

ALPINE SELECT

SEMI-
ANNUAL
REPORT
2014

Board of Directors

Raymond J. Baer	Chairman
Thomas Amstutz	Member
Dieter Dubs	Member
Walter Berchtold	Member as of 26 May 2014

Management

Claudia Habermacher	as of 1 January 2014
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Auditors

KPMG Ltd.
Badenerstrasse 172
8026 Zurich
Switzerland

Company Info Sheet

Listing	SIX Swiss Exchange
Stock Exchange Symbol	ALPN
Swiss Security Number	1,919,955
ISIN Code	CH0019199550
Reuters	ALPN.S
Bloomberg	ALPN SW EQUITY
Type of Shares	Registered shares
Outstanding Shares	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: www.alpine-select.ch/corporate-calendar

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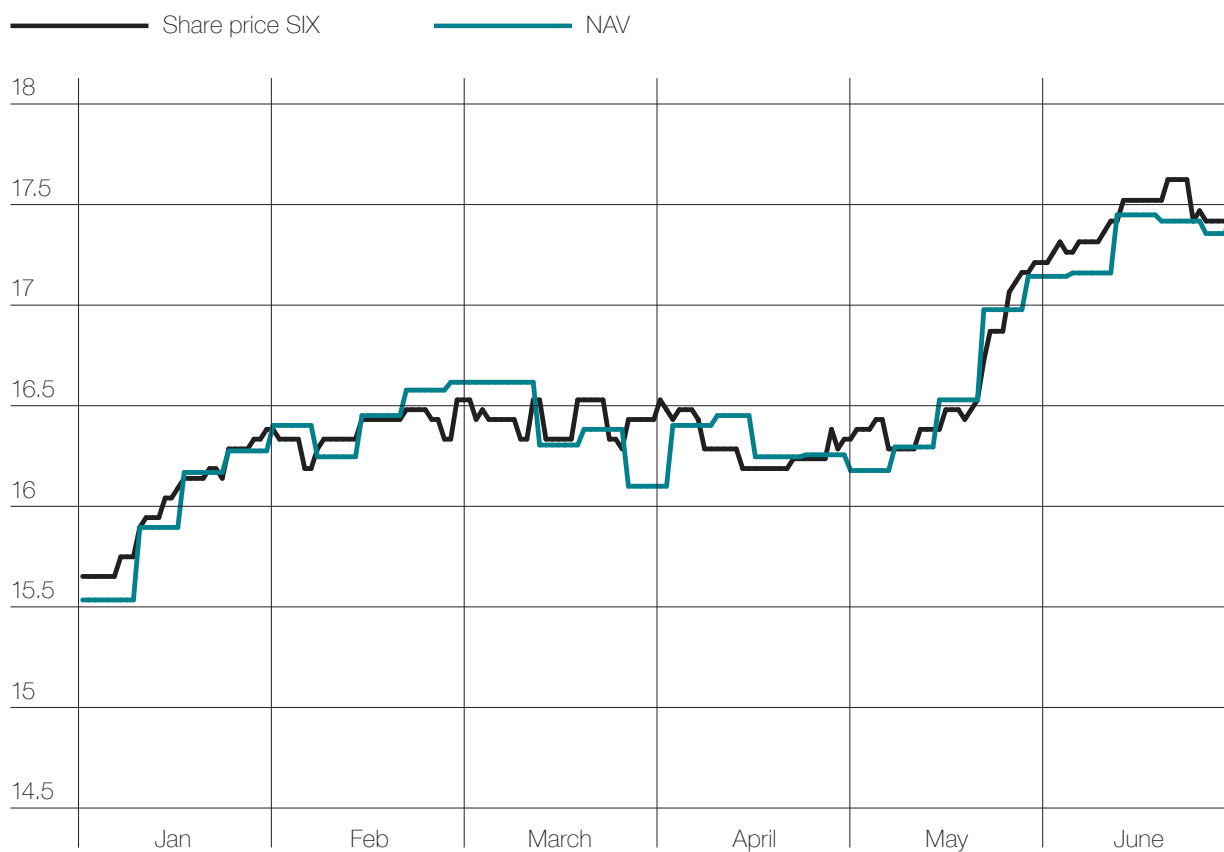
Performance table

in CHF	30 June 2014	31 Dec 2013
Share price	17.40	15.69
NAV	17.34	16.02

in CHF	High YTD 2014	Low YTD 2014
Share price	17.60	15.69
NAV	17.43	16.02

6 months price-history in CHF for the period January – June 2014

Daily closing share price and weekly NAV (unconsolidated until May 2014)



Positions as a percentage of net asset value (NAV) on 30 June 2014

in %	0	5	10	15	20	25	30	35	40
HBM Healthcare Investments Ltd.									34
Cheyne CDO I Fund L.P.									10
Cheyne New Europe Fund L.P.									8
Altin Ltd.									8
CQS Directional Opp. Feeder Fund Ltd.									6
Other long positions									33
Cash and other assets, net	1								

Monthly NAV performance in %

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
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	1.8	-2.7	2.6	0.3	1.4	1.4	-4.9	-2.8	7.2	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	1.0	12.2
2014	4.5	1.4	-1.8	-0.8	5.8	1.2							8.2 ¹⁾

¹⁾year-to-date, unconsolidated until May 2014

Monthly share price performance in %

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
2010	-1.2	2.8	2.4	1.5	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	-1.9	0.3	5.3
2012	1.0	2.9	4.1	0.6	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	12.0
2014	4.2	1.2	-0.6	-0.6	5.2	1.2							10.9 ²⁾

²⁾year-to-date

* All figures are adjusted for the dividend payment in June 2014 out of reserves from capital contributions

Chairman's statement and review of operations

Dear Shareholders

During the first 6 months of the year, the net asset value of Alpine Select increased by 8.24% and the share price by 10.90%.

The main driver for this positive performance during this reporting period was again our position in HBM Healthcare Investments Ltd. This position returned an additional unrealized profit of CHF 16m in the first six months. It has been by far the most important value driver for Alpine's excess return year to date. During March, the US exposure was partially hedged through a long put option on an iShares Nasdaq Biotechnology ETF. This enabled us to maintain the still undervalued HBM position during the 20% correction in the Biotech market in March and April. Our continuous effort to motivate the management of HBM to address the unacceptable high discount to its NAV culminated in our motion to abolish voting restrictions at the company's AGM in June. Although our motion was turned down, the management of HBM reiterated its intentions to continue with shareholder friendly measures such as dividend distributions and share buy-backs. In a noteworthy interview in «Finanz & Wirtschaft» on 4 June 2014 Chairman Hans Peter Hasler confirmed this: «Wir sind bestrebt, auch in Zukunft einen grossen Teil des geschaffenen Wertes durch Ausschüttungen oder andere Massnahmen an die Aktionäre zurückzuführen.»

