfortably reaching the targeted return. Due to continued favorable market conditions and corresponding performance, we propose to keep the dividend for 2013 steady at CHF 1.00.

In addition to Walter Geering, Hans Müller – a long serving Board member – also stepped down from the Board. Both colleagues contributed in meaningful ways to the past success of our company for which I thank them on behalf of the entire Board.

Thomas Amstutz retired as Chairman and following the shareholders meeting, the Board re-constituted itself and appointed me as its new Chairman.

As alluded before Claudia Habermacher, who joined Alpine Select on 1 July 2013, took over the position as CEO as of 1 January 2014.

According to modern governance principles the CEO will not be on the Board of Directors going forward.

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



Raymond J. Baer, Chairman of the Board of Directors

### 1. Company structure and shareholders

#### 1.1. Business

Alpine Select AG (the «Company» or «Alpine») aims to achieve attractive absolute returns by (i) investing in securities, quoted or otherwise, of Swiss and foreign corporations, (ii) taking advantage of significant transactional events such as spin-offs, acquisitions, mergers, carve-outs and recapitalizations and (iii) investing in collective investment vehicles in Switzerland and abroad.

#### 1.2. Company 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. The shares of Alpine are listed on the SIX Swiss Exchange.

Absolute Invest AG, Zug («Absolute Invest») the newly consolidated and only subsidiary of the Company holds the subsidiaries Absolutissimo Ltd. and Carry Ltd. both in Grand Cayman. Absolute Invest is a joint stock company with registered offices at c/o Alpine Select AG, Bahnhofstrasse 23, Zug. On 11 October 2013 Alpine published a public tender offer to acquire all outstanding publicly owned shares of Absolute Invest. As of 31 December 2013, Alpine holds 98.95% of the outstanding Absolute Invest shares. Following the completion of the public tender offer, Alpine requested on 20 December 2013 the cancellation of all outstanding publicly owned shares of Absolute Invest AG by the competent court. Provided that the court will support this request, Alpine holds 100% of Absolute Invest AG. A respective decision of the court is expected until mid-year 2014.

#### 1.3. Significant shareholders

The Company received seven disclosure notifications of shareholders during 2013. On 15 February 2013 the group Fabrel AG/Hans Müller reported falling below the 20% threshold. On 6 July 2013 Alpine reported to be under the 3% threshold due to the cancelling of own shares. On 6 July 2013 Raymond J. Baer and Hans-Ulrich Rihs reported exceeding the 3% threshold due to their participation in the increase of the Company's share capital. Also on 6 July 2013 the group Fabrel AG/Hans Müller reported falling below the 15% threshold due to the increase in the Company's share capital. On 5 October 2013 Credit Suisse reported exceeding the 5% threshold due to the purchase of shares. Following the sale of shares Credit Suisse reported on 29 October 2013 to be below the 5% threshold again.

Twenty management transactions were reported to the SIX Swiss Exchange in 2013 and can be seen under: [www.six-exchange-regulation.com/obligations/management\\_transactions/notifications\\_de.html](http://www.six-exchange-regulation.com/obligations/management_transactions/notifications_de.html)

As of 31 December 2013 the following shareholders owned 3% or more of the outstanding shares of the Company:

	2013	2012
<b>Trinsic AG</b> Artherstrasse 21, 6300 Zug – Number of shares including 170,000 shares (2012: 100,000 shares) directly held by the beneficial owners of Trinsic AG – Percentage Beneficial owners of Trinsic AG: Daniel Sauter, 6300 Zug; Regina Sauter, 6300 Zug; Viktoria Sauter, 6300 Zug; Florian Sauter, 6340 Baar and, partly indirect through Talpas AG, 7502 Bever; Michel Vukotic, 8706 Meilen; Corinne Vukotic, 8706 Meilen; Aline Vukotic, 8706 Meilen and Fabienne Vukotic, 8706 Meilen	2,284,421  17.08%	2,403,828  19.14%
<b>Fabrel AG/Hans Müller</b> Seestrasse 50, 6052 Hergiswil – Number of shares including 376,140 shares (2012: 140 shares) directly held by Hans Müller – Percentage Beneficial owner of Fabrel AG is Hans Müller, 6052 Hergiswil	1,348,640  10.08%	2,850,140  22.69%
<b>Credit Suisse Group AG</b> Paradeplatz 8, 8070 Zurich – Number of shares – Percentage	617,300  4.61%	–  –
<b>Hans-Ulrich Rihs</b> Eichstrasse 49, 8712 Stäfa – Number of shares – Percentage	597,000  4.46%	220,000  1.75%
<b>Raymond J. Baer</b> Goldhaldenstrasse 23, 8702 Zollikon – Number of shares – Percentage	519,764  3.89%	170,917  1.36%
<b>Hans Hornbacher</b> Route de Perreret 3, 1134 Vufflens-le-Château – Number of shares – Percentage	445,837  3.33%	415,637  3.31%

## Corporate Governance

To the Company's best knowledge, there are no shareholder agreements in place.

Based on respective resolutions of the shareholders taken at the Annual General Meeting on 25 April 2013, the Company cancelled 381,261 own shares effective on 2 July 2013 and increased the share capital on the same day by 1,200,000 new shares or by CHF 24,000.00. As of 31 December 2013 Alpine had 13,377,954 shares issued and outstanding.

The Annual General Meeting of 25 April 2013 also approved a new share buy-back program for up to 10% of the outstanding shares. Since the share buy-back program was launched and until 31 December 2013, no shares have been repurchased by the Company.

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).

### **1.4. Cross-Shareholdings**

There are no cross-shareholdings.

## **2. Capital structure**

### **2.1. Share capital**

As of 31 December 2013, the share capital of the Company amounts to CHF 267,559.08 and is divided into 13,377,954 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: CH0019199550). As of 31 December 2013, Alpine's market capitalization was CHF 220 million.

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

The Board of Directors is authorized to increase the share capital according to Article 4a of the Articles of Association by a maximum amount of CHF 121,779.54 at any time until 25 April 2015 by issuing a maximum of 6,088,977 fully paid-up registered shares with a nominal value of CHF 0.02 each. Increases by firm underwriting or partial increases are permitted. The Board of Directors shall determine the date of issuance of the new shares, their issue price, method of payment, conditions governing the exercise of subscription rights and the date of the dividend entitlement. Upon acquisition, the new registered shares are subject to the transfer restrictions set forth in Article 6 of the Articles of Association. The Board of Directors is authorized to exclude the subscription rights of the shareholders and to allocate them to third parties, if the new registered shares are used for a merger with another company, acquisitions of companies, parts of companies or participations in companies by share exchange, financing or re-financing of acquisitions of companies, parts of companies or participations in companies or new investments. Registered shares for which subscription rights have been granted but not exercised are to be sold on the market at market conditions or to be used in the interests of Alpine.

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

As of 31 December 2013, the Company's Articles of Association foresee that the share capital may be increased by an amount not exceeding CHF 121,779.54 through the issuance of a maximum of 6,088,977 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 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 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; whereby with respect to the shares of Alpine the stock market price shall be relevant.

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 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 own 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.

The Board of Directors proposed to the shareholders at the Annual Shareholders' Meeting on 18 April 2011 to terminate the share buy-back program and to reduce the share capital from CHF 265,568.94 to CHF 251,184.30 by cancelling 719,232 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 30 June 2011.

## Corporate Governance

At the Annual Shareholders' Meeting held on 18 April 2011, the shareholders authorized 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 proposed to the Annual Shareholders' Meeting on 18 April 2012 to extend this program for one year until the Annual Shareholders' Meeting 2013. The proposal was accepted at the shareholder's meeting of 18 April 2012.

Resulting from this share buy-back program, the Company held 381,261 own shares as per 31 December 2012 representing 3.036% of the share capital. No additional shares were purchased and the program ended on 14 March 2013.

The Board of Directors proposed to the shareholders at the Annual Shareholders' Meeting on 25 April 2013 to terminate the share buy-back program and to reduce the share capital from CHF 251,184.30 to CHF 243,559.08 by cancelling 381,261 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 became effective in the Commercial Register of the Canton of Zug as per 2 July 2013.

The Board of Directors proposed to the shareholders at the Annual Shareholders' Meeting on 25 April 2013 to increase its share capital by CHF 24,000.00 from CHF 243,559.08 to CHF 267,559.08 through the issuance of 1,200,000 registered shares with a par value of CHF 0.02 each. On 2 July 2013 the increase of the share capital was effected in the Commercial Register of the Canton of Zug.

Also at the Shareholders' Meeting of 25 April 2013 the Board of Directors proposed to the shareholders to authorize 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 29 April 2013 with a duration until the Annual Shareholders' Meeting in 2015. No shares have been repurchased since and the share capital remains unaltered.

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

### **2.5. Treasury shares**

At the Annual Shareholders' Meeting held on 25 April 2013, the shareholders authorized 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 29 April 2013 with a duration until the Annual Shareholders' Meeting in 2015. Due to a newly introduced daily limitation for the repurchase of shares by the authorities on 1 May 2013, the program became less attractive for Alpine and therefore no shares have been repurchased since.

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

The Company's share capital as per 31 December 2013 amounts to CHF 267,559.08 and consists of 13,377,954 fully paid-in 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 two participation certificates.

## **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 of the Articles of Association).

In accordance with Art. 6 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 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 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 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).

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 hand, 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. Currently two certificates for a total of 525 shares are outstanding.

### 3. Board of Directors

The duties of the Board of Directors of the Company 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

As of 31 December 2013 the members of the Board of Directors are:

Raymond J. Baer

Born 1959, Chairman as of 25 April 2013, Swiss, Board member since 2013 and elected until 2014.

Raymond J. Baer has been Honorary Chairman of Julius Baer Group Ltd. since 12 April 2012. From 2003 to 2012 he was Chairman of the Board of Directors of Julius Baer Group Ltd. (until 2009 Julius Baer Holding Ltd.) and of Bank Julius Baer & Co. Ltd.

Before these appointments, Raymond J. Baer held various executive positions within the Julius Baer Group Ltd. abroad and in Switzerland, lastly as Head of Private Banking Business Line and member of the Group Executive Board.

For many years he was a member of the Board and member of the Committee of the Governing Board of the Swiss Bankers Association, President of the Association of Swiss Commercial & Investment Banks and member of the Regulatory Board of SIX Swiss Exchange.

He holds a Degree in Law (lic.iur. HSG) of the University of St. Gallen (1984) and a Master's Degree in Law; LL.M. of Columbia Law School, New York (1985).

Thomas Amstutz

Born 1962, Swiss, Board member since 2012 (Chairman from 18 April 2012 until 25 April 2013) and elected until 2014.

Thomas Amstutz held a variety of management positions within the Credit Suisse Group since joining in 1978. In 1999 he was appointed member of the Executive Board of Credit Suisse Private Banking and from August 2002 until December 2004 he was member of the Executive Board of Credit Suisse Financial Services and Head of the Investment Management Division. From 2005 he chaired the Absolute investment companies. He is currently a partner at JAAM AG, Zurich and on the Board of Castle Private Equity AG.

Dieter Dubs

Born 1965, Swiss, Board member since 2013 and elected until 2014.

Dieter Dubs is a partner of Baer & Karrer AG since 2005, where he specializes in M&A transactions with a focus on public tender offers and stock exchange regulation. He also advises listed companies on corporate and regulatory matters. He is a recognized representative for the listing of securities at the SIX Swiss Exchange.

He holds multiple degrees in law: a lic.iur. of the University of St. Gallen (1993), a Dr.iur. of the University of St. Gallen (2000) and a LL.M. of the Harvard Law School (2002).

Walter Geering served as executive member of the Board of Directors and CEO. He resigned from both positions as of 31 December 2013.

Hans Müller resigned as member of the Board of Directors effective 25 April 2013.

### **3.2. Other activities**

Raymond J. Baer is the President of the Julius Baer Group pension fund and on the Board of two other Foundations. In addition, Raymond J. Baer is Chairman of the Board of Directors of Absolute Invest AG, Zug.

Thomas Amstutz is CEO and Chairman of the Board of Directors of Absolute Investment Services AG, Zurich and a member of the Board of Directors of Absolute Invest AG, Zug. In addition he is on the Board of the following companies: Castle Private Equity AG, Pfäffikon; JAAM AG, Zurich; Model AG, Weinfelden; Baloise Bank SoBa, Solothurn; Jade Invest SA, Neuchatel; FinOps AG, Zurich; Absolute Private Equity AG, Zug. Thomas Amstutz is further a member of the Asset Allocation Committee of Spida Personalvorsorgestiftung, Zurich as well as Trustee of the Board of the Zurich International School, Zurich.

Dieter Dubs is a member of the Board of Directors of Absolute Invest AG, Zug.

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**

For the current term of office members of the Board of Directors were elected by the Annual Shareholders' Meeting. Each member was elected individually for a period of one year. The Board of Directors constituted itself and appointed a Chairman.

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

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

Raymond J. Baer is the Chairman of the Board of Directors. At the beginning of the business year 2014, the Board of Directors will establish two committees, a compensation committee and an investment committee. Subject to the elections by the shareholders, the compensation committee will consist of Raymond J. Baer and Dieter Dubs. The meetings take place once a year or when necessary. The investment committee meets up to once a month and is open to all Board members available. The committee is free to invite guests for special topics. The Board takes ultimately the investment decisions. Management and control tasks are delegated 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. The Board of Directors convenes at least three times a year. During 2013 the Board of Directors convened seven 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 (and as of 1 Januar 2014 also the compensation 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 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.

These guidelines will be adjusted to the new law-situation at the upcoming ordinary Annual Shareholders' Meeting.

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

### **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 regularly 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 (SAIC), a self-regulatory organization for the indirect supervision of financial intermediaries in the fight against money laundering and terrorist financing. Alpine has timely introduced additional processes and control instruments in accordance with their guidelines.

## **4. Management**

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

Claudia Habermacher, born 1969, joined the Company on 1 July 2013 and takes over the function of the Chief Executive Officer as of 1 January 2014 from Walter Geering.

Before joining Alpine Select AG, Claudia Habermacher was a project manager at GAM Anlagefonds AG for more than seven years. Among others, at GAM she was in charge of the fund administration of a Swiss listed hedge fund. Prior to her engagement with GAM she was at creInvest AG responsible for heading the office and overall responsibility in the day-to-day work required to provide professional and administrative support to the CEO and the members of the Board of Directors.

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

As of 23 December 2013 Claudia Habermacher also acts as the Chief Executive Officer of Absolute Invest AG.

