

# Annual Report 2006



ALPINE SELECT

Board of Directors

Daniel J. Sauter, *Chairman*

Hans Müller

Dr. Hermann Strehler

Company Auditors

Ernst & Young AG

Badenerstrasse 47

8022 Zurich

Switzerland

Company Info Sheet

Listing:	SWX 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:	15'864'144

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



# ALPINE SELECT

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# Chairman's statement

Dear Shareholders

I am pleased to report that in 2006 the Company has for the fourth time since its change of investment policy delivered an above target performance. The net asset value increased by 23,6% from CHF 14.24 to CHF 17.60 and the share price has increased by 26,1% from CHF 14.08 to CHF 17.90. These figures have been adjusted for the 5 : 2 capital increase.

Throughout the past year our focus has remained primarily on Swiss listed companies. As a result of the positive sentiments in most markets, stocks of third party managed investment companies have benefited from good demand and accordingly discounts to net asset values have shrunk. Our positions in Absolute Managers and Absolut Private Equity, BB Medtech, AIG Real Estate and MachHitech were as a consequence either sold or reduced. Our engagement in Absolute US and AIG Real Estate were driven to a larger extent by content considerations than by prevailing discounts.

At the outset of the Swiss stock market starting its strong upward move, we have identified, neglected and to some extent abandoned companies with a view to benefit from the re-rating and renewed interest by a broader investor community. During the year we have increased our ownership in Valora Holding to above and retained our interest in Schaffner Holding at 5%. The announced split of Gurit-Heberlein into Gurit and Medisize unleashed value which remained largely undetected by market participants. Our early entry in these companies has led to our above market performance and contributed significantly to Alpine Select's net asset value. When set targets are achieved positions are divested. Consequently our position in Tornos Holding was divested entirely.

As planned the portfolio acquired with Sumara (formerly "Aramus") was gradually reduced at a profit. Sumara has invested the freed up liquidity along with Alpine Select's defined investment policy. With our performance far exceeding the Swiss Market Index (SMI) we have at various levels purchased downward protection in the form of SMI puts which have to some extent save-guarded the Group's assets against the mid-year market downswing.

An important element of our stated strategy is to take advantage of transactional events such as mergers, acquisitions and other corporate actions. We have very successfully taken advantage of such events by monetizing temporary inefficiencies to our benefit, though at a very low risk profile. Given the usual large size of such arbitrage opportunities and the continued demand from investors we decided to increase the Company's capital and have in December successfully completed a 5 : 2 rights issue adding CHF 66,5 million of new capital. In addition the Company's investment guidelines were adjusted to allow a higher gearing for transactions where the risk as a result of the transaction structure is lower.

## Chairman's statement

As at year end Dr. Hermann Strehler has reached retirement age. Dr. Strehler has worked for Alpine Select since inception and has supported the Company through turbulent times. Always the wellbeing of the shareholders in mind he has accompanied the transition of Alpine Select from a fund-of-fund hedge fund to its today's format. On behalf of the Board of Directors I wish to extend my sincere appreciation and gratitude to Dr. Strehler for his valuable contribution. His term as a director ends at the forthcoming shareholders meeting. Effective the coming shareholders meeting Walter Geering will become the Company's Chief Executive Officer and the Board of Directors proposes Walter Geering for election to the Board.

On the basis of strong economic growth and reported record results in most industries we believe our performance goal can be achieved also in the coming year. Some of our positions are destined to deliver surplus value and ongoing corporate activities in the Swiss market will provide additional opportunities we hope to exploit.

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

A handwritten signature in black ink, appearing to read 'D. Sauter', with a stylized flourish at the end.