Despite the huge unrealized profit, Alpine remains confident that the combination of portfolio quality and Alpine's persistent pressure on management to take shareholder friendly measures will lead to further gains. Alpine will continue to utilize risk management tools as deemed necessary in order to protect this important position.

The integration of the fully acquired Absolute Invest («ABSI») has been completed with the squeeze out of the remaining shares and the subsequent delisting of ABSI in June. In order to account for the illiquid nature of the largest holding of the legacy positions of ABSI, Cheyne New Europe Fund L.P., the respective NAV has been discounted with an IRR of 8% to its net present value, given that exits are expected to commence not before end of 2019.

Alpine has been steadily acquiring shares of Altin Ltd., another typical «Alpine Investment Case». As of 30 June 2014, Alpine holds 390,000 shares or 9.2% of Altin Ltd., a broadly diversified portfolio of mostly liquid hedge funds which still trades at an attractive discount to NAV of 20%.

The investment committee of Alpine decided in 2013 to allocate up to CHF 50m to Japan through multiple investments comprising of specialized «long only managers», «long/short hedge funds» and «capital arbitrage managers». Although the Japanese equity market, after its strong rally in 2013, had a negative performance in the first six months of 6%, our Japan positions had a small positive contribution in 2014. We are still very optimistic on Japan as we continue to believe that the government has taken the right steps to end a 20 year long deflationary cycle with a contracting economy. Japan continues to be by far the most attractively valued major equity market in the world. Furthermore, we believe that Abe's efforts through the «Third Arrow» will lead to not only a greater allocation to the equity market but also to more shareholder oriented management strategies. In May and June 2014, JPY 1 billion was allocated to the newly created SPARX Japan Value Impact Fund, a deep value investor with a distinct «friendly activist» tilt.

With a YTD return of 10.90% to our shareholders, we look back with satisfaction to the first 6 months of the year. On behalf of the Board of Directors we would like to thank you for your continued support and trust in our activities.

A handwritten signature in black ink, appearing to be 'R. Baer', written in a cursive style.

Raymond J. Baer, Chairman of the Board of Directors

Condensed consolidated interim financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in TCHF	Note	30 June 2014 (unaudited)	31 Dec 2013 (audited)
ASSETS			
Current assets			
Cash and cash equivalents		5,933	13,017
Financial assets at fair value through profit or loss - trading	7	1,705	2,006
Other current assets	11	3,816	924
Total current assets		11,454	15,947
Non-current assets			
Financial assets at fair value through profit or loss - trading	7	230,943	216,195
Total non-current assets		230,943	216,195
TOTAL ASSETS		242,397	232,142
LIABILITIES AND EQUITY			
Current liabilities			
Bank overdrafts		3,386	0
Short-term bank loan	12	5,002	0
Financial liabilities at fair value through profit or loss - trading	7	110	0
Current tax liabilities		359	55
Accounts payable and accrued liabilities		709	1,208
Total current liabilities		9,566	1,263
Non-current liabilities			
Deferred tax liabilities		565	1,183
Total non-current liabilities		565	1,183
Equity			
Share capital	13.1	268	268
Additional paid-in capital		54,829	68,207
Currency translation adjustments		(3,882)	(3,621)
Retained earnings		180,761	161,910
Equity attributable to owners of Alpine Select Ltd.		231,976	226,764
Non-controlling interests	14	290	2,932
Total equity		232,266	229,696
TOTAL LIABILITIES AND EQUITY		242,397	232,142
Net asset value (NAV) per share in CHF	17	17.34	16.95

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended

in TCHF	Note	30 June 2014 (unaudited)	30 June 2013 (unaudited)
INCOME			
Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading	15	15,225	5,788
Dividend income	8	4,602	1,147
Interest income from financial assets		250	334
Other income		31	0
Net foreign exchange gains on cash and cash equivalents		37	0
Gain on bargain purchase		0	2,718
Total income		20,145	9,987
EXPENSES			
General and administrative expenses		(1,230)	(1,146)
Commissions and other bank fees		(609)	(388)
Net foreign exchange losses on cash and cash equivalents		0	(128)
Interest expenses		(13)	(8)
Total expenses		(1,852)	(1,670)
Profit before tax		18,293	8,317
Income tax income / (expense)		314	(570)
Profit for the period		18,607	7,747
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		(262)	397
Other comprehensive income / (loss) for the period, net of tax		(262)	397
Total comprehensive income for the period		18,345	8,144
Profit / (loss) for the period attributable to:			
Owners of Alpine Select Ltd.		18,824	8,831
Non-controlling interests	14	(217)	(1,084)
		18,607	7,747
Total comprehensive income / (loss) for the period attributable to:			
Owners of Alpine Select Ltd.		18,563	9,022
Non-controlling interests	14	(218)	(878)
		18,345	8,144
Earnings per share in CHF (basic and diluted)	16	1.41	0.73

Comparative numbers were adjusted (see Note 3.1)

Condensed consolidated interim financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended

in TCHF

	Note	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Cash flows from operating activities			
Profit before tax		18,293	8,317
Adjustments for:			
– Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading	15	(15,225)	(5,788)
– Dividend income	8	(4,602)	(1,147)
– Gain on bargain purchase		0	(2,718)
– Interest expenses		13	8
– Net foreign exchange (gains) / losses on cash and cash equivalents		(37)	128
– Other non-cash income		(161)	0
Decrease in other current assets		25	57
(Decrease) / increase in accounts payable and accrued liabilities		(329)	238
Withholding taxes received		542	0
Dividends received		4,485	1,147
Interest paid		(11)	(8)
Income taxes paid		0	0
Net cash from operating activities		2,993	234
Cash flows from investing activities			
Purchases of financial assets at fair value through profit or loss	10.1	(60,114)	(29,326)
Proceeds from sale of financial assets at fair value through profit or loss	10.2	57,084	49,154
Proceeds from short sale of financial liabilities at fair value through profit or loss		0	133
Net cash inflow / (outflow) from currency forwards		307	(1,385)
Acquisition of subsidiary, net of cash acquired		0	2,302
Net cash (used in) from investing activities		(2,723)	20,878

Comparative numbers were adjusted (see Note 3.1)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the six month period ended (continued)

in TCHF	Note	30 June 2014 (unaudited)	30 June 2013 (unaudited)
Cash flows from financing activities			
Acquisition of non-controlling interests	14	(1,110)	(3,208)
Increase short-term bank loan	12	5,000	1,405
Repayment of short-term bank loan		0	(2,342)
Distribution to non-controlling interests	14	(1,287)	0
Dividend paid to shareholders of Alpine		(13,378)	(12,178)
Net cash used in financing activities		(10,775)	(16,323)
Effect of exchange rate changes on cash and cash equivalents		35	(139)
Net (decrease) / increase in cash and cash equivalents		(10,470)	4,650
Cash and cash equivalents at 1 January		13,017	14,070
Cash and cash equivalents at 30 June		2,547	18,720
Cash and cash equivalents consist of:			
Current accounts at banks		5,933	18,720
Less: bank overdrafts		(3,386)	0
Cash and cash equivalents as defined for the consolidated statement of cash flows		2,547	18,720