### **4.3. Management contracts**

Neither management contracts nor agreements of a similar nature exist. Regarding advisory contracts see section 5.8 below.

## **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 schemes that foresee the issuance of shares or share options.

The compensation paid in 2012 and 2013 is listed in section 5.7 below.

### **5.2. Allocation of shares**

In 2013 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 2013, Raymond J. Baer directly held 519,764 shares, Dieter Dubs directly held 3,500 shares and Thomas Amstutz directly held 136,000 shares of the Company. To the best knowledge of the Company, all transactions with shares of the Company of the members of the Board of Directors have been disclosed as management transactions according to the respective rules of the SIX Swiss Exchange.

#### 5.4. Options

No options have been issued.

#### 5.5. Additional fees and remuneration

No additional fees and remunerations have been paid to members of the Board of Directors or Management in 2013.

#### 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 a share nor a stock option plan exists.

The following table shows the compensation paid to the Board of Directors of Alpine Select AG:

in CHF	2013	2012
Raymond J. Baer, Chairman (since 25 April 2013)	112,530	0
Thomas Amstutz, member (Chairman from 18 April 2012 until 25 April 2013) <sup>1)</sup>	58,391	122,222
Dieter Dubs, member (since 25 April 2013)	27,280	0
Walter Geering, executive member (until 31 December 2013)	178,680	178,680
Hans Müller, member (until 25 April 2013) <sup>2)</sup>	37,800	37,800
Daniel Sauter, Chairman (until 18 April 2012)	0	55,822
<b>Total</b>	<b>414,681</b>	<b>394,524</b>

<sup>1)</sup> includes the board fees that Thomas Amstutz received from Absolute Invest AG

<sup>2)</sup> including 8% value added tax

### 5.8. Advisory contracts

Absolute Investment Services AG was the advisor to the Company's subsidiary Absolute Invest AG and received an advisory fee of CHF 178,816 in 2013. Thomas Amstutz is CEO and Chairman of the Board of Directors of Absolute Investment Services AG, Zurich.

Among others, Thomas Amstutz is also a member of the Board of Directors of FinOps AG and of JAAM AG. In 2013, FinOps AG was primarily responsible for the calculation of the NAV of Absolute Invest AG, the Company's subsidiary. Pursuant to the Service Level Agreement, FinOps received a total compensation for their service in 2013 in the amount of CHF 81,000. For the period 1 September until 31 December 2013, Absolute Invest AG and JAAM entered into a service agreement according to which JAAM provided Absolute Invest and its two subsidiaries (Absolutissimo and Carry) with consultancy services. Based on this agreement JAAM received a total compensation of CHF 248,386.

Dieter Dubs is a partner of Baer & Karrer AG, Zurich. For the year 2013, Alpine paid CHF 331,000 to Baer & Karrer AG for legal services.

## 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;
- 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 if 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 and 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 – 25 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.

### **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 since, always for a one year term at the Annual Shareholders' Meetings. Marc Ziegler is the auditor in charge for Alpine since KPMG AG's election in 2010.

As a member of the Swiss Association of Investment Companies (SAIC) – a self-regulatory organization for the indirect supervision of financial intermediaries in the fight against money laundering and terrorist financing – Alpine has timely introduced processes and control instruments in accordance with the SVIG guidelines (see section 3.6) that were audited for the first time in 2013.

### **8.2. Audit fees**

For the year 2013 audit fees amounted to CHF 165,000 (2012: 64,286). While the 2013 figure includes all audit fees paid by the entire Group, 2012 figure relates to the audit of Alpine Select, only.

### **8.3. Additional fees**

An amount of CHF 167,042 was paid to KPMG AG Zurich in connection with their services rendered for the takeover project with Absolute Invest (interim review as of 30 June 2013 and audit work on Pro Forma Statements) and an amount of CHF 23,000 was invoiced for the capital increase and the capital decrease (both Alpine Select) and the dividend distribution out of capital reserves (Absolute Invest). In addition, an amount of CHF 21,500 was charged for the audits of the money laundering documentation for both Alpine Select and Absolute Invest. No advisory or tax services have been rendered to the Group in 2013 by KPMG AG Zurich.

#### **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 quality, know-how, 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 2013 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 updates;
- Ad-hoc releases, as required.

Information is disclosed through:

- Reuters: ALPN.S;
- Bloomberg: ALPN SW EQUITY;
- Twitter
- 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:

<http://www.alpine-select.ch/corporate-calendar>

## Consolidated Financial Statements

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 31 DECEMBER

in TCHF	Note	2013	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		13,017	14,070
Financial assets at fair value through profit or loss – trading	10	2,006	3,942
Other current assets		924	49
<b>Total current assets</b>		<b>15,947</b>	<b>18,061</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss – trading	10	216,195	174,819
<b>Total non-current assets</b>		<b>216,195</b>	<b>174,819</b>
<b>TOTAL ASSETS</b>		<b>232,142</b>	<b>192,880</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Financial liabilities at fair value through profit or loss – trading	10	0	21
Current tax liabilities		55	0
Accounts payable and accrued liabilities		1,208	248
<b>Total current liabilities</b>		<b>1,263</b>	<b>269</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	15	1,183	600
<b>Total non-current liabilities</b>		<b>1,183</b>	<b>600</b>
<b>Equity</b>			
Share capital	16.1	268	251
Additional paid-in capital		68,207	68,820
Treasury shares	16.4	0	(6,095)
Currency translation adjustments		(3,621)	0
Retained earnings		161,910	129,035
<b>Equity attributable to owners of Alpine Select AG</b>		<b>226,764</b>	<b>192,011</b>
Non-controlling interests	17	2,932	0
<b>Total equity</b>		<b>229,696</b>	<b>192,011</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>232,142</b>	<b>192,880</b>
Net asset value (NAV) per share in CHF	23	16.95	15.77

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER**

in TCHF	Note	2013	2012
<b>INCOME</b>			
Gain on financial assets and financial liabilities at fair value through profit or loss, net – trading	18	33,563	15,093
Dividend income	11/12	2,373	2,586
Interest income from financial assets		634	890
Other income		146	91
Gain on bargain purchase	2.3	2,718	0
<b>Total income</b>		<b>39,434</b>	<b>18,660</b>
<b>EXPENSES</b>			
General and administrative expenses	19	(3,577)	(1,525)
Commissions and other bank fees		(1,097)	(586)
Net foreign exchange losses on cash and cash equivalents		(2,781)	(158)
Interest expenses		(28)	(2)
Depreciation on furniture and equipment		0	(7)
<b>Total expenses</b>		<b>(7,483)</b>	<b>(2,278)</b>
<b>Profit before tax</b>		<b>31,951</b>	<b>16,382</b>
Income tax (expense) / income	21	(665)	51
<b>Profit for the year</b>		<b>31,286</b>	<b>16,433</b>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Foreign currency translation differences – foreign operations		(6,833)	0
<b>Other comprehensive loss for the year, net of tax</b>		<b>(6,833)</b>	<b>0</b>
<b>Total comprehensive income for the year</b>		<b>24,453</b>	<b>16,433</b>
<b>Profit for the year attributable to:</b>			
Owners of Alpine Select AG		30,669	16,433
Non-controlling interests	17	617	0
		<b>31,286</b>	<b>16,433</b>
<b>Total comprehensive income / (loss) for the year attributable to:</b>			
Owners of Alpine Select AG		27,048	16,433
Non-controlling interests	17	(2,595)	0
		<b>24,453</b>	<b>16,433</b>
Earnings per share in CHF (basic and diluted)	22	2.37	1.34

## Consolidated Financial Statements

### CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER

in TCHF	Note	2013	2012
<b>Cash flows from operating activities</b>			
Profit before tax		31,951	16,382
Adjustments for:			
– Gain on financial assets and financial liabilities at fair value through profit or loss, net – trading	18	(33,563)	(15,093)
– Dividend income	11/12	(2,373)	(2,586)
– Interest income from financial assets		(634)	(890)
– Gain on bargain purchase	2.3	(2,718)	0
– Interest expenses		28	2
– Depreciation on furniture and equipment		0	7
– Net foreign exchange losses on cash and cash equivalents		2,781	158
– Other non-cash expenses		422	0
Decrease (Increase) in other current assets		1,028	(22)
(Decrease) Increase in accounts payable and accrued liabilities		(342)	70
Withholding taxes received		1,452	0
Dividends received		2,373	2,586
Interest received		634	1,048
Interest paid		(32)	(2)
Income taxes paid		0	(1,002)
<b>Net cash from operating activities</b>		<b>1,007</b>	<b>658</b>
<b>Cash flows from investing activities</b>			
Purchases of financial assets at fair value through profit or loss	13.1	(74,215)	(56,126)
Proceeds from sale of financial assets at fair value through profit or loss	13.2	148,039	53,485
Net cash inflow / (outflow) from currency forwards		3,648	(13,348)
Acquisition of subsidiary, net of cash acquired	2.7	2,302	0
<b>Net cash from (used in) investing activities</b>		<b>79,774</b>	<b>(15,989)</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER**

in TCHF	Note	2013	2012
<b>Cash flows from financing activities</b>			
Purchase of treasury shares, incl. transaction costs	16.4	0	(4,995)
Acquisition of non-controlling interests	2.6	(59,591)	0
Increase short-term bank loan	14	2,780	0
Repayment of short-term bank loan	14	(7,414)	0
Increase of share capital, net of transaction costs	16.1	17,650	0
Dividend paid to non-controlling interests	17	(19,135)	0
Dividend paid to shareholders		(12,178)	(12,178)
<b>Net cash used in financing activities</b>		<b>(77,888)</b>	<b>(17,173)</b>
Effect of exchange rate changes on cash and cash equivalents		(3,946)	(158)
<b>Net decrease in cash and cash equivalents</b>		<b>(1,053)</b>	<b>(32,662)</b>
Cash and cash equivalents at 1 January		14,070	46,732
<b>Cash and cash equivalents at 31 December</b>		<b>13,017</b>	<b>14,070</b>
Cash and cash equivalents as per 31 December consist of:			
Current accounts at banks		13,017	14,070
<b>Cash and cash equivalents as defined for the Consolidated Statement of Cash flows</b>		<b>13,017</b>	<b>14,070</b>

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in TCHF

Note

#### Balance at 1 January 2012

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Profit for the year

Other comprehensive income for the year

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#### Total comprehensive income for the year

Dividend paid to shareholders of Alpine Select AG \*

Purchase of treasury shares

16.4

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#### Total contributions by and distributions to owners of the Company for the year

#### Balance at 31 December 2012

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Profit for the year

Other comprehensive loss for the year

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#### Total comprehensive income / (loss) for the year

Dividend paid to shareholders of Alpine Select AG \*

Acquisition of subsidiary with non-controlling interests

2.5

Acquisition of non-controlling interests

2.6

Dividend paid to non-controlling interests \*

Cancellation of treasury shares

16.4

Increase of share capital, net of transaction costs

16.1

Income tax on transaction costs

16.1

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#### Total changes in ownership, contributions by and distributions to owners of the Company for the year

#### Balance at 31 December 2013

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\* paid out of the reserves from capital contributions.

Attributable to owners of Alpine Select AG								
Share capital	Additional paid-in capital	Treasury shares	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity	
<b>251</b>	<b>80,998</b>	<b>(1,100)</b>	<b>0</b>	<b>112,602</b>	<b>192,751</b>	<b>0</b>	<b>192,751</b>	
				16,433	16,433		16,433	
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>16,433</b>	<b>16,433</b>	<b>0</b>	<b>16,433</b>	
	(12,178)				(12,178)		(12,178)	
		(4,995)			(4,995)		(4,995)	
<b>0</b>	<b>(12,178)</b>	<b>(4,995)</b>	<b>0</b>	<b>0</b>	<b>(17,173)</b>	<b>0</b>	<b>(17,173)</b>	
<b>251</b>	<b>68,820</b>	<b>(6,095)</b>	<b>0</b>	<b>129,035</b>	<b>192,011</b>	<b>0</b>	<b>192,011</b>	
				30,669	30,669	617	31,286	
			(3,621)		(3,621)	(3,212)	(6,833)	
<b>0</b>	<b>0</b>	<b>0</b>	<b>(3,621)</b>	<b>30,669</b>	<b>27,048</b>	<b>(2,595)</b>	<b>24,453</b>	
	(12,178)				(12,178)		(12,178)	
					0	86,459	86,459	
				2,206	2,206	(61,797)	(59,591)	
					0	(19,135)	(19,135)	
(7)	(6,088)	6,095			0		0	
24	17,626				17,650		17,650	
	27				27		27	
<b>17</b>	<b>(613)</b>	<b>6,095</b>	<b>0</b>	<b>2,206</b>	<b>7,705</b>	<b>5,527</b>	<b>13,232</b>	
<b>268</b>	<b>68,207</b>	<b>0</b>	<b>(3,621)</b>	<b>161,910</b>	<b>226,764</b>	<b>2,932</b>	<b>229,696</b>	

### 1. Corporate information

Alpine Select AG (the «Company», «Alpine» and together with its subsidiary Absolute Invest AG, the «Group») is a limited liability company incorporated on 17 September 1997 under the laws of Switzerland having its registered office at Bahnhofstrasse 23, 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 2013, the Company has two part-time employees.

### 2. Acquisition of Absolute Invest AG, Zug

Absolute Invest AG was one of Alpine's investments carried at fair value through profit or loss as per 31 December 2012. On 6 June 2013, Absolute Invest AG, Zug (Switzerland), an investment company listed at the SIX Swiss Exchange, announced that Alpine and two members of its Board of Directors (Thomas Amstutz and Raymond Baer) have acquired further shares of Absolute Invest AG and obtained control by reaching 50.05% of the shares and voting interests in Absolute Invest AG as per 5 June 2013. The shareholding in Absolute Invest AG as per 5 June 2013 was as follows:

	in %	Shares
Total number of issued and outstanding shares of Absolute Invest AG as per 5 June 2013:	100.00%	5,995,552
Number of Absolute Invest AG shares directly held by Alpine Select AG as per 5 June 2013:	47.92%	2,873,174
Number of Absolute Invest AG shares held by Thomas Amstutz and Raymond Baer as per 5 June 2013:	2.13%	127,714
Total number of Absolute Invest AG shares held by Alpine (Alpine Select AG, Thomas Amstutz and Raymond Baer) as per 5 June 2013:	50.05%	3,000,888
Number of Absolute Invest AG shares not directly held by Alpine Select AG as per 5 June 2013 (non-controlling interests):	52.08%	3,122,378

Although only holding 47.92% of the shares of Absolute Invest AG as per 5 June 2013 directly, Alpine had control over Absolute Invest AG as two members of Alpine's Board of Directors held another 2.13% of Absolute Invest AG's shares resulting in a total of 50.05% for Alpine. Thus, Absolute Invest AG is fully consolidated from that date on.