Daniel J. Sauter

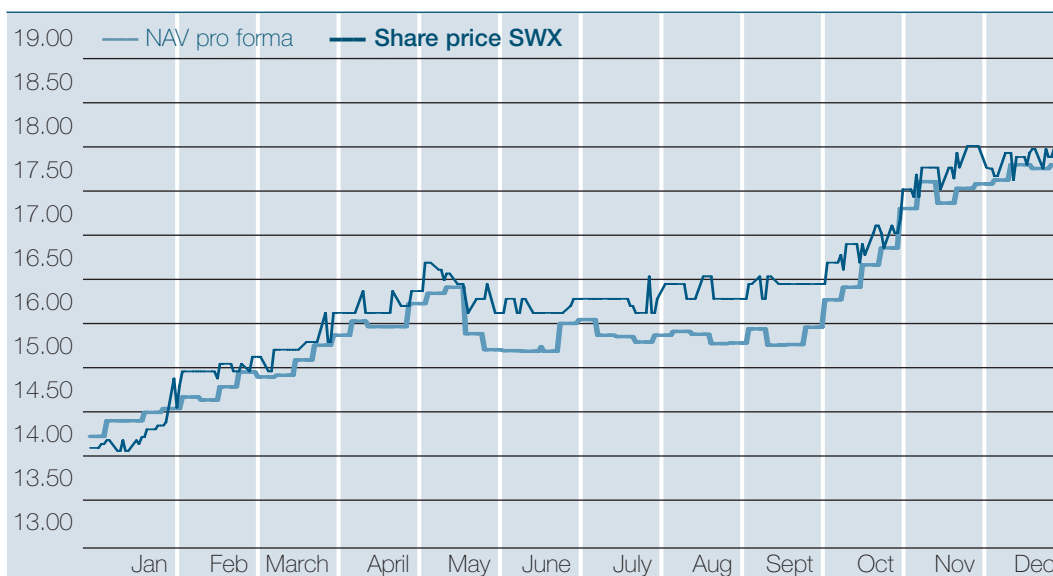
Chairman of the Board of Directors

## Key figures

	31 December 2006	31 December 2005
Share price	CHF 17.90	CHF 14.08
NAV	CHF 17.60*	CHF 14.24
	<b>High 2006</b>	<b>Low 2006</b>
Share price	CHF 17.99	CHF 14.04
Premium / (Discount) to NAV	5.7%	- 2.7%
NAV	CHF 17.81	CHF 14.43

\*adjusted for deferred income taxes (see Note page 48).

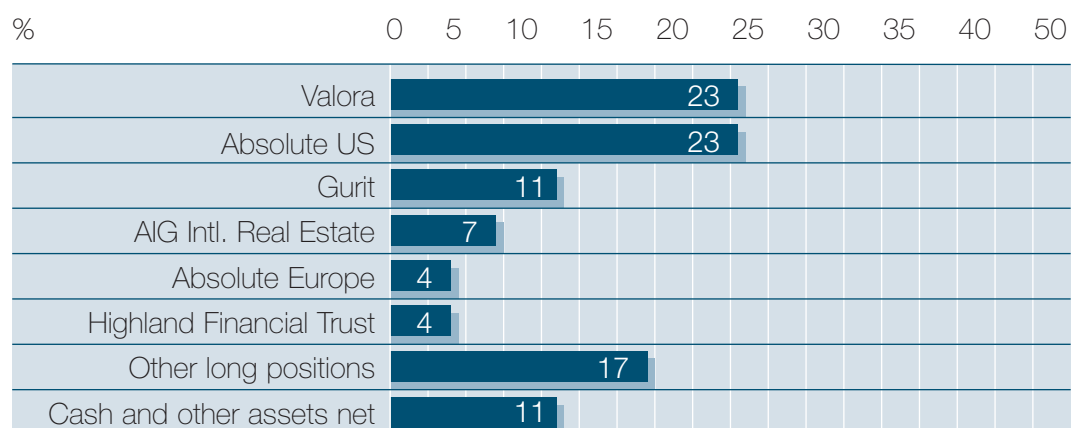
### 12 Months price history in CHF (weekly NAV and daily closing share price)



Data for 2006 is adjusted for the 5:2 and data for 2005 for a 4:1 share capital increase.

## Key figures

### Positions as a percentage of net book value at 31 December 2006



### Monthly performance (Change in share price in %)

	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Annually
<b>2003</b>						2.45	0.9	1.98	1.65	1.72	0.37	0.19	<b>9.6*</b>
<b>2004</b>	3.73	4.85	6.26	2.18	1.5	-0.7	0	1.41	0	0	-1.08	-0.31	<b>19.0</b>
<b>2005</b>	0.7	0	1.01	-0.69	1.09	0.38	5.19	1.02	3.59	0	-1.94	-0.28	<b>10.3</b>
<b>2006</b>	3.62	4.52	3.74	1.77	-1.74	1.2	1.19	0	1.73	5.15	1.5	1.7	<b>26.1</b>

\* seven months only

# Review of operations

## **Investment policy and focus**

Alpine is an investment company with an emphasis on investee companies subject to particular corporate events or circumstances; events could include spin-offs, acquisitions, recapitalizations or reorganizations, circumstances could include valuation anomalies or technical market situations. The investment approach is based on fundamental research and analysis. Whilst the Company will strive to maintain a consistently favorable risk reward profile, it typically invests in shares of a limited number of corporations in which it believes embedded catalysts will provide it with attractive absolute returns.