Comparative numbers were adjusted (see Note 3.1)

Condensed consolidated interim financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2013 and 31 December 2013, respectively

in TCHF

Note

Balance at 1 January 2013

Profit / (loss) for the six months 1 Jan – 30 June 2013

Other comprehensive income for the six months 1 Jan – 30 June 2013

Total comprehensive income / (loss) for the six months 1 Jan – 30 June 2013

Dividend paid to shareholders of Alpine *

Acquisition of subsidiary with non-controlling interests

14

Acquisition of non-controlling interests

**Total changes in ownership, contributions by and distributions to owners
of the Company for the six months 1 Jan – 30 June 2013**

Balance at 30 June 2013

Profit for the six months 1 July – 31 Dec 2013

Other comprehensive loss for the six months 1 July – 31 Dec 2013

Total comprehensive income / (loss) for the six months 1 July – 31 Dec 2013

Acquisition of non-controlling interests

Dividend paid to non-controlling interests *

14

Cancellation of treasury shares

Increase of share capital, net of transaction costs

Income tax on transaction costs

**Total changes in ownership, contributions by and distributions to owners
of the Company for the six months 1 July – 31 Dec 2013**

Balance at 31 December 2013

* paid out of the reserves from capital contributions.

Condensed consolidated interim financial statements

Attributable to owners of Alpine Select Ltd.							
Share capital	Additional paid-in capital	Treasury shares	Translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
251	68,820	(6,095)	0	129,035	192,011	0	192,011
				8,831	8,831	(1,084)	7,747
			191		191	206	397
0	0	0	191	8,831	9,022	(878)	8,144
	(12,178)				(12,178)		(12,178)
					0	86,459	86,459
				166	166	(3,374)	(3,208)
0	(12,178)	0	0	166	(12,012)	83,085	71,073
251	56,642	(6,095)	191	138,032	189,021	82,207	271,228
				21,838	21,838	1,701	23,539
			(3,812)		(3,812)	(3,418)	(7,230)
0	0	0	(3,812)	21,838	18,026	(1,717)	16,309
				2,040	2,040	(58,423)	(56,383)
					0	(19,135)	(19,135)
(7)	(6,088)	6,095			0		0
24	17,626				17,650		17,650
	27				27		27
17	11,565	6,095	0	2,040	19,717	(77,558)	(57,841)
268	68,207	0	(3,621)	161,910	226,764	2,932	229,696

Condensed consolidated interim financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period ended 30 June 2014

in TCHF

Note

Balance at 1 January 2014

Profit / (loss) for the six months 1 Jan – 30 June 2014

Other comprehensive loss for the six months 1 Jan – 30 June 2014

Total comprehensive income / (loss) for the six months 1 Jan – 30 June 2014

Dividend paid to shareholders of Alpine *

Distribution to non-controlling interests

14

Acquisition of non-controlling interests

14

Total changes in ownership, contributions by and distributions to owners of the Company for the six months 1 Jan – 30 June 2014

Balance at 30 June 2014

* paid out of the reserves from capital contributions.

Condensed consolidated interim financial statements

Attributable to owners of Alpine Select Ltd.						Non-controlling interests	Total equity
Share capital	Additional paid-in capital	Treasury shares	Translation reserve	Retained earnings	Total		
268	68,207	0	(3,621)	161,910	226,764	2,932	229,696
				18,824	18,824	(217)	18,607
			(261)		(261)	(1)	(262)
0	0	0	(261)	18,824	18,563	(218)	18,345
	(13,378)				(13,378)		(13,378)
					0	(1,287)	(1,287)
				27	27	(1,137)	(1,110)
0	(13,378)	0	0	27	(13,351)	(2,424)	(15,775)
268	54,829	0	(3,882)	180,761	231,976	290	232,266

Selected notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2014

1. Corporate information

Alpine Select Ltd. (the «Company», «Alpine» and together with its subsidiary Absolute Invest Ltd., the «Group») is a limited liability company incorporated on 17 September 1997 under the laws of Switzerland. Its registered office is at Bahnhofstrasse 23, Zug (Switzerland).

The Company offers institutional and individual investors the opportunity to buy into a broad portfolio with core investment strategies focusing on: discount-, risk-arbitrage, tactical exploitation of under-researched short term opportunities and liquid hedge funds.

As of 30 June 2014, the Company has one employee.

2. Consolidated financial statements

The condensed consolidated interim financial statements comprise the financial statements of the parent company (Alpine Select Ltd., Zug), its subsidiary Absolute Invest Ltd., Zug and the financial statements of Absolute Invest Ltd.'s wholly owned subsidiaries Absolutissimo Ltd. and Carry Ltd. (both domiciled on 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 at 30 June 2014 (31 December 2013: 63.48%).

2.1. Non-controlling interests

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. Non-controlling interests 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 30 June 2014 comprises 36.52% in Cheyne Discovery Fund I Inc. not held by the Group. Non-controlling interests as at 31 December 2013 comprises 1.05% in Absolute Invest Ltd. and 36.52% in Cheyne Discovery Fund I Inc. not held by the Group.

3. Basis of presentation of the condensed consolidated interim financial statements

The accompanying condensed consolidated interim financial statements for the six month period ended 30 June 2014 were prepared in accordance with IAS 34 Interim Financial Reporting, 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. They do not include all the information and disclosures required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to gain an understanding of the changes in the Group's financial position and performance since the last annual financial statements as at and for the year ended 31 December 2013.

The preparation of these interim financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses as well as the disclosure of contingent liabilities. The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements as at and for the year ended 31 December 2013.

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

3.1. Comparatives

As disclosed by the Company in its Annual Report 2013 (Note 2), 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 as previously disclosed in the condensed consolidated interim financial statements for the six month period ended 30 June 2013. As at 31 December 2013, the identifiable assets and liabilities assumed relating to the acquisition of Absolute Invest Ltd. as presented in the condensed consolidated interim financial statements for the six month period ended 30 June 2013 were reduced by TCHF 11,071 from previously TCHF 176,151 to TCHF 165,080 as a result of that measurement period adjustment. Besides some other immaterial effects resulting from the measurement period adjustment, the gain on bargain purchase was reduced by TCHF 5,306 from previously TCHF 8,024 to TCHF 2,718.

The consolidated investment tables in this report are presented in Swiss Francs (CHF). In the Annual Report 2013 they had been presented in USD and CHF. The currency of the consolidated investment table for the year ended 31 December 2013 was therefore adjusted accordingly.