Further purchases of Absolute Invest AG shares by Alpine Select AG after 5 June 2013 are disclosed in the consolidated statement of changes in equity as a change between non-controlling interests and equity attributable to the shareholders of Alpine Select AG.

In the period 6 June to 31 December 2013, Absolute Invest AG contributed approx. CHF 3.5 million to the Group's total income as per the consolidated statement of comprehensive income and a profit of approx. CHF 0.6 million to the Group's result after tax. If the acquisition had occurred on 1 January 2013, management estimates that total income as per the consolidated statement of comprehensive income for the year ended 31 December 2013 would have been approx. CHF 39.3 million and that the consolidated profit for the year ended 31 December 2013 would have been approx. CHF 23.5 million.

## 2.1. Consideration transferred

The total consideration transferred is a payment of TCHF 1,293 on 5 June 2013 when Alpine acquired 48,942 shares of Absolute Invest AG via the first trading line at the SIX Swiss Exchange. By purchasing these shares, Alpine and two members of its Board of Directors (Thomas Amstutz and Raymond Baer) achieved 50.05% of the shares and voting rights in Absolute Invest AG.

## 2.2. Identifiable assets acquired and liabilities assumed

The acquisition accounting was revised as new information was obtained about facts and circumstances that existed at the acquisition date and that required an adjustment to the amounts disclosed in the condensed interim consolidated financial statements for the six month period ended 30 June 2013.

in TCHF

	Previous amounts	Measurement period adjustment	Adjusted amounts
Cash and cash equivalents	3,595	0	3,595
Other current assets	1,400	0	1,400
Financial assets at fair value through profit or loss (non-current)	176,981	(11,071)	165,910
Time loan due to Credit Suisse AG	(4,722)	0	(4,722)
Financial liabilities at fair value through profit or loss	(202)	0	(202)
Accounts payable and other accrued liabilities	(901)	0	(901)
<b>Fair value of identifiable net assets</b>	<b>176,151</b>	<b>(11,071)</b>	<b>165,080</b>

The amounts in above column «previous amounts» are those presented in the condensed interim consolidated financial statements for the six month period ended 30 June 2013. The adjustment relates to a revaluation of the investment in Cheyne New Europe Ltd. (Cheyne), an investment of Absolutissimo Ltd., carried at fair value through profit or loss. Absolutissimo Ltd. is one of Absolute Invest AG's subsidiaries. The floodwater that reached Prague on 2 June 2013 impacted important real estate projects of Cheyne. As per 30 June 2013, further details were not available. During the 3rd and 4th quarter 2013 Cheyne announced that – as a result of refinancing negotiations with the

## Notes to the Consolidated Financial Statements

bank – the redemption period is postponed to the year 2018. In consequence, the net present value of Cheyne as per 31 December 2013 was adjusted accordingly. Also as a consequence of the postponed redemption period, the Company's Board of Directors decided to adjust the fair value of the investment in Cheyne as per the acquisition date by approx. CHF 11.1 million.

The acquisition accounting will be further revised if – within one year from the acquisition – new information is obtained about facts and circumstances that existed at the acquisition date and that would require an adjustment to the above amounts.

### 2.3. Gain on bargain purchase

A gain on bargain purchase is recognized as a result of the acquisition as per 5 June 2013 as follows:

in TCHF	Note	Previous amounts	Measurement period adjustment	Adjusted amounts
Total consideration transferred	2.1	1,293	0	1,293
Fair value of previously held interest in Absolute Invest AG at 5 June 2013	2.4	74,610	0	74,610
Non-controlling interests, based on their proportionate interest in the recognized amounts of the assets and liabilities of Absolute Invest AG	2.5	92,224	(5,765)	86,459
Less: fair value of identifiable net assets	2.2	(176,151)	11,071	(165,080)
<b>Gain on bargain purchase</b>		<b>(8,024)</b>	<b>5,306</b>	<b>(2,718)</b>

Absolute Invest AG, Zug is an investment company. Its shares are listed at the SIX Swiss Exchange and have in the past been traded at a discount to the net asset value. Alpine used to value its investment in Absolute Invest AG at the listed market price. The same valuation method is applied to the total consideration transferred of TCHF 1,293 and the fair value of the previously held interest in Absolute Invest AG of TCHF 74,610. The (historical) discount between Absolute Invest AG's listed market price and its net asset value results in a gain from bargain purchase when acquiring Absolute Invest AG as per 5 June 2013 as set out in above table.

### 2.4. Fair value of previously held interest in Absolute Invest AG as per 5 June 2013

Prior to the acquisition of Absolute Invest AG as per 5 June 2013, the investment in Absolute Invest AG was carried at fair value through profit or loss and disclosed in Alpine's investment table. The fair value of the previously held interest in Absolute Invest AG is calculated based on the listed market price per Absolute Invest AG share as disclosed in the following table:

Number of Absolute Invest AG shares previously directly held by Alpine Select AG as per 5 June 2013:	2,824,232 shares
Listed market price per Absolute Invest AG share as per 5 June 2013:	
– in USD	28.0000 USD
– in CHF (at the exchange rate of 0.943489 as per 5 June 2013):	26.4177 CHF
<b>Fair value of previously held interest in Absolute Invest AG as per 5 June 2013 (in TCHF):</b>	<b>74,610</b>

## 2.5. Non-controlling interests in Absolute Invest AG

As per the acquisition date, the shares of Absolute Invest AG that were not directly held by Alpine Select AG result in a non-controlling interest of 52.08% in Absolute Invest AG. The non-controlling interests as per 5 June 2013 of total TCHF 86,459 (including non-controlling interests previously held by Absolute Invest AG) are valued based on their proportionate interest in the recognized amounts of assets and liabilities of Absolute Invest AG as per 5 June 2013 (see also Note 2.3).

## 2.6. Acquisition of non-controlling interests in Absolute Invest AG

During the period 6 June to 31 December 2013, the Company acquired an additional 51.03% interest in Absolute Invest AG for TCHF 59,591 in cash via the first trading line at the SIX Swiss Exchange and through a public tender offer via the Neue Helvetische Bank AG, Zurich. The ownership was increased from 47.92% as per the acquisition date to 98.95% as per 31 December 2013. The proportionate net asset value of Absolute Invest AG for the acquired 51.03% was TCHF 61,797 as per 31 December 2013. The Group recognized a decrease in non-controlling interests of TCHF 61,797 and an increase in retained earnings of TCHF 2,206.

## 2.7. Acquisition of Absolute Invest AG, net of cash acquired

	Note	in TCHF
Consideration transferred cash	2.1	(1,293)
Cash and cash equivalents acquired	2.2	3,595
<b>Cash flow from acquisition of subsidiary, net of cash acquired</b>		<b>2,302</b>

### 3. Consolidated financial statements

Prior to 1 January 2012, Alpine Select AG together with its wholly owned subsidiary Sumara AG, Zug (Switzerland) formed a group of companies for which consolidated financial statements were prepared and issued. For the year ended 31 December 2012, stand-alone financial statements were prepared and issued as Sumara AG was merged by absorption into Alpine Select AG effective 1 January 2012. The acquisition of Absolute Invest AG as per 5 June 2013 requires again the preparation of consolidated financial statements.

The consolidated financial statements comprise the financial statements of the parent company (Alpine Select AG) and its subsidiary Absolute Invest AG, which has been consolidated for the first time as at 5 June 2013. Equity attributable to non-controlling interests is presented in the consolidated statement of financial position within equity, separate from equity attributable to owners of Alpine Select AG.

### 4. Basis of presentation of the consolidated financial statements

The accompanying consolidated financial statements for the year ended 31 December 2013 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.

The consolidated financial statements are presented in Swiss Francs (CHF) / thousands of Swiss Francs (TCHF).

#### 4.1. Companies included in the consolidation

The consolidated financial statements comprise the financial statements of Alpine Select AG, Zug, Absolute Invest AG, Zug and the financial statements of Absolute Invest AG's wholly owned subsidiaries Absolutissimo Ltd., Carry Ltd. and Usissimo Ltd. (all domiciled on the Cayman Islands) as well as the financial statements of Cheyne Discovery Fund I Inc., Cayman Islands, a company in which Absolutissimo Ltd. holds 63.48% as per 31 December 2013. Usissimo Ltd. was liquidated in December 2013.

#### 4.2. Non-controlling interests

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Non-controlling interests as at 31 December 2013 comprise the 1.05% in Absolute Invest AG and the 36.52% in Cheyne Discovery Fund I Inc. not held by the Group.

### 5. Accounting policies

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.

#### 5.1. 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, revised and amended standards and interpretations issued for financial years beginning on or after 1 January 2013.

- IFRS 7: Financial Instruments: Disclosures: Offsetting Financial Assets and Financial Liabilities – Amendments (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 Interest 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 – Amendments (effective 1 July 2012);
- IAS 27: Separate Financial Statements (effective 1 January 2013);
- IAS 28: Investments in Associates and Joint Ventures (effective 1 January 2013);
- Various: Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance – Amendments to IFRS 10, IFRS 11 and IFRS 12 (effective 1 January 2013);
- Various: Annual Improvements to IFRS (May 2012) – Omnibus Change to many Standards (mostly effective 1 January 2013).

The adoption of the new and amended standards during the year 2013 did not have any effect on the consolidated financial statements or the performance of the Group, except for additional disclosures resulting from IAS 1, IFRS 12 and IFRS 13. Furthermore the Group has early adopted the Investment Entity Exemption of IFRS 10 as per 1 January 2013.

In 2014, the Group will adopt the following new and amended standards and interpretations:

- IAS 32: Financial Instruments – Presentation: Offsetting Financial Assets and Financial Liabilities – Amendments (effective 1 January 2014);
- IAS 36: Impairment of Assets: Recoverable Amount – Disclosures for Non-Financial Assets – Amendments (effective 1 January 2014);

## Notes to the Consolidated Financial Statements

- IAS 39: Financial Instruments – Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting – Amendments (effective 1 January 2014);
- IFRIC 21: Levies (effective 1 January 2014).

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

In 2015 and afterwards, the Group will adopt the following new and amended standards:

- Various: Annual Improvements to IFRS (2010-2012 Cycle) – Omnibus Change to many Standards (effective 1 July 2014);
- Various: Annual Improvements to IFRS (2011-2013 Cycle) – Omnibus Change to many Standards (effective 1 July 2014);
- IFRS 9: Financial Instruments (effective tentative 1 January 2018).

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

### 5.2. Foreign currency transactions

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 the respective functional currency at the exchange rates prevailing at that date. The resulting exchange gains and losses are included in profit or loss. Non-monetary assets and liabilities in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rate at the date the fair values were determined. The resulting exchange gains and losses are included in profit or loss. The exchange rate differences resulting from foreign currency positions within cash and cash equivalents are 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 18).

The following exchange rates have been applied:

		2013	2012
<b>USD / CHF</b>			
Balance sheet	End of December	0.88937	0.91530
Items of profit and loss	Average rate for the year	0.92668	0.93756
<b>EUR / CHF</b>			
Balance sheet	End of December	1.22550	1.20680
Items of profit and loss	Average rate for the year	1.23096	1.20517
<b>JPY / CHF</b>			
Balance sheet	End of December	0.00846	–
Items of profit and loss	Average rate for the year	0.00898	–

### 5.3. Foreign operations

The financial statements of those Group companies having USD as their functional currency are translated into the presentation currency CHF (Swiss Francs). All assets and liabilities are translated at the exchange rate of the balance sheet date. All equity items other than the profit or loss for the year are translated to the presentation currency at the historical exchange rate. Income, expenses and cash flows are translated using the average exchange rate of the year, which approximates the exchange rate at the date of the transaction. The exchange differences on translating balance sheets and income statements are debited or credited as a translation adjustment on foreign operations in the consolidated statement of comprehensive income. Exchange differences on translating cash and cash equivalents and related cash flows are separately disclosed in the consolidated statement of cash flows as effect of exchange rate changes on cash and cash equivalents. The exchange rates applied are those disclosed in the table above (Note 5.2).

### 5.4. 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, hedge funds, 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 as of 31 December 2013 we refer to the consolidated investment table under Note 11.

A financial asset or a financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it. Currency forwards and options are also categorized as held for trading. The Company may engage in short sales anticipating a decline in the respective market (mainly trading options sold short). Short sales are classified as financial liabilities at fair value through profit or loss.

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Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). That definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific measurement. When measuring fair value, an entity uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. As a result, an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value.

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not impacted the fair value measurements of the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. The Group provides these disclosures in Note 10.

The fair value of investments that are traded in an active financial market (level 1) is determined by reference to quoted market prices on principal markets at the close of business on the balance sheet date. Such financial assets 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 Company considers the following factors that may indicate that a market is not active:

- Few recent transactions; there is not sufficient frequency or volume of transactions to provide pricing information on an ongoing basis;
- There are no price quotes available or are not based on current information; and
- Little information is published.

Considering the above factors, the Board of Directors – as advised by the investment manager of the underlying funds – concludes that the market for the investments is not an active one.

When a price for an identical asset or liability is not observable (level 2 and level 3), fair value is measured using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs.

Investments in level 2 and level 3 are carried at estimated fair value. The valuation method used for unquoted funds and equities is the «adjusted net asset method». In determining the fair value of investments for which quotations are not readily available, the valuation is generally based on the latest available net asset value (NAV) of the fund reported by the corresponding fund manager provided that the NAV has been appropriately determined by using proper fair value principles in accordance with IFRS 13. The Board of Directors reviews and approves the NAV provided by the investment manager unless the Company is aware of reasons that such a valuation may not be the best approximation of fair value. The adjusted net asset method is the single technique used across all fund investment types.

The NAV would also be adjusted if the Group becomes aware of significant market changes or events that impact significantly the value of the underlying investments and that are not yet included in the NAV as reported by the fund manager. In addition, the Group has the following control procedures in place to ensure that the NAV of the underlying fund investments is calculated in a manner consistent with IFRS 13:

- Thorough initial due diligence process and ongoing monitoring procedures;
- Comparison of historical realizations to last reported fair values;
- Qualifications, if any, in the auditor's report;
- Comparing the NAV as per the latest audited financial statements (if available) with the NAV that was reported by the fund manager for the respective period.