## **Portfolio performance and development**

At 31 December 2006, net asset value per share was according to the IFRS valuation CHF 17.60 an increase of 23.6% compared to the net asset value at the beginning of the year (CHF 14.24). Throughout the year the shares traded near or at the net asset value (ranging from a discount of 2.7% to a premium of 5.7%) except when the information provided by the Company allowed market participants to anticipate future changes of the net asset value. The share price increased during the year by 27.1% from 14.08 to CHF 17.90.

As at the end of the reported period, long positions comprised of 22 investments or CHF 249.6 million of which the participations in Valora Holding AG, Absolute US AG, Gurit Holding AG, AIG International Real Estate KGaA, Absolute Europe AG and Highland Financial Trust represented 72% of aggregate positions, or CHF 204.4 million. The balance of CHF 45.2 million mainly comprised of investments in Sarasin Torneo Multistrategy Fund, Schaffner Holding AG, HBM Bioventures AG, Cicor Technologies AG, Swisslog Holding AG, Feintool International Holding AG and Inficon Holding AG.

Apart from the disposal of smaller positions in Sumara AG, the Company also disposed of its holdings in Absolute Managers AG, Absolute Private Equity AG, BB Medtech AG, Bank Linth AG, Mach Hitech AG, Medisize Holding AG, Saurer AG and Tornos Holding AG and reduced its position in AIG Intl. Real Estate KGaA and Pargesa Holding AG substantially. For the vast majority of these divestments a profit was realized.

No short positions were open at the end of 2006.

## Review of operations

Net liquidity (liquid funds net of debt) as of the end of 2006 amounted to CHF 34.6 million.

### **Capital increase**

On 22 November 2006 the Company announced that it would increase its capital by way of a rights issue whereas 5 old shares entitled to the subscription of 2 new shares. After the trading period of the subscription rights, the Company on 11 December 2006 announced that the capital increase had been successfully completed. The proceeds of the capital increase of CHF 66.5 million will be utilized for general corporate purposes. All figures in this report have been adjusted for this capital increase.

# Corporate governance

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

### **1.1 Group business and structure**

In terms of its objectives and business strategy, the Company was initially dedicated to achieve attractive returns allocating its assets through a subsidiary, to a range of fund managers mainly in the field of alternative investments. Beginning 2003, the Company held essentially cash and cash equivalents. This was dictated by the Company's decision to (1) review its investment strategy, (2) operate independently of an investment manager, and (3) reduce operating costs.

With the shareholders' approval of a revised investment strategy, Alpine is aiming at achieving attractive absolute returns through investments in securities of Swiss and foreign corporations, taking advantage of particular corporate events or circumstances. Accordingly, the Company invested in a number of Swiss companies, which, in view of the manageable risk exposure, provided interesting investment opportunities. In June 2003, the Company launched a public offer for all shares it did not yet control either directly or indirectly in EIC Electricity SA, a publicly listed investment company dedicated to investments in the sector of utilities. This company was trading at a discount to its net asset value at the time of the bid. The initial offer price of CHF 12.85 per share was subsequently increased to CHF 14 per share. As of the end of the offering period, the Company and parties acting in concert with it, controlled approximately 58.71% of the issued share capital of EIC Electricity SA. Subsequently to the offer, Alpine purchased additional shares, resulting in the Company and related parties holding approximately 68.3% of EIC Electricity SA. Following the successful completion of the public offer, EIC Electricity SA disposed of its interests in EIC Electricity Utility Fund and retained and managed its private equity investments with cash and cash equivalents representing the balance of its assets.

During the first quarter of 2005, the Company sold together with a group of shareholders of EIC Electricity SA a majority interest in EIC Electricity SA for an aggregate consideration of CHF 16.7 million.