Selected notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2014

4. Summary of significant accounting policies

The condensed consolidated interim 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.

4.1. Changes in accounting policies

The accounting policies adopted are consistent with those applied and described by the Company in its Annual Report 2013 (pages 35-40) except for the adoption of the following new and amended standards and interpretations issued for financial years beginning on or after 1 January 2014.

- 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);
- 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 adoption of the new and amended standards and interpretations during the first six months of the year 2014 did not have any effect on the condensed consolidated interim financial statements or the performance of the Group.

4.2. 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 15).

**Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014**

The following exchange rates have been applied:

		30 June 2014	31 Dec 2013	30 June 2013
USD / CHF				
Balance sheet	End of month rate	0.88690	0.88937	0.94619
Items of profit and loss	Average rate for the period	0.89024	0.92668	0.93680
EUR / CHF				
Balance sheet	End of month rate	1.21421	1.22550	1.22990
Items of profit and loss	Average rate for the period	1.22082	1.23096	1.23000
JPY / CHF				
Balance sheet	End of month rate	0.00875	0.00846	–
Items of profit and loss	Average rate for the period	0.00870	0.00898	–

4.3. 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 period 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 reporting period, 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 4.2).

Selected notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2014

4.4. 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 30 June 2014 we refer to the consolidated investment table under Note 8.

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.

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). This 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 established a single source of guidance under IFRS for all fair value measurements providing guidance on how to measure fair value under IFRS when fair value is required or permitted.

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.

Selected notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2014

In order to determine whether a market is active or not, the Board of Directors takes the following into consideration:

- 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.

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 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 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 regular statements are provided.

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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 a potential market turmoil which (among other things) may lead 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.

4.5. Bank loans

Interest-bearing bank loans are recognized initially at fair value less any attributable transaction costs and are subsequently carried at amortized cost using the effective interest method.

4.6. 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. 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.

6. Accounting estimates and judgments

Alpine 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 is regarded to be an investment entity per IFRS 10 as the following conditions are met:

- 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.

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 at 30 June 2014, approximately 50% of the Group's investments are held in unlisted investment funds (reference is made to the financial assets held for trading - trading securities classified as level 2 and level 3 below in Note 7). 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.

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7. 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	30 June 2014	31 Dec 2013
Financial assets at fair value through profit or loss - trading		
Positive fair value of currency forward contracts	1,705	2,006
Financial assets held for trading - Trading securities	230,943	216,195
Total	232,648	218,201
– current	1,705	2,006
– non-current	230,943	216,195
Financial liabilities at fair value through profit or loss - trading		
Negative fair value of currency forward contracts	110	0
Total	110	0
– current	110	0
– non-current	0	0

Further details are disclosed in the consolidated investment table for the six month period ended 30 June 2014 (Note 8) and in the consolidated investment table for the year ended 31 December 2013 (Note 9).

7.1. 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.

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- 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. In addition, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

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

in TCHF	Level 1	Level 2	Level 3	Total
30 June 2014				
Positive fair value of currency forward contracts	0	1,705	0	1,705
Financial assets held for trading - Trading securities	114,918	50,492	65,533	230,943
Negative fair value of currency forward contracts	0	(110)	0	(110)
Total	114,918	52,087	65,533	232,538
31 December 2013				
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
Total	93,294	48,921	75,986	218,201

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 65.5 million as at 30 June 2014 or 28.2% 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 (31 December 2013: CHF 76.0 million or 34.8%).

Level 2 investments comprise currency forwards, CLO-investments, certain trading options as well as investment funds and equities. The total fair value of these level 2 investments amounts to CHF 52.1 million as at 30 June 2014 (31 December 2013: CHF 48.9 million). 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».

Transfers between levels of the fair value hierarchies are recognized as of the beginning of the reporting period during which such transfers have occurred. There were no transfers between the levels during the six month period ended 30 June 2014.

**Selected notes to the condensed consolidated interim financial statements
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7.2. Changes in level 2 and level 3 investments

The changes in investments measured at fair value for which the Group has used level 2 and level 3 inputs to determine fair value for the six month period ended 30 June 2014 and for the year ended 31 December 2013 respectively are as follows:

in TCHF	Level 2	Level 3
Fair value as of 1 January 2013	14,686	0
Change in Group structure from acquisition of Absolute Invest Ltd.	17,106	144,473
Purchase of investments	25,479	46
Proceeds on disposal of investments	(5,733)	(66,738)
Net gains / (losses) 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, net - trading)	(2,497)	3,839
Currency translation adjustments	(120)	(5,634)
Fair value as of 31 December 2013	48,921	75,986
Purchase of investments	6,220	35
Stock dividends	0	117
Proceeds on disposal of investments	(3,544)	(4,557)
Net gains / (losses) 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, net - trading)	490	(5,789)
Currency translation adjustments	0	(259)
Fair value as of 30 June 2014	52,087	65,533

The net change in unrealized gains / (losses) for level 3 investments held as at 30 June 2014 resulted in a loss of TCHF 6,392 for the six month period ended 30 June 2014. The net change in unrealized gains / (losses) for level 3 investments held as at 31 December 2013 was a gain of TCHF 4,507 for the year ended 31 December 2013. The amounts are included in the consolidated statement of comprehensive income in the line item gain on financial assets and financial liabilities at fair value through profit or loss, net - trading.

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

The level 2 foreign currency forwards 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 CLOs within level 2.

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

7.4. 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 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 loss of an investment.

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8. Consolidated investment table as at 30 June 2014

in TCHF	Number of shares at 1 Jan 2014	Fair value at 1 Jan 2014	Additions	Reductions	Realized gains/ (losses) net of FX
LONG POSITIONS					
Acceleron Pharma Inc.	93,120	215			
Akamatsu Bonsai Fund	25,100	3,903			
Aleutian Fund	29,316	2,695			
Altin Ltd.	48,584	2,117	15,987		
American Capital Ltd.	750,000	10,434	1,968	(6,176)	1,218
Arcus Genseki Fund	50,000	4,673			
Banca Monte Dei Paschi Di Siena SpA	0	0	1,214		
Bluebay Multi-Strategy Fund Ltd.	1	8		(15)	8
Bluebay Value Recovery Fund Ltd.	1	67		(117)	60
Cheyne Discovery Fund I L.P.	124,272	4,855		(3,526)	1,396
Cheyne CDO I Fund L.P.	1	23,189			
Cheyne New Europe Fund L.P.	1,041,213	19,294			
Contrarian European Fund Ltd.	2,135	196		(182)	56
CQS Directional Opportunities Feeder Fund Ltd.	3,212	13,268			
Double Haven Temple Feeder Fund Ltd.	1,124	404		(284)	(376)
GCI Trust / GCI Japan Hybrids	20,813	2,789			
Ginga Explorer Fund	2,211	2,714			
Ginga Service Sector Fund ²⁾	2,770	5,892			
Gold Coin Invest Ltd.	84	212			
Hayate Japan Equity Long-Short Fund ²⁾	73	1,664			
HBM Healthcare Investments Ltd.	890,978	59,028	29,322	(26,083)	1,145
Highland Financial Partners L.P.	600,000	0			
ING Investment Management CLO IV Ltd.	2,000	1,334			
Invisa Inc.	26,000	16		(14)	(123)
Julius Baer Balkan Tiger Fund	110,000	8,088		(1,824)	66
J. Wellness Equity Long-Short	30,000	2,717			
Laurus Offshore Fund Ltd.	45,302	1,464			
Lucas Energy Total Return Offshore Fund Ltd.	862	845			
Nightwatch Capital Partners CA	1,980	172	8		
Nippon Growth Fund Ltd.	5,712	4,578			