The Group only invests if the investment manager of the fund is reputable within the industry and has a reasonable track record, if there is an appropriate transparency in the fund's investments and if the fund provides regularly net asset value statements.

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 – trading, are recognized in profit or loss. The realized and unrealized gains and losses are calculated based on the weighted average cost formula.

Due to the inherent uncertainty of the valuation of unlisted investments and considering the market turmoil due to the financial markets crisis which (among other things) led to illiquidity in markets for certain financial products, the estimated values may differ significantly from the values that would have been recorded had a ready market for these investments existed. These differences could be material.

### **5.5. 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.

### **5.6. Treasury shares**

Own shares of the Company 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.

### **5.7. 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.

### 5.8. Income taxes

Alpine Select AG and its subsidiary Absolute Invest 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 7.83% (based on the profit before tax) on income which does not qualify for the participation exemption. Absolute Invest AG's subsidiaries on Cayman Islands are not subject to any income taxes.

### 6. Subsidiaries

Effective 5 June 2013, the Company acquired Absolute Invest AG, Zug an investment company listed at the SIX Swiss Exchange. Further reference is made to Note 2 (Acquisition of Absolute Invest AG, Zug) and to Note 4 (Basis of presentation of the consolidated financial statements). The Company has no other subsidiaries as at 31 December 2013.

### 7. 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 Company 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 Company's performance are evaluated on an overall basis and are not based on specific markets or industries. Thus the Company operates as one segment.

### 8. 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 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 investments are denominated in Swiss Francs, US Dollar, Euro and Japanese Yen. 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, Alpine Select AG and Absolute Invest AG calculate and publish a weekly net asset value.

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.

### **8.1. Equity price risk / concentration risk**

Equity price risk is the risk of potential adverse change to the value of equity instruments because of changes in market conditions. 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 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.

Investments held by Absolutissimo Ltd. and Carry Ltd. are managed by fund money managers who implement a variety of different strategies in the financial markets. The level of systematic market exposure is left to the discretion of these money managers. The portfolio is expected to have some degree of correlation to the equity markets in which many of the money managers trade. It will be sought to limit the correlation between the managers in order to dampen the volatility of the portfolio as a whole. The market risk is managed on a daily basis by the investment manager in accordance with policies and procedures in place. Although the strategy is to diversify the investments by allocating no more than 25% of assets to any single money manager and by investing in at least five investment vehicles per subsidiary, 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 may be both, volatile and illiquid. Most of these investments are also subject to specific restrictions on transferability and disposal. Consequently the risk exists that the Group might not be able to readily dispose of its holdings in such markets or investments when it chooses to do so and also that the price attained on a disposal is below the amount at which such investments are included in the Group's consolidated statement of financial position.

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 2013 is 12.99% (standard deviation) and 18.04% (standard deviation) for the 5 years period until 31 December 2012.

If – in the year under review – the IGSP Investment Index would have increased by a yearly standard deviation of 12.99%, the positive impact on the Group's result before tax would have been CHF 28.1 million (2012: CHF 31.5 million applying a yearly standard deviation of 18.04%). An equal but opposite change would have resulted in an equal but opposite impact on the Group's result before tax.

### 8.2. Credit risk

Financial assets that potentially expose the Group to credit risk mainly consist of cash and cash equivalents, the CLO-investments, currency forwards and other current assets except those relating to withholding and value added tax. The Group's exposure to credit risk is limited to the carrying value of these assets as reported in the consolidated statement of financial position and in the consolidated investment table respectively being approx. CHF 19.6 million as at 31 December 2013 (2012: approx. CHF 28.8 million).

The CLO-investments in ING Investment Management CLO, Stone Tower CLO VI LTD and the Var. Obl. Stone Tower CLO VII of total CHF 4.3 million as per 31 December 2013 represent approx. 2% of the total long positions in the Group's investment table. The 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.

### 8.3. 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'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 Group's financial liabilities are small and usually mature in the next 12 months. Nevertheless it is the Group's policy to have 100% of the anticipated payables for the next 12 months available in cash and cash equivalents or readily available credit lines.

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

The following table summarizes the maturity profile of the Group's financial liabilities for the year ended 31 December 2013 and 2012 based on contractual and undiscounted payments:

in TCHF	On demand	Less than 3 months	3 to 12 months	Total
<b>31 December 2013</b>				
Financial assets / (liabilities) at fair value through profit or loss				
– Forward exchange contracts, settled gross	0	2,006	0	2,006
– of which: inflow	0	136,865	0	136,865
– of which: outflow	0	(134,859)	0	(134,859)
Accounts payable and accrued liabilities	0	(477)	(731)	(1,208)
<b>Net inflow / (outflow)</b>	<b>0</b>	<b>1,529</b>	<b>(731)</b>	<b>798</b>
<b>31 December 2012</b>				
Financial assets / (liabilities) at fair value through profit or loss				
– Forward exchange contracts, settled gross	0	3,921	0	3,921
– of which: inflow	0	107,277	0	107,277
– of which: outflow	0	(103,356)	0	(103,356)
Accounts payable and accrued liabilities	0	(45)	(203)	(248)
<b>Net inflow / (outflow)</b>	<b>0</b>	<b>3,876</b>	<b>(203)</b>	<b>3,673</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. The current tax liability of TCHF 55 (2012: TCHF 0) is not considered a financial liability and therefore is not included here.

#### 8.4. Interest rate risk

The majority of the Group's financial assets and liabilities are non-interest-bearing. Interest-bearing are only the positions cash and cash equivalents and – in prior year – to a certain extent the long/short leverage certificate IK 1. 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 very limited.

An increase of 100 basis points in short-term interest rates as at 31 December 2013 would have increased the result before tax by CHF 0.1 million (2012: CHF 0.2 million). A decrease of 100 basis points would have resulted in an opposite and proportional effect.

#### 8.5. 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.

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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 summarizes the components of the Group's financial assets and financial liabilities at fair value through profit or loss that are exposed 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 2013</b>				
US Dollar	7,974	(126,398)	104,600	(13,824)
EUR	662	0	33,985	34,647
JPY	0	(8,461)	8,753	292
<b>Total</b>	<b>8,636</b>	<b>(134,859)</b>	<b>147,338</b>	<b>21,115</b>
<b>31 December 2012</b>				
US Dollar	47	(95,997)	95,898	(52)
Euro	55	(7,359)	3,590	(3,714)
<b>Total</b>	<b>102</b>	<b>(103,356)</b>	<b>99,488</b>	<b>(3,766)</b>

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

in TCHF	2013		2012	
	Currency change in %	Gain / (loss)	Currency change in %	Gain / (loss)
CHF to (strengthen) versus the US Dollar	(5.0%)	691	(5.0%)	3
CHF to (strengthen) versus the Euro	(5.0%)	(1,732)	(5.0%)	186
CHF to (strengthen) versus the Japanese Yen	(5.0%)	(15)	-	-
<b>Net gain / (loss)</b>		<b>(1,056)</b>		<b>189</b>

If – at 31 December 2013 – had the Swiss Franc continued to strengthen versus the US Dollar, Euro Japanese Yen by 5% – and had all other variables remained constant – the effect on the Group's net profit before tax and equity in the year under review would have been a loss of TCHF 1,056 (2012: gain of TCHF 189). An adverse change of the Swiss Franc versus these foreign currencies would have resulted in an equal but opposite effect for 2013 and 2012.

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

### **8.6. Reliance on investment manager**

The Group relies on the investment managers of the respective funds and their ability to evaluate investment opportunities and to further develop the Group's investments. The investment manager exercises a central role in the investment decision process. Accordingly, the returns of the Group also depend to a certain degree on the performance of the investment manager and therefore could be substantially affected by an investment manager's unfavorable performance.

### **8.7. Other risks**

Some of the companies in which the Group invests, directly or indirectly, are subject to the risks inherent to their respective industries, countries and regulations. The net asset value of the Group's assets may be affected by uncertainties such as international political developments, changes in governmental policies, taxation, restrictions on foreign investments, fund repatriation and other developments in the laws and regulations of the countries in which the Group's assets are invested.

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.

### **8.8. Risk assessment disclosure required by Swiss Law**

The risk assessment process of the Group 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 consolidated 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 statements or accounting processes. Residual risks are monitored and periodically, at least on a yearly basis, reported to and discussed by the Board of Directors.

### 8.9. Fair value information

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

in TCHF

	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets at fair value through profit or loss</b>				
Financial assets at fair value through profit or loss - trading				
– current	2,006	2,006	3,942	3,942
– non-current	216,195	216,195	174,819	174,819
<b>Loans and receivables</b>				
Cash and cash equivalents	13,017	13,017	14,070	14,070
Other current assets	319	319	11	11
<b>Financial liabilities at fair value through profit or loss</b>				
Financial liabilities at fair value through profit or loss - trading				
– current	0	0	21	21
– non-current	0	0	0	0
<b>Financial liabilities at amortized cost</b>				
Accounts payable and accrued liabilities	1,208	1,208	248	248

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. For unlisted financial assets and financial liabilities designated at fair value through profit or loss the adjusted net asset value (NAV) is used to determine the fair value. The carrying amounts of cash and cash equivalents, other current assets and accounts payable and accrued liabilities approximate their fair values due to the short-term nature of these positions.

## 8.10. Capital management

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

in TCHF	2013	2012
Current assets	15,947	18,061
Non-current assets	216,195	174,819
<b>Total assets</b>	<b>232,142</b>	<b>192,880</b>
Current liabilities	(1,263)	(269)
Non-current liabilities	(1,183)	(600)
<b>Total liabilities</b>	<b>(2,446)</b>	<b>(869)</b>
<b>Net assets</b>	<b>229,696</b>	<b>192,011</b>

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 and unlisted 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 capital structure is managed and adjustments are made to it if the economic conditions change. To maintain or adjust the capital structure, the capital may be returned to shareholders or new shares may be issued. During the year under review the Company increased its capital by a total gross amount CHF 18 million. Further reference is made in Note 16.1.

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

## 9. Accounting estimates and judgments

Alpine (Alpine Select AG and its subsidiary Absolute Invest AG) holds – directly and indirectly – multiple investments and ownership interests in the form of redeemable shares which are classified as financial assets at fair value through profit or loss. Alpine has been deemed to meet the definition of an investment entity per IFRS 10 as the following conditions exist:

- Alpine holds multiple investments;
- Alpine's business purpose is to invest in securities of any form of Swiss or foreign corporations taking advantage of particular corporate circumstances with the goal to achieve returns from capital appreciation and investment income;
- The performance of these investments is measured and evaluated on a fair value basis.

## Notes to the Consolidated Financial Statements

Management has carefully considered the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The most critical judgments and estimates relate to the valuation of the Group's unlisted investments.

As per 31 December 2013, the majority of the Group's investments are held in unlisted investment funds (reference is made to the investments classified as level 2 and level 3 in Note 10). The carrying amount of these unlisted investment funds amounts to CHF 122.9 million (or 52.9% of total assets) as per 31 December 2013 of which CHF 76.0 million (or 32.7% of total assets) relate to level 3 investments. Unlisted investments are recorded at the (adjusted) net asset value as reported by the managers or administrators of such investments. This value is considered fair value as this amount is estimated to represent the amount at which the unlisted investment funds could be exchanged in an arm's length transaction. Fair value estimates are made at a specific point in time and are subjective in nature. Fair values can therefore not be determined with precision. The fair values might be impacted by changes in factors such as the nature of the business, the industry and economic outlook (local as well as global) and earnings capacity of the fund.

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

The financial assets and financial liabilities at fair value through profit or loss consist of the following:

in TCHF	2013	2012
<b>Financial assets at fair value through profit or loss – trading</b>		
Positive fair value of currency forward contracts	2,006	3,942
Financial assets held for trading – Trading securities	216,195	171,229
Financial assets held for trading – Trading options	0	3,590
<b>Total</b>	<b>218,201</b>	<b>178,761</b>
– current	2,006	3,942
– non-current	216,195	174,819
<b>Financial liabilities at fair value through profit or loss – trading</b>		
Negative fair value of currency forward contracts	0	21
<b>Total</b>	<b>0</b>	<b>21</b>
– current	0	21
– non-current	0	0

### 10.1. Fair value hierarchy

The different levels of the fair value hierarchy have been defined as follows:

- Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Fair values measured using directly or indirectly observable inputs, other than those included in level 1. Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. In cases where funds utilize quotes from a fund manager or a broker to assess valuation, it is checked whether such quotes are «binding and executable» or not. When the Group has evidence that such quotes are «binding and executable», the investment is classified within level 2.
- Level 3: Fair values measured using inputs that are not based on observable market data (due to little – if any – market activity). The inputs into the determination of fair value require significant management judgment and estimates and the estimated values may differ significantly from the values that would have been recorded if an active market for these financial instruments existed. These differences could be material.

The following table analyses financial instruments – carried at fair value – by valuation method:

in TCHF	Level 1	Level 2	Level 3	Total
<b>31 December 2013</b>				
Positive fair value of currency forward contracts	0	2,006	0	2,006
Financial assets held for trading – Trading securities	93,294	46,915	75,986	216,195
<b>Total</b>	<b>93,294</b>	<b>48,921</b>	<b>75,986</b>	<b>218,201</b>
<b>31 December 2012</b>				
Positive fair value of currency forward contracts	0	3,942	0	3,942
Financial assets held for trading – Trading securities	164,054	7,175	0	171,229
Financial assets held for trading – Trading options	0	3,590	0	3,590
Negative fair value of currency forward contracts	0	(21)	0	(21)
<b>Total</b>	<b>164,054</b>	<b>14,686</b>	<b>0</b>	<b>178,740</b>

The Company has investments in listed and unlisted equities and funds as well as currency forwards and trading options. Investments in unlisted investment funds (level 3) designated as financial assets at fair value through profit or loss of CHF 76.0 million as at 31 December 2013 (2012: CHF 0 million) or 34.8% of total financial assets and financial liabilities at fair value through profit or loss are recognized at the adjusted net asset value per share that is based on the reported net asset value by the managers or administrators of such funds.