During the first quarter of 2004, the Company purchased a sizable interest in Terra Trust Investment AG, a publicly listed investment company dedicated to investments in the sector of renewable energies, waste management and health care services. In April 2004, Alpine and Terra Trust Investment AG entered into an agreement to merge both corporations. The merger completed in September 2004 provided Alpine an effective portfolio diversification whilst cost benefits were derived from centralizing management functions and reducing expenses such as those of managing the assets and maintaining a public company. The merger was consummated on the issuance by the

# Corporate governance

Company of 1'225'225 additional shares to the former Terra Trust Investment AG shareholders.

During the last quarter of 2005 and pursuant to an agreement dated 12 December 2005, Alpine acquired Sumara AG (formerly Aramus AG). Sumara AG was a private Swiss investment company and now a wholly owned subsidiary of Alpine with broadly diversified investments in shares of various companies.

The consideration paid for the purchase of the Sumara Group, including the costs associated with the acquisition, amounted to CHF 69.1 million. The fair value of Sumara Group's identifiable net assets at acquisition date exceeded the consideration paid by CHF 3.4 million, which was indicated in the Company's income statement as gain on acquisition of Sumara AG. Had the Company acquired the Sumara Group on 1 January 2005, Alpine would have reported CHF 26.6 million (unaudited) of net income after tax on a pro forma basis for the year ended 31 December 2005.

Sumara AG itself owned a 100% interest in Sumara Portfolio Ltd, Cayman Islands. The Board of Directors of Sumara Portfolio Ltd decided to pay a dividend to Sumara AG on 24 January 2006. The settlement of the dividend was performed by transferring cash, trading securities and liabilities of Sumara Portfolio Ltd to Sumara AG. Sumara Portfolio Ltd was liquidated on 2 October 2006.

## 1.2 Major shareholders

Notifications pertaining to the holdings of a significant shareholder that have been disclosed since 1 January 2006 are listed below.

Publication date	Shareholders	Registered shares (1)	Shareholdings
13.12.2006 (disclosed in Listing Prospectus)	Fabrel AG, Seestrasse 50, CH-6052 Hergiswil; Remark: Fabrel AG is controlled by Hans Müller, CH-6052 Hergiswil.	3'500'000	22.06%
13.12.2006 (disclosed in Listing Prospectus)	Trinsic AG, Artherstrasse 21, CH-6300 Zug; Daniel Sauter, CH-6300 Zug; Michel Vukotic, CH-8706 Meilen Remark: Trinsic AG is controlled by Daniel Sauter and Michel Vukotic	1'940'157	12.23%

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

## 1.3 Cross-Shareholdings

There are no cross-shareholdings.

# Corporate governance

## 2. Capital structure

### 2.1 Share capital

Changes in share capital	Share capital	Additional paid in capital	Treasury stock	Currency translation differences	Retained earnings	Total
<b>CHF 1'000</b>						
<b>Balance at 1 January 2004</b>	<b>157</b>	<b>40'624</b>	<b>0</b>	<b>0</b>	<b>53'498</b>	<b>94'279</b>
Capital increase	24	14'710				14'734
Net premium on treasury share activity		642				642
Net profit for the period					17'726	17'726
<b>Balance at 31 December 2004</b>	<b>181</b>	<b>55'976</b>	<b>0</b>	<b>0</b>	<b>71'224</b>	<b>127'381</b>
Capital increase	46	29'417				29'463
Net premium on treasury share activity		21				21
Currency translation differences				223		223
Net profit for the period					14'216	14'216
<b>Balance at 31 December 2005</b>	<b>227</b>	<b>85'414</b>	<b>0</b>	<b>223</b>	<b>85'440</b>	<b>171'304</b>
Capital increase	90	66'899				66'989
Net premium on treasury share activity					59	59
Treasury shares			(209)			(209)
Share based payment					209	209
Currency translation differences				(359)		(359)
Net profit for the period					41'291	41'291
<b>Balance at 31 December 2006</b>	<b>317</b>	<b>152'313</b>	<b>(209)</b>	<b>(136)</b>	<b>126'999</b>	<b>279'284</b>

The shares are listed on the SWX Swiss Exchange and are traded in Swiss francs (symbol: ALPN; SSN: 1.919.955; ISIN: CH 0019199550).

As of 31 December 2006, the share capital of Alpine amounts to CHF 317'282.88 and is divided into 15'864'144 registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-in. Each registered share carries one voting right.