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

²⁾ Share split

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	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 30 June 2014	Number of shares at 30 June 2014	Investment currency	Dividends received	Level at 30 June 2014
				(1)	214	93,120	USD		III
		253	(10)		4,146	25,100	USD		II
		99	(7)		2,787	29,316	USD		II
		700	(117)		18,687	390,189	USD		I
	(271)	(1,367)	296		6,102	450,000	USD		I
		155	(12)		4,816	50,000	USD		II
		(36)	(1)		1,177	684,800	EUR		I
		1			2	1	USD		III
		3			13	1	USD		III
		(1,935)		2	792	23,625	USD		III
		(683)		(62)	22,444	1	USD	845	III
		(1,472)	(133)	(47)	17,642	1,041,213	EUR		III
		(61)			9	128	USD		III
		461	88	(133)	13,684	3,212	USD		III
		326			70	316	USD		III
		133	(7)		2,915	20,813	USD		II
		(1)	(7)		2,706	2,211	USD		II
		288	(15)		6,165	2,841	USD		II
		53			265	84	CHF		III
		265	57		1,986	74	JPY		II
		16,127			79,539	940,724	CHF	2,822	I
					0	600,000	USD		III
		(105)	(5)		1,224	2,000	USD	291	II
	(58)	122	57		0	0	USD		
	(38)	105	(29)		6,368	85,000	EUR		I
		(204)	(7)		2,506	30,000	USD	28	II
				(4)	1,460	45,302	USD		III
		(4)		(2)	839	862	USD		III
		(50)			130	2,090	USD	8	III
		(77)	146		4,647	5,712	JPY		II

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Consolidated investment table as at 30 June 2014 (continued)

in TCHF	Number of shares at 1 Jan 2014	Fair value at 1 Jan 2014	Additions	Reductions	Realized gains/ (losses) net of FX
LONG POSITIONS					
Northwest Feilong Fund Ltd.	0	0	1,819		
Northwest Fund Ltd.	966	1,770			
Northwest Warrant Fund Ltd.	4,081	6,758		(3,544)	324
Peoples Choice Financial Corporation	70,800	0			
ProKMU invest Ltd. in liquidation	57,350	0			
Raiffeisen Bank International	0	0	1,466	(1,311)	(153)
Rieter Holding Ltd.	0	0	2,746		
Romanian Investment Fund	1,719	2,203			
Schaffner Holding Ltd.	34,992	9,211		(9,426)	1,430
Silverbell Capital Ltd.	2,500,000	61			
Sparx Japan Value Impact Fund	0	0	4,401		
Stone Tower CLO VI Ltd.	2,000	1,708			
Tocqueville Gold Offshore Fund	75,000	1,407		(433)	(541)
Truston Asset Management Co. Ltd.	16,875	345	35		
UMJ International Feeder Fund Kotoshiro ²⁾	30,000	2,511			
UnipolSai SpA ³⁾	20,000	4,400		(5,225)	2,161
Valens Offshore Fund	5,014	2,937			
Valens Unit Trust - Valens Offshore Special Investment	4,129	960			
Vitafort International Corporation	317,543	0			
YA Offshore Global Investment	181,420	3,884	109		
Variable Obligation Stone Tower CLO VII	2,000,000	1,209			
Total Long Positions		216,195	59,075	(58,160)	6,671
of which gains					6,895
of which gains from second line trades					1,122
of which losses					(1,346)
of which losses from second line trades					0

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

²⁾ Share split

³⁾ Renamed from Fondiaria SAI SpA in January 2014

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	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 30 June 2014	Number of shares at 30 June 2014	Investment currency	Dividends received	Level at 30 June 2014
		(51)	(45)		1,723	2,097	USD		II
		33	(5)		1,798	966	USD		II
	(236)	(396)	245		3,151	1,904	USD		II
					0	70,800	USD		III
					0	57,350	CHF		III
	(2)				0	0	EUR		
		299			3,045	13,737	CHF	16	I
		(15)	(20)		2,168	1,719	EUR		III
		(1,215)			0	0	CHF	130	
		(1)			60	2,500,000	EUR		III
		142	(24)		4,519	50,000	JPY		II
		(186)	(5)		1,517	2,000	USD	342	II
		166		(1)	598	24,488	USD		III
		(1)	19		398	18,749	KRW	11	III
		295	87		2,893	17,830	JPY		II
	(23)	(1,338)	25		0	0	EUR		
		(71)		(8)	2,858	5,014	USD		III
		23		(3)	980	4,129	USD		III
					0	317,543	USD		III
		(3,086)			907	187,152	USD	109	III
		(212)	(4)		993	2,000,000	USD		II
	(628)	7,482	567	(259)	230,943			4,602	
	0	21,309	1,022						
	0	0	0						
	(628)	(13,827)	(455)						
	0	0	0						

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Consolidated investment table as at 30 June 2014 (continued)

in TCHF	Number of shares at 1 Jan 2014	Fair value at 1 Jan 2014	Additions	Reductions	Realized gains/ (losses) net of FX
TRADING OPTIONS					
Put Fiat, Strike EUR 6.60	0	0	8	(71)	62
Put HBM Healthcare Investments Ltd., Strike CHF 100	0	0	89	(1,111)	1,022
Put ISHRS Nasdaq Biotech USD 220	0	0	854	(972)	110
Put UBS Ltd., Strike CHF 16	0	0	205	(239)	34
Total Trading Options		0	1,156	(2,393)	1,228
of which gains					1,304
of which losses					(76)
of which assets		0			
of which liabilities		0			
CURRENCY FORWARDS					
Currency Forwards CHF/USD; USD/CHF		1,195			
Currency Forwards CHF/JPY; JPY/CHF		811			
Total Currency Forwards		2,006	0	0	0
of which gains					
of which losses					
of which assets		2,006			
of which liabilities		0			

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

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for the six month period ended 30 June 2014