## Notes to the Consolidated Financial Statements

Level 2 investments comprise currency forwards, CLO-investments, certain trading options as well as investment funds and equities (including the investments in Japanese hedge-funds the Group has started to invest in during the year 2013). The total fair value of these level 2 investments amounts to CHF 48.9 million as at 31 December 2013 (2012: CHF 14.7 million) of which CHF 42.7 million (2012: CHF 0 million) relate to the investments in Japanese hedge-funds («Japan-investments»). The currency forwards, CLO-investments and certain trading options are classified as financial assets at fair value through profit or loss and are recognized at the adjusted net asset value set by the market participants and based on observable spot exchange rates respectively. The investment funds and equities are classified as financial assets at fair value through profit or loss and are recognized at the adjusted net asset value (quotes) reported by the investment manager or the broker of the fund on a monthly basis, in some cases even on a weekly basis. The Group has evidence that these quotes are «binding and executable».

As such level 3 and level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

Transfers between the levels of the fair value hierarchy are recognized as of the beginning of the reporting period during which the transfer has occurred. There were no transfers between the levels during the year ended 31 December 2013.

### 10.2. Changes in level 2 investments

The changes in investments measured at fair value for which the Group has used level 2 inputs to determine fair value for the year ended 31 December 2013 and 2012 are as follows:

in TCHF	2013	2012
<b>Fair value of level 2 financial assets / (liabilities) as of 1 January</b>	<b>14,686</b>	<b>(5,311)</b>
Change in Group structure from acquisition of Absolute Invest AG	17,106	0
Purchase of level 2 investments	25,479	6,038
Proceeds on disposal of level 2 investments	(5,733)	(3,554)
Net (losses) / gains recognized in the consolidated statement of comprehensive income (in the line gain on financial assets and financial liabilities at fair value through profit or loss)	(2,497)	17,513
Currency translation adjustments	(120)	0
<b>Fair value of level 2 financial assets as of 31 December</b>	<b>48,921</b>	<b>14,686</b>

### 10.3. Changes in level 3 investments

The changes in investments measured at fair value for which the Group has used level 3 inputs to determine fair value for the year ended 31 December 2013 and 2012 are as follows:

in TCHF	2013	2012
<b>Fair value of level 3 financial assets as of 1 January</b>	<b>0</b>	<b>0</b>
Change in Group structure from acquisition of Absolute Invest AG	144,473	0
Purchase of level 3 investments	46	0
Proceeds on disposal of level 3 investments	(66,738)	0
Net gains recognized in the consolidated statement of comprehensive income (in the line gain on financial assets and financial liabilities at fair value through profit or loss)	3,839	0
Currency translation adjustments	(5,634)	0
<b>Fair value of level 3 financial assets at 31 December</b>	<b>75,986</b>	<b>0</b>

The net change in unrealized gains / (losses) for level 3 investments held at the end of the year is a gain of TCHF 4,507 for the year ended 31 December 2013 (2012: TCHF 0) and is included in gain on financial assets and financial liabilities at fair value through profit or loss, net – trading in the consolidated statement of comprehensive income.

### 10.4. Valuation technique used to derive level 2 and level 3 fair values

The level 2 foreign currency forwards (as well as the Long/Short Leverage Certificate IK 1 in prior year) are measured based on observable spot exchange rates. The level 2 investments further include investments in CLOs. The market for such CLOs is (again) very liquid, especially in the US. There are market makers that are expected to be willing to set prices and on the other side market participants that are willing to buy such products at the offered prices. Thus, the Group considers the market for CLOs as at least indirectly observable (comparable transactions in the same instrument) and classifies the CLOs within level 2.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. In cases where funds utilize quotes from a fund manager or a broker to assess valuation, it is checked whether such quotes are «binding and executable» or not. Those investments for which the Group has evidence that such quotes are «binding and executable» are classified within level 2.

Level 3 investments mainly comprise investments in unquoted hedge funds. The fair values of these unquoted hedge funds are derived using the adjusted net asset method which is based on the net asset values (including adjustments that are calculated by the respective fund manager). All inputs used to derive at the adjusted net asset value are unobservable.

The valuation of level 2 and level 3 investments has not changed compared to prior year.

### 10.5. Sensitivity analysis level 3 fair values

The Group does not utilize valuation models with model inputs to calculate the fair value for their level 3 investments. Rather, the Group utilizes a methodology that uses as a key input NAV («adjusted net asset value method»). Thus, the key «unobservable input» would be NAV itself. A change in the fair value of the underlying input factors could cause the fair value of level 3 financial instruments to significantly change. Changes in the fair value could result from business, economical or even environmental risks. The investments held offer the opportunity of significant capital gains, but involve a high degree of risks that can result in substantial losses, including the risk of a total unrecoverability of an investment.

Further details are shown in the consolidated investment table for the year ended 31 December 2013 (Note 11) and in the investment table of Alpine Select AG for the year ended 31 December 2012 (Note 12) respectively.

### 10.6. Investments with an ownership of more than 20%

In addition to the information disclosed in the consolidated investment table on the following pages, the below disclosures are made for those investments at fair value through profit or loss in which the Group has an ownership of 20% or more.

	2013			2012		
	Fair value in TCHF	Ownership in %	Place of business	Fair value in TCHF	Ownership in %	Place of business
Cheyne Discovery Fund I LP	4,855	100.00%	Cayman Islands	–	–	–
Cheyne New Europe Fund	19,294	42.35%	Cayman Islands	–	–	–
Gold Coin Invest AG	212	28.00%	Switzerland	–	–	–
Julius Baer Balkan Tiger Fund	8,088	36.00%	Luxembourg	–	–	–
Northwest Warrant Fund Ltd.	6,758	22.84%	Cayman Islands	–	–	–
Schaffner Holding AG	9,211	< 20%	Switzerland	31,116	21.18%	Switzerland
Silverbell Capital Ltd.	61	50.00%	Cayman Islands	–	–	–

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11. Consolidated Investment table as per 31 December 2013

Consolidated investment table as per 31 December 2013: investments of Group companies with functional ...

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions
<b>LONG POSITIONS</b>					
Absolute Invest AG <sup>2)</sup>	2,395,553	83,216	(75,903)	16,485	(26,997)
Akamatsu Bonsai Fund Class B	0	0	3,795		
Aleutian Fund Class C	0	0		2,711	
Altin AG	0	0		9,646	(7,761)
American Capital Ltd.	500,000	5,502		3,795	(691)
Arcus Genseki Fund Class D Series 11/13	0	0		2,746	
Arcus Genseki Fund Class D Series 05/13	0	0	1,919		
Atrium V Ltd.	1,500	1,620			(1,620)
Fondiarria SAI SPA <sup>3)</sup>	0	0		3,549	(638)
GCI Trust / Japan Hybrids Class C	0	0		2,806	
Ginga Fund Series 6	0	0		2,709	
Ginga Fund Series 17	0	0	2,879		
Ginga Fund Series 20	0	0		2,748	
Gold Coin Invest AG	0	0	197		
Hayate Japan Equity Long-Short Fund	0	0		1,796	
HBM Healthcare Inv. AG	946,454	43,917	4,130	10,752	(19,833)
Highland Financial Partners LP	600,000	0			
ING Investment Management CLO	2,000	1,867			
Invisa Inc.	26,000	5			
Julius Baer Balkan Tiger Fund <sup>4)</sup>	0	0		7,779	
J. Wellness Equity L/S	0	0		2,724	
Nippon Growth Fund Ltd.	0	0		4,658	

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

<sup>2)</sup> See also Note 2 for Change in Group structure from acquisition. The reductions reflect the dividend (out of reserves from capital contributions) received from Absolute Invest AG prior to the acquisition date.

<sup>3)</sup> Fondiarria SpA was renamed to UnipolSai SpA in January 2014

<sup>4)</sup> Investments transferred from Absolutissimo Ltd and Carry Ltd. to Absolute Invest AG.

## Notes to the Consolidated Financial Statements

... currency CHF								
	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 Dec 2013	Number of shares at 31 Dec 2013	Stock price (closing) in local currency at 31 Dec 2013	Dividends received
			248	2,951	0	0		
			386	(278)	3,903	25,100	USD 175	
			27	(43)	2,695	29,316	USD 103	
	149	60	47	(24)	2,117	48,584	USD 49	
	146	(1)	2,067	(384)	10,434	750,000	USD 16	
			81	(78)	2,749	30,000	USD 103	
			145	(140)	1,924	20,000	USD 108	
	252	(467)	(275)	490	0	0		79
	180	(4)	1,338	(25)	4,400	20,000	EUR 180	
			121	(138)	2,789	20,813	USD 151	
			46	(41)	2,714	2,211	USD 1,380	
			339	(211)	3,007	1,420	USD 2,381	
			217	(80)	2,885	1,350	USD 2,403	
			15		212	84	CHF 2,521	
				(132)	1,664	73	JPY 2,703,020	
	3,150		16,912		59,028	890,978	CHF 66	
					0	600,000	USD 0	
			(482)	(51)	1,334	2,000	USD 750	706
			15	(4)	16	26,000	USD 1	
			375	(66)	8,088	110,000	EUR 60	
			49	(56)	2,717	30,000	USD 102	
			347	(427)	4,578	5,712	JPY 94,718	

## Notes to the Consolidated Financial Statements

### Consolidated investment table as per 31 December 2013: investments of Group companies with functional ...

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions
Northwest Fund Ltd. Series A	0	0	1,970		
Northwest Warrant Fund Ltd. Class A <sup>4)</sup>	0	0		6,672	
Peoples Choice Financial Corporation	70,800	0			
Prime New Energy AG (in liquidation)	210,492	126			
Prokmu Invest AG	57,350	0			
Romanian Opportunities Fund <sup>4)</sup>	0	0		2,256	
Schaffner Holding AG	134,706	31,116		264	(22,368)
Shape Capital Ltd.	1,187	172		318	(510)
Silverbell Capital Ltd.	0	0	38		
Stone Tower CLO VI LTD	2,000	2,024			
Truston Asset Management Co. Ltd.	0	0	272	37	
UMJ International Feeder Fund Kotoshiro	0	0		2,581	
Unipol Gruppo Finanziario SPA	0	0		5,022	(6,181)
Vitafort International Corporation	317,543	0			
Var. Obl. Stone Tower CLO VII	2,000,000	1,664			
<b>Total Long Positions</b>		<b>171,229</b>	<b>(60,703)</b>	<b>92,054</b>	<b>(86,599)</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>4)</sup> Investments transferred from Absolutissimo Ltd and Carry Ltd. to Absolute Invest AG.

## Notes to the Consolidated Financial Statements

### ... currency CHF (continued)

	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 Dec 2013	Number of shares at 31 Dec 2013	Stock price (closing) in local currency at 31 Dec 2013	Dividends received
			(56)	(144)	1,770	966	USD 2,060	
			191	(105)	6,758	4,081	USD 1,862	
					0	70,800	USD 0	
	(2,059)		1,933		0	0		113
					0	57,350	CHF 0	
			(30)	(23)	2,203	1,719	EUR 1,046	
	(694)		893		9,211	34,992	CHF 263	470
	37		(17)		0	0		
			23		61	2,500,000	CHF 0	
			(265)	(51)	1,708	2,000	USD 960	400
			42	(6)	345	16,875	KRW 24,253	9
			(27)	(43)	2,511	30,000	JPY 9,894	
	1,170	(11)			0	0		
					0	317,543	USD 0	
			(409)	(46)	1,209	2,000,000	USD 68	
	<b>2,331</b>	<b>(423)</b>	<b>24,296</b>	<b>845</b>	<b>143,030</b>			<b>1,777</b>
	4,179	60	25,858	3,442				
	1,688	0	0	0				
	(3,536)	(483)	(1,562)	(2,597)				
	0	0	0	0				

## Notes to the Consolidated Financial Statements

### Consolidated investment table as per 31 December 2013: investments of Group companies with functional ...

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions
<b>TRADING OPTIONS</b>					
FX-OTC-E-Option (Call USD / Put CHF; Strike: 0.975)	0	0		(133)	
FX-OTC-E-Option (Call USD / Put CHF; Strike: 0.95)	0	0		(115)	
Put Altin AG, Strike 57.50	0	0		2	(2)
Put ISHRS Nasdaq Biotech 200	0	0		398	(341)
Long/Short Leverage Certificate IK 1	25,000	3,590			(3,942)
<b>Total Trading Options</b>		<b>3,590</b>	<b>0</b>	<b>152</b>	<b>(4,285)</b>
of which gains					
of which losses					
of which assets		3,590			
of which liabilities		0			
<b>CURRENCY FORWARDS</b>					
Currency Forwards CHF/USD; USD/CHF		3,942			
Currency Forwards CHF/JPY; JPY/CHF		0			
Currency Forwards CHF/EUR; EUR/CHF		(21)			
Currency Forwards USD/EUR; EUR/USD		0	(202)		
<b>Total Currency Forwards</b>		<b>3,921</b>	<b>(202)</b>		
of which gains					
of which losses					
of which assets		3,942	0		
of which liabilities		(21)	(202)		

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

## Notes to the Consolidated Financial Statements

### ... currency CHF (continued)

	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 Dec 2013	Number of shares at 31 Dec 2013	Stock price (closing) in local currency at 31 Dec 2013	Dividends received
	133				0	0		
	115				0	0		
					0	0		
	(56)	(1)			0	0		
	883	40	(558)	(13)	0	0		
	<b>1,075</b>	<b>39</b>	<b>(558)</b>	<b>(13)</b>	<b>0</b>			
	1,199	40	0	0				
	(124)	(1)	(558)	(13)				
					0			
					0			
		6,060		(2,726)	1,195			
				811	811			
		(70)			0			
		(2,342)		202	0			
		<b>3,648</b>		<b>(1,713)</b>	<b>2,006</b>			
		10,834		1,034				
		(7,186)		(2,747)				
					2,006			
					0			

## Notes to the Consolidated Financial Statements

### Consolidated investment table as per 31 December 2013: investments of Group companies with functional ...

in TUSD	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions
<b>LONG POSITIONS</b>					
Acceleron Pharma Inc. series C	0	0	242		
BIA Pacific Macro Fund shares	0	0	5,696		(6,008)
Bluebay Multi-Strategy Fund LT Class R series 01/09	0	0	18		(11)
Bluebay Value Recov. Fund Ltd., Class S	0	0	197		(142)
Cheyne Discovery Fund I L.P.	0	0	2,954		
Cheyne Investment Grade CDO shares	0	0	23,826		
Cheyne New Europe Fund Class B 1 unrestrict. shares	0	0	21,859		
Contrarian European Fund Ltd. Class B series 2 <sup>5)</sup>	0	0	220		(69)
CQS Convertible & Quantitative RED. PTG. shares B	0	0	10,417		(10,463)
CQS Directional Opport. Class B restricted shares	0	0	18,670		(5,000)
Double Haven Temple Feeder orig. shs. series 1001	0	0	1,846		(548)
Dymon Asia Macro Fund Class A series 1 2/20	0	0	5,818		(5,684)
Dymon Asia Macro Fund Class A series 292-2	0	0	2,782		(2,718)
Finisterre Sovereign Debt Fund Class A initial series	0	0	7,463		(7,672)
Julius Baer Balkan Tiger Fund shares B <sup>4)</sup>	0	0	8,262		(8,358)
Laurus Offshore Fund Ltd. Class A bm 2	0	0	1,743		(97)
Lucas Energy Total Return Offs. Class A series 1 S	0	0	1,041		
Nightwatch Capital Partners CA Class BB series L 1	0	0	259	10	
Northwest Warrant Fund Ltd. Class A <sup>4)</sup>	0	0	7,149		(7,384)
Paulson Gold Fund Ltd. Class B series initial	0	0	777		(599)

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

<sup>4)</sup> Investments transferred from Absolutissimo Ltd and Carry Ltd. to Absolute Invest AG.