	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 30 June 2014	Number of shares at 30 June 2014	Investment currency	Dividends received	Level at 30 June 2014
	1				0	0	EUR		
					0	0	CHF		
	8				0	0	USD		
					0	0	CHF		
	9	0	0	0	0				
	9	0	0						
	0	0	0						
					0				
					0				
	(351)		510		1,705				II
	658		(921)		(110)				II
	307	0	(411)	0	1,595				
	3,036		510						
	(2,729)		(921)						
					1,705				
					(110)				

Selected notes to the condensed consolidated interim financial statements
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9. Consolidated investment table as at 31 December 2013

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions	Realized gains/ (losses) net of FX
LONG POSITIONS						
Absolute Invest Ltd. ²⁾	2,395,553	83,216	(75,903)	16,485	(26,997)	
Acceleron Pharma Inc.	0	0	228			
Akamatsu Bonsai Fund	0	0	3,795			
Aleutian Fund	0	0		2,711		
Altin Ltd.	0	0		9,646	(7,761)	149
American Capital Ltd.	500,000	5,502		3,795	(691)	146
Arcus Genseki Fund	0	0	1,919	2,746		
Atrium V Ltd.	1,500	1,620			(1,620)	252
BIA Pacific Macro Fund	0	0	5,374		(5,567)	289
Bluebay Multi-Strategy Fund Ltd.	0	0	17		(10)	1
Bluebay Value Recovery Fund Ltd.	0	0	186		(132)	9
Cheyne Discovery Fund I L.P.	0	0	2,787			
Cheyne CDO I Fund L.P.	0	0	22,479			
Cheyne New Europe Fund L.P.	0	0	20,623			
Contrarian European Fund Ltd.	0	0	208		(64)	
CQS Convertible & Quantitative RED. PTG	0	0	9,829		(9,696)	42
CQS Directional Opportunities Feeder Fund Ltd.	0	0	17,615		(4,633)	19
Double Haven Temple Feeder Fund Ltd.	0	0	1,742		(508)	(247)
Dymon Asia Macro Fund	0	0	8,113		(7,785)	(183)
Finisterre Sovereign Debt Fund	0	0	7,041		(7,109)	194
Fondiarria SAI SpA ³⁾	0	0		3,549	(638)	180
GCI Trust / GCI Japan Hybrids	0	0		2,806		
Ginga Explorer Fund	0	0		2,709		
Ginga Service Sector Fund	0	0	2,879	2,748		
Gold Coin Invest Ltd.	0	0	197			
Hayate Japan Equity Long-Short Fund	0	0		1,796		
HBM Healthcare Investments Ltd.	946,454	43,917	4,130	10,752	(19,833)	3,150
Highland Financial Partners L.P.	600,000	0				
ING Investment Management CLO IV Ltd.	2,000	1,867				
Invisa Inc.	26,000	5				

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

²⁾ For the change in group structure from acquisition, reference is made to Note 2 in the Annual Report 2013.

³⁾ Fondiarria SAI SpA was renamed to UnipolSai SpA in January 2014.

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for the six month period ended 30 June 2014

	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 31 Dec 2013	Number of shares at 31 Dec 2013	Investment currency	Dividends received	Level at 31 Dec 2013
		248	2,951		0	0	USD		
				(13)	215	93,120	USD		III
		386	(278)		3,903	25,100	USD		II
		27	(43)		2,695	29,316	USD		II
	60	47	(24)		2,117	48,584	USD		I
	(1)	2,067	(384)		10,434	750,000	USD		I
		226	(218)		4,673	50,000	USD		II
	(467)	(275)	490		0	0	USD	79	
				(96)	0	0	USD		
		1		(1)	8	1	USD		III
		11		(7)	67	1	USD		III
		2,321		(253)	4,855	124,272	USD		III
		2,083		(1,373)	23,189	1	USD	587	III
		(1,369)	1,216	(1,176)	19,294	1,041,213	EUR		III
		64		(12)	196	2,135	USD		III
				(175)	0	0	USD		
		1,137		(870)	13,268	3,212	USD		III
		(535)		(48)	404	1,124	USD		III
				(145)	0	0	USD		
				(126)	0	0	USD		
	(4)	1,338	(25)		4,400	20,000	EUR		I
		121	(138)		2,789	20,813	USD		II
		46	(41)		2,714	2,211	USD		II
		556	(291)		5,892	2,770	USD		II
		15			212	84	CHF		III
			(132)		1,664	73	JPY		II
		16,912			59,028	890,978	CHF		I
					0	600,000	USD		III
		(482)	(51)		1,334	2,000	USD	706	II
		15	(4)		16	26,000	USD		I

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for the six month period ended 30 June 2014

Consolidated investment table as at 31 December 2013 (continued)

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions	Realized gains/ (losses) net of FX
LONG POSITIONS						
Julius Baer Balkan Tiger Fund	0	0	7,795			
J. Wellness Equity Long-Short	0	0		2,724		
Laurus Offshore Fund Ltd.	0	0	1,645		(90)	
Lucas Energy Total Return Offshore Fund Ltd.	0	0	982			
Nightwatch Capital Partners CA	0	0	245	9		
Nippon Growth Fund Ltd.	0	0		4,658		
Northwest Fund Ltd.	0	0	1,970			
Northwest Warrant Fund Ltd.	0	0	6,744		(135)	(365)
Paulson Gold Fund Ltd.	0	0	733		(556)	(165)
Peoples Choice Financial Corporation	70,800	0				
Prime New Energy Ltd. (in liquidation)	210,492	126				(2,059)
ProKMU invest Ltd. in liquidation	57,350	0				
Rain Tree Capital Fund Ltd.	0	0	4,958		(4,801)	(68)
Romanian Investment Fund	0	0	2,135			
Schaffner Holding Ltd.	134,706	31,116		264	(22,368)	(694)
Shape Capital Ltd.	1,187	172		318	(510)	37
Silverbell Capital Ltd.	0	0	38			
Stone Tower CLO VI Ltd.	2,000	2,024				
TCM Asia Opportunities	0	0	7,864		(7,521)	(203)
Tocqueville Gold Offshore Fund	0	0	1,533			
Truston Asset Management Co. Ltd.	0	0	272	37		
Truston Dynamic Korea Fund	0	0	8,353		(8,151)	(53)
UMJ International Feeder Fund Kotoshiro	0	0		2,581		
Unipol Gruppo Finanziario SpA	0	0		5,022	(6,181)	1,170
Valens Offshore Fund	0	0	3,131		(124)	
Valens Unit Trust - Valens Offshore Special Investm.	0	0	1,303			
Vitafort International Corporation	317,543	0				
Vulpes Long Asian Volatility	0	0	2,688		(2,247)	(393)

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

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 31 Dec 2013	Number of shares at 31 Dec 2013	Investment currency	Dividends received	Level at 31 Dec 2013
		299	99	(105)	8,088	110,000	EUR		I
		49	(56)		2,717	30,000	USD		II
				(91)	1,464	45,302	USD		III
		(84)		(53)	845	862	USD		III
		(70)		(12)	172	1,980	USD	9	III
		347	(427)		4,578	5,712	JPY		II
		(56)	(144)		1,770	966	USD		II
		774	(105)	(155)	6,758	4,081	USD		II
				(12)	0	0	USD		
					0	70,800	USD		III
		1,933			0	0	CHF	113	
					0	57,350	CHF		III
				(89)	0	0	USD		
		70	33	(35)	2,203	1,719	EUR		III
		893			9,211	34,992	CHF	470	I
		(17)			0	0	CHF		
		23			61	2,500,000	EUR		III
		(265)	(51)		1,708	2,000	USD	400	II
				(140)	0	0	USD		
		(40)		(86)	1,407	75,000	USD		III
		42	(6)		345	16,875	KRW	9	III
				(149)	0	0	USD		
		(27)	(43)		2,511	30,000	JPY		II
	(11)				0	0	EUR		
		109		(179)	2,937	5,014	USD		III
		(279)		(64)	960	4,129	USD		III
					0	317,543	USD		III
				(48)	0	0	USD		

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

Consolidated investment table as at 31 December 2013 (continued)

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions	Realized gains/ (losses) net of FX
LONG POSITIONS						
YA Offshore Global Investment	0	0	4,359			
Variable Obligation Stone Tower CLO VII	2,000,000	1,664				
Total Long Positions		171,229	90,007	75,356	(145,728)	1,208
of which gains						4,733
of which gains from second line trades						1,688
of which losses						(5,213)
of which losses from second line trades						0
TRADING OPTIONS						
FX-OTC-E-Option (Call USD / Put CHF; Strike: 0.975)	0	0		(133)		133
FX-OTC-E-Option (Call USD / Put CHF; Strike: 0.95)	0	0		(115)		115
Put Altin Ltd., Strike USD 57.50	0	0		2	(2)	
Put ISHRS Nasdaq Biotech USD 200	0	0		398	(341)	(56)
Long/Short Leverage Certificate IK 1	25,000	3,590			(3,942)	883
Total Trading Options		3,590	0	152	(4,285)	1,075
of which gains						1,199
of which losses						(124)
of which assets		3,590				
of which liabilities		0				

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

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 31 Dec 2013	Number of shares at 31 Dec 2013	Investment currency	Dividends received	Level at 31 Dec 2013
		(234)		(241)	3,884	181,420	USD		III
		(409)	(46)		1,209	2,000,000	USD		II
	(423)	28,018	2,282	(5,754)	216,195			2,373	
	60	32,267	4,879						
	0	0	0						
	(483)	(4,249)	(2,597)						
	0	0	0						
					0	0	CHF		
					0	0	CHF		
					0	0	USD		
	(1)	0	0		0	0	USD		
	40	(558)	(13)		0	0	EUR		
	39	(558)	(13)	0	0				
	40	0	0						
	(1)	(558)	(13)						
					0				
					0				

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

Consolidated investment table as at 31 December 2013 (continued)

in TCHF	Number of shares at 1 Jan 2013	Fair value at 1 Jan 2013	Change in Group structure from acq.	Additions	Reductions	Realized gains/ (losses) net of FX
CURRENCY FORWARDS						
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)			
Total Currency Forwards		3,921	(202)	0	0	0
of which gains						
of which losses						
of which assets		3,942	0			
of which liabilities		(21)	(202)			

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

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

	Realized FX gains/ (losses)	Unrealized gains/ (losses) net of FX ¹⁾	Unrealized FX gains/ (losses) ¹⁾	Currency translation adjustments	Fair value at 31 Dec 2013	Number of shares at 31 Dec 2013	Investment currency	Dividends received	Level at 31 Dec 2013
	6,060		(2,726)		1,195				II
			811		811				II
	(70)				0				
	(2,342)		202		0				
	3,648	0	(1,713)	0	2,006				
	10,834		1,034						
	(7,186)		(2,747)						
					2,006				
					0				

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

10. Cash flows from purchases and disposals of investments

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

in TCHF	Note	30 June 2014	30 June 2013
Purchase of investments at fair value through profit or loss as per the consolidated investment table (additions total long positions)	8	(59,075)	(30,619)
Less: stock-dividends included in additions total long positions		117	0
Purchase of trading options as per the consolidated investment table	8	(1,156)	0
Consideration transferred in cash relating to the acquisition of Absolute Invest Ltd.		0	1,293
Effective cash outflow from purchases		(60,114)	(29,326)

10.2. Cash inflow from sales of financial assets at fair value through profit or loss

in TCHF	Note	30 June 2014	30 June 2013
Proceeds on disposal of investments at fair value through profit or loss as per the consolidated investment table (reductions total long positions)	8	58,160	48,109
Proceeds on disposal of trading options as per the consolidated investment table	8	2,393	0
Collected receivables for redeemed investments		73	1,045
Withholding tax on disposal of investments at fair value through profit or loss		(3,542)	0
Effective cash inflow from sales		57,084	49,154

11. Other current assets

in TCHF	30 June 2014	31 Dec 2013
Withholding tax	3,542	542
Receivables for investments sold	116	190
Other receivables	158	192
Total	3,816	924

12. Short-term bank loan

On 10 June 2014, Alpine received a short-term loan of CHF 5.0 million from Bank Julius Baer & Co. Ltd., Zurich at an interest rate of 0.76% p.a. The loan is renewed monthly. The accrued interest amounts to TCHF 2 as per 30 June 2014.

13. Share capital and treasury shares

13.1. Share capital

Unchanged to the year ended 31 December 2013, the Company's fully paid-in share capital amounts to CHF 267,559.08 as of 30 June 2014, divided into 13,377,954 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.

13.2. 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.

13.3. 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.

13.4. Treasury shares

The Annual Shareholders' Meeting held on 25 April 2013 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 since then. Hence, the Company holds no treasury shares as of 30 June 2014.

**Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014**

14. Non-controlling interests

As at 31 December 2013, Alpine held 98.95% of the shares of Absolute Invest Ltd. During the six month period ended 30 June 2014, Alpine acquired the remaining 1.05% interest in Absolute Invest Ltd. for TCHF 1,110 in cash. As at 30 June 2014, Absolute Invest Ltd. is 100% owned by the Group. The proportionate net asset value of Absolute Invest Ltd. for the acquired 1.05% was TCHF 1,137. The Group recognized a decrease in non-controlling interests of TCHF 1,137 and an increase in retained earnings of TCHF 27.