<sup>5)</sup> Renamed from Class A to Class B.

## Notes to the Consolidated Financial Statements

... currency USD								
	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 Dec 2013	Number of shares at 31 Dec 2013	Stock price (closing) in local currency at 31 Dec 2013	Dividends received
					242	93,120	USD 3	
	312				0	0		
	1		1		9	7,909	USD 0	
	9		11		75	64,030	USD 1	
			2,505		5,459	124,272	USD 44	
			2,248		26,074	13,881	USD 1,878	633
			(1,477)	1,312	21,694	1,041,213	EUR 15	
			69		220	2,135	USD 103	
	46				0	0		
	21		1,227		14,918	3,212	USD 4,645	
	(266)		(578)		454	1,124	USD 404	
	(134)				0	0		
	(64)				0	0		
	209				0	0		
	(82)	178			0	0		
					1,646	45,302	USD 36	
			(91)		950	862	USD 1,102	
			(75)		194	1,980	USD 98	10
	235				0	0		
	(178)				0	0		

## Notes to the Consolidated Financial Statements

### Consolidated investment table as per 31 December 2013: investments of Group companies with functional ...

in TUSD	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions
Rain Tree Capital Fund Ltd. Class A unrestricted	0	0	5,255		(5,181)
Romanian Opportunities Fund shares <sup>4)</sup>	0	0	2,263		(2,432)
TCM Asia Opport. (Class B series 0811 non-restricted)	0	0	8,335		(8,116)
Tocqueville Gold Offshore Fund Class A series 1 01/11	0	0	1,625		
Truston Dynamic Korea Fund (non-voting shares)	0	0	8,853		(8,796)
Valens Offshore Fund series B Institutional Units C	0	0	3,318		(134)
Valens Unit Trust - Valens Off. Special Investm. 09/07	0	0	1,381		
Vulpes Long Asian Volatility A shares	0	0	2,849		(2,425)
YA Offshore Global Investment Class L	0	0	4,620		
<b>Total Long Positions</b>		<b>0</b>	<b>159,738</b>	<b>10</b>	<b>(81,837)</b>
of which gains					
of which losses					

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

<sup>4)</sup> Investments transferred from Absolutissimo Ltd and Carry Ltd. to Absolute Invest AG.

<sup>5)</sup> Renamed from Class A to Class B.

## Notes to the Consolidated Financial Statements

### ... currency USD (continued)

	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 Dec 2013	Number of shares at 31 Dec 2013	Stock price (closing) in local currency at 31 Dec 2013	Dividends received
	(74)				0	0		
	108	61			0	0		
	(219)				0	0		
			(44)		1,581	75,000	USD 21	
	(57)				0	0		
			118		3,302	5,014	USD 659	
			(301)		1,080	4,129	USD 262	
	(424)				0	0		
			(252)		4,368	181,420	USD 24	
	<b>(557)</b>	<b>239</b>	<b>3,361</b>	<b>1,312</b>	<b>82,266</b>			<b>643</b>
	1,335	239	6,179	1,312				
	(1,892)	0	(2,818)	0				

**CONSOLIDATED INVESTMENT TABLE AS PER 31 DECEMBER 2013 (summary of all amounts translated ...**

in TCHF	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions
<b>Total Long Positions</b>	<b>171,229</b>	<b>90,007</b>	<b>75,356</b>
of which gains			
of which gains from second line trades			
of which losses			
of which losses from second line trades			
<b>Total Trading Options</b>	<b>3,590</b>	<b>0</b>	<b>152</b>
of which gains			
of which losses			
of which assets	3,590		
of which liabilities	0		
<b>Total Currency Forwards</b>	<b>3,921</b>	<b>(202)</b>	<b>0</b>
of which gains			
of which losses			
of which assets	3,942	0	
of which liabilities	(21)	(202)	

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

... into CHF)

Reductions	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>	Currency translation adjustments	Fair value at 31 Dec 2013	Dividends received
<b>(145,728)</b>	<b>1,208</b>	<b>(423)</b>	<b>28,018</b>	<b>2,282</b>	<b>(5,754)</b>	<b>216,195</b>	<b>2,373</b>
	4,733	60	32,267	4,879			
	1,688	0	0	0			
	(5,213)	(483)	(4,249)	(2,597)			
	0	0	0	0			
<b>(4,285)</b>	<b>1,075</b>	<b>39</b>	<b>(558)</b>	<b>(13)</b>	<b>0</b>	<b>0</b>	
	1,199	40	0	0			
	(124)	(1)	(558)	(13)			
						0	
						0	
<b>0</b>	<b>0</b>	<b>3,648</b>	<b>0</b>	<b>(1,713)</b>	<b>0</b>	<b>2,006</b>	
		10,834		1,034			
		(7,186)		(2,747)			
						2,006	
						0	

12. Investment table as per 31 December 2012

Investment table as per 31 December 2012: investments of Alpine Select AG

in TCHF	Number of shares at 1 Jan 2012	Fair value at 1 Jan 2012	Additions	Reductions
<b>LONG POSITIONS</b>				
Absolute Invest AG	2,266,717	80,545	15,459	(10,982)
AIRE GmbH & Co. KGaA	429,272	4,986	4,983	(16,156)
American Capital	0	0	5,467	
Atrium V Ltd.	1,500	1,276		
Bank Sarasin & Cie AG	0	0	6,905	(7,192)
Castle Private Equity	0	0	447	(516)
HBM Healthcare Inv. AG <sup>2)</sup>	752,357	30,059	13,822	(5,428)
Highland Financial Partners LP	600,000	0		
ING Investment Management CLO	2,000	1,571		
Invisa Inc.	26,000	7		
Peoples Choice Financial Corporation	70,800	0		
Prime New Energy AG (in liquidation)	210,492	0		
Prokmu Invest AG	57,350	0		
Schaffner Holding AG	141,814	32,475	2,821	(4,487)
Shape Capital Ltd	0	0	155	
Stone Tower CLO VI Ltd	2,000	1,441		
Vitafort International Corporation	317,543	0		
Var. Obl. Stone Tower CLO VII	2,000,000	1,308		
9.0 % Triple ICE KI Bank Julius Baer	5,000,000	4,897		(5,000)
<b>Total Long Positions</b>		<b>158,565</b>	<b>50,059</b>	<b>(49,761)</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> Formerly: HBM Bioventures AG.

## Notes to the Consolidated Financial Statements

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 Dec 2012	Number of shares at 31 Dec 2012	Stock price (closing) in local currency at 31 Dec 2012	Dividends received
877	(583)	(932)	(1,168)	83,216	2,395,553	USD 38	
(1,809)	(3,713)	8,146	3,563	0	0		
		125	(90)	5,502	500,000	USD 12	
		373	(29)	1,620	1,500	USD 1,180	465
287				0	0		
69				0	0		
259		5,205		43,917	946,454	CHF 46	
				0	600,000	USD 0	
		335	(39)	1,867	2,000	USD 1,020	745
		1	(3)	5	26,000	USD 0	
				0	70,800	USD 0	
		126		126	210,492	CHF 1	
				0	57,350	CHF 0	
281		26		31,116	134,706	CHF 231	621
		17		172	1,187	CHF 146	
		622	(39)	2,024	2,000	USD 1,105	755
				0	317,543	USD 0	
		392	(36)	1,664	2,000,000	USD 91	
		103		0	0		
<b>(36)</b>	<b>(4,296)</b>	<b>14,539</b>	<b>2,159</b>	<b>171,229</b>			<b>2,586</b>
999	0	15,471	3,562				
931	0	0	0				
(1,948)	(3,723)	(932)	(1,403)				
(18)	(573)	0	0				

**Investment table as per 31 December 2012: investments of Alpine Select AG (continued)**

in TCHF	Number of shares at 1 Jan 2012	Fair value at 1 Jan 2012	Additions	Reductions
<b>TRADING OPTIONS</b>				
FX-OTC-E-Option (Call USD / Put CHF; Strike: 1.00)	0	0	29	(170)
Long/Short Leverage Certificate IK 1	0	0	6,038	(3,554)
<b>Total Trading Options</b>		<b>0</b>	<b>6,067</b>	<b>(3,724)</b>
of which gains				
of which losses				
of which assets		0		
of which liabilities		0		
<b>CURRENCY FORWARDS</b>				
Currency Forwards CHF/USD; USD/CHF		(10,840)		
Currency Forwards CHF/EUR; EUR/CHF		(67)		
<b>Total Currency Forwards</b>		<b>(10,907)</b>		
of which gains				
of which losses				
of which assets		2,082		
of which liabilities		(12,989)		

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

## Notes to the Consolidated Financial Statements

	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 Dec 2012	Number of shares at 31 Dec 2012	Stock price (closing) in local currency at 31 Dec 2012	Dividends received
	141				0	0		
	498	37	558	13	3,590	25,000	EUR 119	
	<b>639</b>	<b>37</b>	<b>558</b>	<b>13</b>	<b>3,590</b>			
	639	37	558	13				
	0	0	0	0	3,590			
					0			
		(13,196)		14,782	3,942			
		(152)		46	(21)			
		<b>(13,348)</b>		<b>14,828</b>	<b>3,921</b>			
		4,837		16,931				
		(18,185)		(2,103)				
					3,942			
					(21)			

**13. Cash flows from purchases and disposals of investments**

**13.1. Cash outflow from purchases of financial assets at fair value through profit or loss**

in TCHF	Note	2013	2012
Purchase of investments at fair value through profit or loss as per the consolidated investment table (Total long positions)	11/12	(75,356)	(50,059)
Purchase of trading options as per the consolidated investment table		(152)	(6,067)
Consideration transferred in cash relating to the acquisition of Absolute Invest AG	2.1	1,293	0
<b>Effective cash outflow from purchase</b>		<b>(74,215)</b>	<b>(56,126)</b>

**13.2. Cash inflow from sale of financial assets at fair value through profit or loss**

in TCHF	Note	2013	2012
Proceeds on disposal of investments at fair value through profit or loss as per the consolidated investment table (Total long positions)	11/12	145,728	49,761
Proceeds on disposal of trading options as per the consolidated investment table		4,285	3,724
Withholding tax on sale of investments at fair value through profit or loss		(1,974)	0
<b>Effective cash inflow from disposal</b>		<b>148,039</b>	<b>53,485</b>

**14. Short-term loan due to Credit Suisse AG**

During the year under review, Absolute Invest AG received a USD short-term loan from Credit Suisse AG of total USD 8 million (CHF 7.4 million) at an interest rate of 2.2%. At the acquisition date as at 5 June 2013 (see also Note 2.2) USD 5 million (CHF 4.7 million) already existed. Afterwards the loan was further increased by USD 3 million (CHF 2.7 million). With three repayments made in June, July and August 2013, the loan was fully paid back. The interest expense amounts to TCHF 23. The credit-line is not used as per 31 December 2013. The loan agreement with Credit Suisse was terminated as per 31 January 2014.

For the period between the acquisition date on 5 June 2013 and until 31 December 2013, commitment fees of TCHF 127 were paid to Credit Suisse AG in connection with the standby credit-line (short-term loan) available for Absolute Invest AG. The commitment fees are recorded in the consolidated statement of comprehensive income in the line commissions and other bank fees.

## 15. 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 to which the realization of the related tax benefit is probable through future taxable profits. No deferred tax assets are recognized for the year ended 31 December 2013 and 2012.

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

in TCHF	Fin. assets at fair value through profit or loss	Capitalized tax losses carried forward	Deferred tax (liabilities) / assets, net
<b>Balance at 1 January 2012</b>	<b>(545)</b>	<b>42</b>	<b>(503)</b>
Deferred tax expense	(55)	(42)	(97)
<b>Balance at 31 December 2012</b>	<b>(600)</b>	<b>0</b>	<b>(600)</b>
Deferred tax expense	(583)	0	(583)
<b>Balance at 31 December 2013</b>	<b>(1,183)</b>	<b>0</b>	<b>(1,183)</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 7.83% (based on the result before tax).

As of 31 December 2013 the Group has no tax losses carried-forward.

## 16. Share capital and treasury shares

### 16.1. Share capital

The Annual Shareholders' Meeting of Alpine Select AG held on 25 April 2013 decided:

- to reduce the share capital of the Company by CHF 7,625.22 by cancelling 381,261 treasury shares; and
- to increase the share capital of the Company by a maximum of CHF 24,355.88 through the issue of a maximum of 1,217,794 fully paid-in registered shares with a nominal value of CHF 0.02 each. The executed capital increase resulted in an increase of the share capital of CHF 24,000.00 being 1,200,000 new and fully paid-in registered shares with a nominal value of CHF 0.02 each.

## Notes to the Consolidated Financial Statements

The increase of the share capital of TCHF 17,650 recorded in the consolidated statement of changes in equity for the year ended 31 December 2013 is net of transactions costs of TCHF 350. The income tax effect on these transaction costs amounts to TCHF 27 as per 31 December 2013 applying the tax rate of 7.83%.

The changes in the Company's share capital were recorded in the Commercial Register of the Canton of Zug as per 2 July 2013.

As of 31 December 2013, the Company's fully paid-in share capital amounts to CHF 267,559.08 (2012: CHF 251,184.30) and is divided into 13,377,954 (2012: 12,559,215) 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.

### **16.2. Authorized share capital**

According to article 4a of the Company's Articles of Association, the Board of Directors is authorized to increase the share capital by a maximum amount of CHF 121,779.54 at any time until 25 April 2015 by issuing a maximum of 6,088,977 fully paid-in registered shares with a nominal value of CHF 0.02 each. Increases by firm underwriting or partial increases are permitted. The Board of Directors shall determine the date of issuance of the new shares, their issue price, method of payment, conditions governing the exercise of subscription rights and the date of the dividend entitlement.

### **16.3. Conditional share capital**

The Company's share capital could be increased by an amount not exceeding CHF 121,779.54 through the issue of a maximum of 6,088,977 fully paid-in registered shares 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 through the exercise of option rights granted to shareholders.

### **16.4. Treasury shares**

The Annual Shareholders' Meeting held on 18 April 2011 entitled the Board of Directors to start a re-purchase program and to acquire a maximum of 1,255,921 treasury shares being 10% of the Company's nominal share capital. This re-purchase program was started in October 2011 and during the period October to December 2011 the Company acquired 70,000 treasury shares at an average price of CHF 15.42 per share for a total amount of TCHF 1,079. The Annual Shareholders' Meeting held on 18 April 2012 entitled the Board of Directors to continue the re-purchase program. In 2012 the Company acquired another 311,261 treasury shares at an average price of CHF 16.05 per share for a total amount of TCHF 4,995.

Since October 2011, when the re-purchase program was started, until 14 March 2013, when the re-purchase program was stopped, a total of 381,261 treasury shares corresponding to 3.036% of the outstanding share capital were acquired via the second trading line at the SIX Swiss Exchange for a total amount of TCHF 6,097 including transaction costs of total TCHF 23. The total income tax effect on these transaction costs is TCHF 2 applying a tax rate of 7.83%.

The Annual Shareholders' Meeting held on 25 April 2013 decided to cancel all 381,261 treasury shares and to reduce the share capital of the Company (see also Note 16.1 above) and entitled the Company's Board of Directors to re-purchase own shares of the Company up to a maximum of 10% of the share capital starting 26 April 2013 until the ordinary Annual Shareholders' Meeting in 2015. No treasury shares were purchased during the period 26 April to 31 December 2013. Hence, the Company holds no treasury shares as of 31 December 2013.

No treasury shares were sold during the years ended 31 December 2013 and 2012.

## 17. Non-controlling interests (NCI)

Non-controlling interests as per 31 December 2013 comprise of 1.05% in Absolute Invest AG and of 36.52% in Cheyne Discovery Fund I Inc. that are not held by the Group.

in TCHF	2013			2012
	Absolute Invest AG	Cheyne Disc. Fund I Inc.	Total	
<b>Balance at 1 January</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Non-controlling interests arising on the acquisition of Absolute Invest AG, including non-controlling interests previously held by Absolute Invest AG	85,441	1,018	86,459	0
Share of profit for the year	(231)	848	617	0
Acquisition of non-controlling interests in Absolute Invest AG after 5 June 2013	(61,797)	0	(61,797)	0
Dividend paid to non-controlling interests in Absolute Invest AG	(19,135)	0	(19,135)	0
Currency translation adjustments	(3,120)	(92)	(3,212)	0
<b>Balance at 31 December</b>	<b>1,158</b>	<b>1,774</b>	<b>2,932</b>	<b>0</b>

On 20 December 2013, Alpine Select AG requested the cancellation of all shares of Absolute Invest AG that are still publicly held at the Court of the Canton of Zug (squeeze-out).

## Notes to the Consolidated Financial Statements

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

in TCHF	2013	2012
Realized gains – financial assets held for trading (Long positions)	4,733	999
Realized gains – financial assets held for trading - second trading line (Long positions)	1,688	931
Realized losses – financial assets held for trading (Long positions)	(5,213)	(1,948)
Realized losses – financial assets held for trading - second trading line (Long positions)	0	(18)
Net realized currency losses – financial assets held for trading (Long positions)	(423)	(4,296)
<b>Net realized – financial assets held for trading (Long positions)</b>	<b>785</b>	<b>(4,332)</b>
Unrealized gains – financial assets held for trading (Long positions)	32,267	15,471
Unrealized losses – financial assets held for trading (Long positions)	(4,249)	(932)
Net unrealized currency gains – financial assets held for trading (Long positions)	2,282	2,159
<b>Net unrealized – financial assets held for trading (Long positions)</b>	<b>30,300</b>	<b>16,698</b>
<b>Total financial assets held for trading, net (Long positions)</b>	<b>31,085</b>	<b>12,366</b>
Realized gains – financial assets/liabilities held for trading (Trading options)	1,199	639
Realized losses – financial assets/liabilities held for trading (Trading options)	(124)	0
Unrealized gains – financial assets/liabilities held for trading (Trading options)	0	558
Unrealized losses – financial assets/liabilities held for trading (Trading options)	(558)	0
Net realized currency gains/(losses) – financial assets/liabilities held for trading (Trading options)	39	37
Net unrealized currency gains/(losses) – financial assets/liabilities held for trading (Trading options)	(13)	13
<b>Total financial liabilities held for trading, net (Trading options)</b>	<b>543</b>	<b>1,247</b>
Realized gains – currency forwards	10,834	4,837
Realized losses – currency forwards	(7,186)	(18,185)
Unrealized gains – currency forwards	1,034	16,931
Unrealized losses – currency forwards	(2,747)	(2,103)
<b>Total currency forwards, net</b>	<b>1,935</b>	<b>1,480</b>
<b>Gain on financial assets and financial liabilities at fair value through profit or loss, net – trading</b>	<b>33,563</b>	<b>15,093</b>

**19. General and administrative expenses**

in TCHF	2013	2012
Personnel expenses incl. social costs	(458)	(361)
Legal, consulting, accounting and auditing fees	(2,139)	(899)
Management fees	(516)	0
Other office expenses	(464)	(265)
<b>General and administrative expenses</b>	<b>(3,577)</b>	<b>(1,525)</b>

The increase in legal, consulting, accounting and auditing fees in 2013 mainly relates to the acquisition of Absolute Invest AG. The management fees relate to investment management agreements entered into by Absolutissimo Ltd. and Carry Ltd. with AlphaCove Advisors Ltd. that were terminated as per 31 August 2013. The management fees were based on the net asset value of these companies at a total aggregate annual rate of 0.65%.

**20. Employee benefits**

Besides the statutory social security schemes there is an independent pension plan in place covering one part-time 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. The amount charged to profit or loss amounted to TCHF 2 for the year ended 31 December 2013.

As the Group has no material defined benefit pension or post-retirement schemes at 31 December 2013 and 2012, no further disclosures are provided.

**21. Income tax (expense) / income**

in TCHF	2013	2012
Current tax expense	(82)	0
Tax income from prior years	0	148
Deferred tax expense	(583)	(97)
<b>Income tax (expense) / income</b>	<b>(665)</b>	<b>51</b>

As per 31 December 2013, current tax expense includes TCHF 27 for income tax on transaction costs for the capital increase in the year under review. Deferred tax income and expense is presented on a net basis.

## Notes to the Consolidated Financial Statements

Reconciliation of effective tax rate for the year ended 31 December:

in TCHF	2013	2012
Net profit before tax	31,951	16,382
Company's domestic income tax rate	7.83%	7.83%
Tax expense using the Company's domestic income tax rate	(2,502)	(1,284)
Effect of income exempt from tax	1,309	280
Utilisation of previously unrecognized tax losses	0	907
Gain on bargain purchase which is a non-taxable income for tax purposes	213	0
Effect of zero tax rate on Cayman Islands	315	0
Prior year adjustments	0	148
<b>Income tax (expense) / income</b>	<b>(665)</b>	<b>51</b>
Effective tax rate on the net profit before tax	2.1%	-0.3%

### 22. Earnings per share

	2013	2012
Net profit in TCHF as per the consolidated statement of comprehensive income for the year ended 31 December	30,669	16,433
Weighted average number of outstanding shares	12,964,036	12,218,752
<b>Earnings per share in CHF (basic and diluted)</b>	<b>2.37</b>	<b>1.34</b>

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

The net asset value per share is calculated using the adjusted number of outstanding shares as per 31 December.

	2013	2012
Equity attributable to the shareholders of Alpine Select AG as per the consolidated statement of financial position (in TCHF)	226,764	192,011
Total number of shares outstanding	13,377,954	12,177,954
<b>Net asset value per share (in CHF)</b>	<b>16.95</b>	<b>15.77</b>
Net asset value per share (in CHF) when adjusted for the distribution out of the reserves from capital contributions in April 2013		14.79

### 24. Contingencies and commitments

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

## 25. Significant shareholders

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

	2013	2012
<b>Trinsic AG</b> Artherstrasse 21, 6300 Zug – Number of shares including 170,000 shares (2012: 100,000 shares) directly held by the beneficial owners of Trinsic AG – Percentage Beneficial owners of Trinsic AG: Daniel Sauter, 6300 Zug; Regina Sauter, 6300 Zug; Viktoria Sauter, 6300 Zug; Florian Sauter, 6340 Baar and, partly indirect through Talpas AG, 7502 Bever; Michel Vukotic, 8706 Meilen; Corinne Vukotic, 8706 Meilen; Aline Vukotic, 8706 Meilen and Fabienne Vukotic, 8706 Meilen	2,284,421  17.08%	2,403,828  19.14%
<b>Fabrel AG/Hans Müller</b> Seestrasse 50, 6052 Hergiswil – Number of shares including 376,140 shares (2012: 140 shares) directly held by Hans Müller – Percentage Beneficial owner of Fabrel AG is Hans Müller, 6052 Hergiswil	1,348,640  10.08%	2,850,140  22.69%
<b>Credit Suisse Group AG</b> Paradeplatz 8, 8070 Zurich – Number of shares – Percentage	617,300 4.61%	– –
<b>Hans-Ulrich Rihs</b> Eichstrasse 49, 8712 Stäfa – Number of shares – Percentage	597,000 4.46%	220,000 1.75%
<b>Raymond J. Baer</b> Goldhaldenstrasse 23, 8702 Zollikon – Number of shares – Percentage	519,764 3.89%	170,917 1.36%
<b>Hans Hornbacher</b> Route de Perreret 3, 1134 Vufflens-le-Château – Number of shares – Percentage	445,837 3.33%	415,637 3.31%

### 26. Related party transactions

At the Annual Shareholders' Meeting on 25 April 2013, Dr. Dieter Dubs, partner of Baer & Karrer AG, Zurich, was elected to the Company's Board of Directors. Baer & Karrer AG is the legal advisor of Alpine. Baer & Karrer AG is considered a related party.

Thomas Amstutz is the co-owner and a member of the Board of Directors of Absolute Investment Services AG, Zurich (AIS). AIS acted as service provider for Absolute Invest AG until 31 December 2013 when the service agreement was terminated. AIS is considered a related party.

Thomas Amstutz is also the co-owner and a member of the Board of Directors of JAAM AG, Zurich. For the period 1 September until 31 December 2013, Absolute Invest AG and JAAM AG entered into a service agreement according to which JAAM AG provided Absolute Invest AG and its two subsidiaries Absolutissimo Ltd. and Carry Ltd with consultancy services. JAAM AG is considered a related party.

Based on a service agreement with Absolute Invest AG, FinOps AG, Zurich provides services for Absolute Invest AG's net asset value calculation. Thomas Amstutz is the vice-president of the Board of Directors of FinOps AG. FinOps AG is considered a related party.

Since 18 April 2012, Thomas Amstutz is a member of the Board of Directors of Alpine Select AG. He is also a member of the Board of Directors of Absolute Invest AG. Alpine Select AG trades with shares of Absolute Invest AG. Such trades are made via the SIX Swiss Exchange. Reference is made to Note 2 of these consolidated financial statements with respect to Alpine's acquisition of Absolute Invest AG shares during the year 2013.

Credit Suisse Group AG, Zurich holds – as per 31 December 2013 – 4.61% of Alpine Select AG's shares. Transactions with Credit Suisse are disclosed under Note 14.

Transactions with related parties are conducted at arm's length.

The following table gives an overview of significant transactions with related parties and members of the Board of Directors during the year ended 31 December:

in TCHF	2013	2012
Remuneration of the Board of Directors of Alpine Select AG		
Raymond J. Baer, Chairman (since 25 April 2013)	113	n/a
Thomas Amstutz, member (Chairman from 18 April 2012 until 25 April 2013) *	58	122
Dieter Dubs, member (since 25 April 2013)	27	n/a
Walter Geering, executive member (until 31 December 2013)	179	179
Hans Müller, member (until 25 April 2013)	38	38
Daniel Sauter (Chairman until 18 April 2012)	0	56
	415	395
Alpine Select AG: fees paid to Baer & Karrer AG, Zurich	331	n/a
Absolute Invest AG: service fees paid to Absolute Investment Services AG, Zurich **	179	261
Absolute Invest AG: service fees paid to FinOps AG, Zurich **	81	81
Absolute Invest AG: service fees paid to JAAM AG, Zurich **	248	n/a

\* includes the board fees that Thomas Amstutz received from Absolute Invest AG

\*\* these payments/expenses reflect the whole year 2013 and can therefore not be reconciled with profit or loss.

### 27. Events after the balance sheet date

The consolidated financial statements and the statutory financial statements for the year ended 31 December 2013 were authorized for issue by the Board of Directors on 7 April 2014. There were no significant events to report until this date.

The Annual Shareholders' Meeting to be held on 26 May 2014 will vote on the final approval of the consolidated financial statements and the statutory financial statements.

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

As statutory auditor, we have audited the consolidated financial statements of Alpine Select AG (pages 24 to 79 of the Annual Report), which comprise the consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes for the year ended 31 December 2013.

### **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.

### **Opinion**

In our opinion, the consolidated financial statements for the year ended 31 December 2013 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 of the Statutory Auditor on the Consolidated Financial Statements to the Annual Shareholders' Meeting of Alpine Select AG, Zug

### Emphasis of matter

We draw attention to Notes 5.4, 10.1 and 11 to the consolidated financial statements which are disclosed in accordance with article 16 of the Directive on Financial Reporting issued by the SIX Swiss Exchange. As described, unquoted investments amounting to CHF 122.9 million (52.9% of consolidated assets) as of 31 December 2013 have been reported at fair value. Due to the inherent uncertainty related to the valuation of such investments and due to the absence of a liquid market, such fair values could differ from their realizable values, whereas the difference may be material. The Board of Directors is responsible for the determination of these fair values. The procedures applied in valuing such investments are disclosed in Note 5.4. We have reviewed these procedures and inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgment, which is not susceptible to independent verification procedures. Our opinion is not qualified in respect of this matter.