Non-controlling interests as at 30 June 2014 comprise of 36.52% in Cheyne Discovery Fund I Inc., Cayman Islands that are not held by the Group (31 December 2013: 1.05% in Absolute Invest Ltd., Zug and 36.52% in Cheyne Discovery Fund I Inc., Cayman Islands).

The following table summarizes the movements of non-controlling interests.

in TCHF	Absolute Invest Ltd.	Cheyne Discovery Fund I Inc.	Total
Balance at 1 January 2013	0	0	0
Non-controlling interests arising on the acquisition of Absolute Invest Ltd., including non-controlling interests previously held by Absolute Invest Ltd.	85,441	1,018	86,459
Share of profit / (loss) for the year 2013	(231)	848	617
Acquisition of non-controlling interests in Absolute Invest Ltd. after 5 June 2013	(61,797)	0	(61,797)
Distribution to non-controlling interests	(19,135)	0	(19,135)
Currency translation adjustments	(3,120)	(92)	(3,212)
Balance at 31 December 2013	1,158	1,774	2,932
Share of profit / (loss) for the six month period ended 30 June 2014	(20)	(197)	(217)
Acquisition of non-controlling interests in Absolute Invest Ltd. after 5 June 2013	(1,137)	0	(1,137)
Distribution to non-controlling interests	0	(1,287)	(1,287)
Currency translation adjustments	(1)	0	(1)
Balance at 30 June 2014	0	290	290

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

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

The following table provides the results on financial assets and financial liabilities at fair value through profit or loss for the six month period ended:

in TCHF	30 June 2014	30 June 2013
Financial assets held for trading (Long positions)		
Realized gains	6,895	1,849
Realized gains – second trading line	1,122	566
Realized losses	(1,346)	0
Net realized currency losses	(628)	(479)
Net realized	6,043	1,936
Unrealized gains	21,309	11,268
Unrealized losses	(13,827)	(7,058)
Net unrealized currency gains	567	3,655
Net unrealized	8,049	7,865
Total financial assets held for trading, net (Long positions)	14,092	9,801
Financial assets/liabilities held for trading (Trading options)		
Realized gains	1,304	883
Realized losses	(76)	0
Unrealized gains	0	55
Unrealized losses	0	(558)
Net realized currency gains	9	40
Net unrealized currency losses	0	(13)
Total financial assets/liabilities held for trading, net (Trading options)	1,237	407
Currency forwards		
Realized gains	3,036	2,638
Realized losses	(2,729)	(4,023)
Unrealized gains	510	1,439
Unrealized losses	(921)	(4,474)
Total currency forwards, net	(104)	(4,420)
Gain on financial assets and financial liabilities at fair value through profit or loss, net - trading	15,225	5,788

**Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014**

16. Earnings per share

	30 June 2014	30 June 2013
Net profit in TCHF as per the consolidated statement of comprehensive income for the six month period ended	18,824	8,831
Weighted average number of outstanding shares	13,377,954	12,177,954
Earnings per share in CHF (basic and diluted)	1.41	0.73

17. Net asset value (NAV) per share

The net asset value per share is calculated using the adjusted number of outstanding shares as at the reporting date.

	30 June 2014	31 Dec 2013
Equity attributable to the shareholders of Alpine Select Ltd. as per the consolidated statement of financial position (in TCHF)	231,976	226,764
Total number of shares outstanding	13,377,954	13,377,954
Net asset value per share (in CHF)	17.34	16.95
Net asset value per share (in CHF) when adjusted for the distribution out of the reserves from capital contributions in June 2014	–	16.02

18. Contingencies, commitments and pledged assets

In June 2014, Alpine and Absolute Invest Ltd. entered into pledge agreements with Bank Julius Baer & Co. Ltd. («BJB»), Zurich under which the companies' assets at BJB are pledged as securities for any amounts due to BJB.

No other contingent liabilities and/or commitments exist.

Selected notes to the condensed consolidated interim financial statements
for the six month period ended 30 June 2014

19. Significant shareholders

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

	30 June 2014	31 Dec 2013
<p>Trinsic Ltd. Artherstrasse 21, 6300 Zug – Number of shares including 170,000 shares (2013: 170,000 shares) directly held by the beneficial owners of Trinsic Ltd. – Percentage</p> <p>Beneficial owners of Trinsic Ltd.: Daniel Sauter, 6300 Zug; Regina Sauter, 6300 Zug; Viktoria Sauter, 6300 Zug; Florian Sauter, 6300 Zug and, partly indirect through Talpas Ltd., 7502 Bever: Michel Vukotic, 8706 Meilen; Corinne Vukotic, 8706 Meilen; Aline Vukotic, 8706 Meilen and Fabienne Vukotic, 8706 Meilen</p>	<p>2,193,901 16.40%</p>	<p>2,284,421 17.08%</p>
<p>FABREL Ltd. / Hans Müller Seestrasse 50, 6052 Hergiswil – Number of shares including 376,140 shares (2013: 376,140 shares) directly held by Hans Müller – Percentage</p> <p>Beneficial owner of FABREL Ltd. is Hans Müller, 6052 Hergiswil</p>	<p>1,351,140 10.10%</p>	<p>1,351,140 10.10%</p>
<p>Raymond J. Baer Goldhaldenstrasse 23, 8702 Zollikon – Number of shares – Percentage</p>	<p>723,708 5.41%</p>	<p>519,764 3.89%</p>
<p>Hans-Ulrich Rihs Eichstrasse 49, 8712 Stäfa – Number of shares – Percentage</p>	<p>644,986 4.82%</p>	<p>597,000 4.46%</p>
<p>Hans Hornbacher Route de Perreret 3, 1134 Vufflens-le-Château – Number of shares – Percentage</p>	<p>445,637 3.33%</p>	<p>445,637 3.33%</p>
<p>Credit Suisse Group Ltd. Paradeplatz 8, 8070 Zürich – Number of shares – Percentage</p>	<p>- -</p>	<p>617,300 4.61%</p>

Selected notes to the condensed consolidated interim financial statements for the six month period ended 30 June 2014

20. Related party transactions

Effective 1 January 2014, Alpine entered into an advisory agreement with JAAM Ltd., Zurich. Thomas Amstutz, member of the Board of Directors of Alpine, is partner and member of the Board of Directors of JAAM Ltd. For the six month period ended 30 June 2014, Alpine booked expenses of TCHF 360 in connection with that agreement.

Baer & Karrer Ltd., Zurich is the legal advisor of Alpine. Dr. Dieter Dubs, partner of Baer & Karrer Ltd., Zurich is a member of Alpine's Board of Directors. During the six month period ended 30 June 2014, Alpine paid legal fees of TCHF 114 to Baer & Karrer Ltd..

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

21. Events after the balance sheet date

These condensed consolidated interim financial statements for the six month period ended 30 June 2014 were authorized for issue by the Board of Directors on 8 August 2014. There were no significant events to report until this date.

ALPINE SELECT

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