### 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 Fährdrich  
Licensed Audit Expert

Zurich, 7 April 2014

## Statutory Financial Statements

### BALANCE SHEET FOR THE YEAR ENDED 31 DECEMBER

in CHF	Note	2013	2012
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		4,999,014	14,069,617
Unrealized gains from currency forward contracts, net	3	2,005,848	3,921,290
Other current assets	4	603,180	49,383
Treasury shares	2	0	6,023,924
<b>Total current assets</b>		<b>7,608,042</b>	<b>24,064,214</b>
<b>Non-current assets</b>			
Securities	5	89,203,527	167,160,425
Participation in Absolute Invest AG	6	96,794,623	0
<b>Total non-current assets</b>		<b>185,998,150</b>	<b>167,160,425</b>
<b>TOTAL ASSETS</b>		<b>193,606,192</b>	<b>191,224,639</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	7	614,313	247,539
Current tax liability		61,896	0
<b>Total current liabilities</b>		<b>676,209</b>	<b>247,539</b>
<b>Equity</b>			
Share capital	1	267,559	251,184
Legal reserves			
– General reserves		6,769,759	6,711,551
– Reserves from capital contributions		70,010,146	64,212,100
– Reserves from capital contributions – not yet approved	8	7,848,486	7,848,486
– Reserves for treasury shares	2	0	6,074,507
Retained earnings		105,879,272	53,781,950
Net profit of the year		2,154,761	52,097,322
<b>Total equity</b>		<b>192,929,983</b>	<b>190,977,100</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>193,606,192</b>	<b>191,224,639</b>

**INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER**

in CHF	Note	2013	2012
<b>INCOME</b>			
Gain on securities, net		0	12,241,418
Gain on derivative financial instruments, net		5,189,302	2,156,595
Dividend income		1,767,719	2,586,366
Gain on merger with Sumara AG	6	0	36,313,719
Interest income		632,650	889,472
Other income		114,384	90,608
<b>Total income</b>		<b>7,704,055</b>	<b>54,278,178</b>
<b>EXPENSES</b>			
Loss on securities, net		(373,215)	0
General and administrative expenses		(2,474,558)	(1,523,237)
Commissions and other bank fees		(848,125)	(586,886)
Depreciation furniture and equipment		0	(6,719)
Foreign exchange losses, net		(1,783,590)	(157,741)
Impairment charge on treasury shares		0	(50,583)
Interest expenses		(8,306)	(1,775)
<b>Total expenses</b>		<b>(5,487,794)</b>	<b>(2,326,941)</b>
<b>Net profit before tax</b>		<b>2,216,261</b>	<b>51,951,237</b>
Tax (expense) / income		(61,500)	146,085
<b>Net profit of the year</b>		<b>2,154,761</b>	<b>52,097,322</b>

## Notes to the Statutory Financial Statements

### 1. Share capital

The Annual Shareholders' Meeting of Alpine Select AG held on 25 April 2013 decided:

- to reduce the share capital of the Company by CHF 7,625.22 by cancelling 381,261 treasury shares; and
- to increase the share capital of the Company by a maximum of CHF 24,355.88 through the issue of a maximum of 1,217,794 fully paid-in registered shares with a nominal value of CHF 0.02 each. The executed capital increase resulted in an increase of the share capital of CHF 24,000.00 being 1,200,000 new and fully paid-in registered shares with a nominal value of CHF 0.02 each.

The changes in the Company's share capital were recorded in the Commercial Register of the Canton of Zug as per 2 July 2013.

As of 31 December 2013, the Company's fully paid-in share capital amounts to CHF 267,559.08 (2012: CHF 251,184.30) and is divided into 13,377,954 (2012: 12,559,215) 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 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).

#### 1.1. Authorized share capital

According to article 4a of the Company's Articles of Association, the Board of Directors is authorized to increase the share capital by a maximum amount of CHF 121,779.54 at any time until 25 April 2015 by issuing a maximum of 6,088,977 fully paid-in registered shares with a nominal value of CHF 0.02 each. Increases by firm underwriting or partial increases are permitted. The Board of Directors shall determine the date of issuance of the new shares, their issue price, method of payment, conditions governing the exercise of subscription rights and the date of the dividend entitlement.

#### 1.2. Conditional share capital

According to article 4b of the Company's Articles of Association, the Company's share capital could be increased by an amount not exceeding CHF 121,779.54 through the issue of a maximum of 6,088,977 fully paid-in registered shares 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 through the exercise of option rights granted to shareholders.

### 2. Treasury shares

The Annual Shareholders' Meeting held on 18 April 2011 entitled the Board of Directors to start a new re-purchase program and to acquire a maximum of 1,255,921 treasury shares being 10% of the

Company's nominal share capital. This re-purchase program was started in October 2011 and during the period October to December 2011 the Company acquired 70,000 treasury shares at an average price of CHF 15.42 per share for a total amount of TCHF 1,079.

The Annual Shareholders' Meeting held on 18 April 2012 entitled the Board of Directors to continue that re-purchase program. In 2012 the Company acquired another 311,261 treasury shares under the continued re-purchase program at an average price of CHF 16.05 per share for a total amount of TCHF 4,995.

Since October 2011, when the re-purchase program was started, until 14 March 2013, when the re-purchase program was stopped, a total of 381,261 treasury shares corresponding to 3.036% of the outstanding share capital were acquired via the second trading line at the SIX Swiss Exchange for a total amount of TCHF 6,024.

The Annual Shareholders' Meeting held on 25 April 2013 decided to cancel all 381,261 treasury shares and to reduce the share capital of the Company (reference is made to above Note 1). In addition it entitled the Company's Board of Directors to re-purchase own shares of the Company up to a maximum of 10% of the share capital starting 26 April 2013 until the ordinary Annual Shareholders' Meeting in the year 2015. No treasury shares were purchased during the period 26 April to 31 December 2013.

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

	Number of shares	in CHF
<b>Balance at 31 December 2012</b>	<b>381,261</b>	<b>6,023,924</b>
Cancellation of treasury shares	(381,261)	(6,023,92)
<b>Balance at 31 December 2013</b>	<b>0</b>	<b>0</b>

### 3. Currency forward contracts

Open currency forward contracts are valued at market prices.

### 4. Other current assets

in CHF	2013	2012
Withholding tax	520,973	0
Value added tax	43,934	38,249
Other	38,273	11,134
<b>Total</b>	<b>603,180</b>	<b>49,383</b>

### 5. Securities

Securities are recorded at the lower of cost or market.

### 6. Participation in Absolute Invest AG

As per 31 December 2012, Alpine Select AG held approx. 32% of the outstanding shares of Absolute Invest AG, Zug. During the year 2013, Alpine acquired further shares of Absolute Invest AG through the first trading line at the SIX Swiss Exchange. On 6 June 2013, Absolute Invest AG announced that Alpine and two members of its Board of Directors obtained control by reaching 50.05% of the shares and voting interests in Absolute Invest AG as per 5 June 2013.

During the second half of 2013, Alpine acquired further shares of Absolute Invest AG through a public tender offer. As per 31 December 2013, Alpine owns 5,932,450 shares resp. 98.95% of the outstanding share capital of Absolute Invest AG. As per 31 December 2013, the investment in Absolute Invest AG is therefore presented as participation. As per 31 December 2012, the investment in Absolute Invest AG of CHF 77,480,620 was presented in the Company's balance sheet in the line securities.

The participation in Absolute Invest AG is stated at its acquisition costs.

Absolute Invest AG (directly or indirectly through its subsidiaries) mainly invests in unquoted hedge funds. Further details of these investments are set out in Note 10 and Note 11 to the consolidated financial statements of Alpine Select AG as of 31 December 2013.

The following table summarizes the carrying amount of the participation in Absolute Invest AG and other unlisted securities held by the Company as per 31 December 2013.

in CHF	2013
Carrying amount of unlisted securities of Alpine Select AG	25,998,462
Participation in Absolute Invest AG	96,794,623
<b>Total</b>	<b>122,793,085</b>

Absolute Invest AG, domiciled in Zug, Switzerland was incorporated on 12 October 2000. Absolute Invest AG is an investment company listed on the SIX Swiss Exchange. The Company primarily conducts its business through its wholly owned subsidiaries Absolutissimo Ltd., Carry Ltd. and Usissimo Ltd. (Usissimo Ltd. was liquidated as per 2 December 2013).

On 20 December 2013, Alpine Select AG requested the cancellation of all shares of Absolute Invest AG that are still publicly held at the Court of the Canton of Zug (squeeze-out).

Since 2005 the Company held a 100% interest in Sumara AG, Zug (Switzerland). Effective 1 January 2012, Sumara AG was merged by absorption into Alpine Select AG.

### **7. Accounts payable and accrued liabilities**

As per 31 December 2013, an amount of TCHF 21 (2012: TCHF 0) of not yet paid social securities is included here. The amount was paid on 12 February 2014.

### **8. Reserves from capital contributions**

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 Reserves from capital contributions and re-allocated the components accordingly within Shareholders' equity. Federal Tax Authorities (Eidgenössische Steuerverwaltung) refused to approve an amount of CHF 7,848,486. The reasons for the refusal were that Federal Tax Authorities considers the amount of CHF 7,848,486 as «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 Reserves from capital contributions. The Company has agreed to the proposal of the Federal Tax Authorities that – should distributions be made out of the Reserves from capital contributions – they would first be deducted from the amount that was approved by Federal Tax Authorities. 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.

### 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:

	2013	2012
<b>Trinsic AG</b> Artherstrasse 21, 6300 Zug – Number of shares including 170,000 shares (2012: 100,000 shares) directly held by the beneficial owners of Trinsic AG – Percentage Beneficial owners of Trinsic AG: Daniel Sauter, 6300 Zug; Regina Sauter, 6300 Zug; Viktoria Sauter, 6300 Zug; Florian Sauter, 6340 Baar and, partly indirect through Talpas AG, 7502 Bever; Michel Vukotic, 8706 Meilen; Corinne Vukotic, 8706 Meilen; Aline Vukotic, 8706 Meilen and Fabienne Vukotic, 8706 Meilen	2,284,421  17.08%	2,403,828  19.14%
<b>Fabrel AG/Hans Müller</b> Seestrasse 50, 6052 Hergiswil – Number of shares including 376,140 shares (2012: 140 shares) directly held by Hans Müller – Percentage Beneficial owner of Fabrel AG is Hans Müller, 6052 Hergiswil	1,348,640  10.08%	2,850,140  22.69%
<b>Credit Suisse Group AG</b> Paradeplatz 8, 8070 Zurich – Number of shares – Percentage	617,300 4.61%	– –
<b>Hans-Ulrich Rihs</b> Eichstrasse 49, 8712 Stäfa – Number of shares – Percentage	597,000 4.46%	220,000 1.75%
<b>Raymond J. Baer</b> Goldhaldenstrasse 23, 8702 Zollikon – Number of shares – Percentage	519,764 3.89%	170,917 1.36%
<b>Hans Hornbacher</b> Route de Perreret 3, 1134 Vufflens-le-Château – Number of shares – Percentage	445,837 3.33%	415,637 3.31%

## 10. Compensation

In accordance with article 17 of the Company's 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 schemes that foresee the issuance of shares or share options.

Members of the Board of Directors that 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 compensation paid in 2012 and 2013 to members of the Board of Directors of Alpine Select AG is disclosed in the following table:

in CHF	2013	2012
Raymond J. Baer, Chairman (since 25 April 2013)	112,530	0
Thomas Amstutz, member (Chairman from 18 April 2012 until 25 April 2013) <sup>1)</sup>	58,391	122,222
Dieter Dubs, member (since 25 April 2013)	27,280	0
Walter Geering, executive member (until 31 December 2013)	178,680	178,680
Hans Müller, member (until 25 April 2013) <sup>2)</sup>	37,800	37,800
Daniel Sauter (Chairman until 18 April 2012)	0	55,822
<b>Total</b>	<b>414,681</b>	<b>394,524</b>

<sup>1)</sup> includes the board fees that Thomas Amstutz received from Absolute Invest AG

<sup>2)</sup> including 8% value added tax

There were no other payments in 2013 and no other accruals as of 31 December 2013.

### **11. Risk management**

The risk assessment process of the Company 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 Company 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 Company 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	<b>2013</b>	<b>2012</b>
Retained earnings at the beginning of the year	105,879,272	53,781,950
Net profit of the year	2,154,761	52,097,322
Retained earnings at the end of the year	108,034,033	105,879,272
Dissolution of reserves from capital contributions <sup>*)</sup>	13,377,954	12,177,954
<b>Available for distribution</b>	<b>121,411,987</b>	<b>118,057,226</b>
<b>Proposal of the Board of Directors for appropriation of available earnings</b>		
Dividend <sup>*)</sup>	13,377,954	12,177,954
To be carried forward	108,034,033	105,879,272
	<b>121,411,987</b>	<b>118,057,226</b>
Total dividend distribution	13,377,954	12,177,954
- out of reserves from capital contributions	13,377,954	12,177,954
- out of other reserves	0	0

<sup>\*)</sup> The proposed dividend is calculated based on all outstanding registered shares less those shares held by the Company (treasury shares) – if any – as they are not entitled to a dividend. At the date of declaration of the dividend, the number of shares held by the Company could be different from the amount reported here and therefore the reported dividend sum (as well as the dissolution of reserves from capital contributions) may differ as well.

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

As statutory auditor, we have audited the financial statements of Alpine Select AG (pages 82 to 91 of the Annual Report), which comprise the balance sheet, income statement and notes for the year ended 31 December 2013.

### **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 2013 comply with Swiss law and the Company's articles of incorporation.

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

### Emphasis of matter

We draw attention to Note 6 to the financial statements which are disclosed in accordance with article 16 of the Directive on Financial Reporting issued by the SIX Swiss Exchange. As described, unquoted securities and the investment in its subsidiary Absolute Invest AG have a carrying amount of CHF 122.8 million. The Group's unquoted securities (directly held by Alpine Select AG and indirectly held through the investment) reported at fair value, amount to CHF 122.9 million as of 31 December 2013. Due to the inherent uncertainty related to the valuation of such investments and due to the absence of a liquid market, such fair values could differ from their realizable values, whereas the difference may be material. The Board of Directors is responsible for the determination of these fair values. The procedures applied in valuing such investments are disclosed in Note 5.4 of the consolidated financial statements. We have reviewed these procedures and inspected underlying documentation; while in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgment, which is not susceptible to independent verification procedures. Our opinion is not qualified in respect of this matter.

### 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, 7 April 2014



# ALPINE SELECT

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