### 2.2 Authorized and conditional capital

The Board of Directors is authorized to increase the share capital at any time until 17 May 2008 by an amount not exceeding CHF 22'662.74 through the issue of up to 1'133'137 registered shares to be fully paid-in with a nominal value of CHF 0.02 each.

## Corporate governance

Increases by underwriting and by partial amounts are allowed. The date of issue of the new shares, their issue price, the kind of the contribution, the conditions to exercise the subscription rights and the date of the dividend entitlement are determined by the Board of Directors. The newly issued registered shares are subject to the transfer restrictions pursuant to art. 6 of the Articles of Association.

The Board of Directors may exclude the subscription rights of shareholders and assign them to third parties in case the new registered shares are used in connection with a merger with a company, an acquisition of enterprises, parts of an enterprise or participations in investment companies by share exchange or in order to finance the acquisition of enterprises, parts of enterprises or participations in investment companies.

Registered shares for which subscription rights have been granted but that have not been executed shall be sold to market conditions on the market.

The share capital shall be increased by an amount not exceeding CHF 113'315.00 through the issue of a maximum of 5'665'750 registered shares to be fully paid-in with a nominal value of CHF 0.02 each through the exercise of conversion or option rights in connection with bonds or similar instruments issued by the Company or by its subsidiary 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 shall determine 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; with respect to the shares of the Company, they shall derive from the stock market price.

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

# Corporate governance

## **2.3 Changes in share capital**

On 5 December 2005 Alpine increased its share capital from CHF 181'304.50 to CHF 226'630.62 through the issuance of 2'266'306 registered shares with a par value of CHF 0.02 each. On 11 December 2006 the share capital was increased to CHF 317'282.88 by the issuance of 4'532'613 registered shares with a par value of CHF 0.02 each. Since then the share capital remained unaltered.

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

## **2.4 Shares and participation certificates**

The Company's share capital consists of 15'864'144 registered shares with a par 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 point 2.6 on nominees). There are no participation certificates.

## **2.5 Profit sharing certificates**

There are no profit sharing certificates outstanding.

## **2.6 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 so long as they expressly declare that the shares were acquired for their own account (Art. 6 para. 2 of the Articles of Association).

Non-certified registered shares may only be transferred through assignment. For an assignment to be valid, notice to the Company is required (Art. 5 para. 2 of the Articles of Association).

In accordance with Art. 6 para. 3 of the Articles of Association, persons who do not declare in their application to hold the shares for their own account ("Nominees") will be registered in the Company's register with voting rights up to 9% of the share capital as registered in the Commercial Registry. 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

# Corporate governance

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 Commercial Registry (Art. 6 para. 4 of the Articles of Association).

With the reservation of art. 653c para 3 CO, these restrictions apply to the acquisition of registered shares by exercising subscription, option and conversion rights as well (Art. 6 para. 7 of the Articles of Association).

The alleviation or withdrawal of restrictions upon the transfer of registered shares requires a resolution of the shareholders' meeting passed by at least two thirds of the represented share votes and the absolute majority of the represented shares par value.

## **2.7 Convertible bonds and warrants**

The Company does not have convertible bonds and/or warrants 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**

The members of the Board of Directors are:

Daniel J. Sauter

Born 1957, executive Chairman (since 1 January 2004), Swiss, term of office: 2001/2007

From 1976 to 1983, Daniel J. Sauter held various positions in Swiss banks, including Bank Leu AG, Zurich; from 1983 to 1998 he was Senior Partner and CFO of Glencore International AG, Baar, and from 1994 to 2001 CEO and Managing Director of Xstrata AG.

Hans Müller

Born 1947, non-executive Director, Swiss, term of office 2006/2007

Held various positions in the Swiss machine industry from 1978 to 1996. Since 1997 Chairman and Managing Director of Fabrel AG, Hergiswil. Hans Müller has over twenty-eight years of experience in portfolio management and is on the board of various privately held companies. He holds a University degree of St. Gallen (lic. oec. HSG).

# Corporate governance

Dr. oec. Hermann Strehler

Born 1941, executive Director and Secretary of the Board of Directors, Swiss, term of office: 1999/2007

From 1989 to 1998, Hermann Strehler was Vice President of Global Relationship Banking at Citibank (Switzerland) and Senior Relationship Manager for the investment industry. After successfully completing his studies in business administration at the University of St. Gallen (HSG), Hermann Strehler acquired his doctorate at the University of Neuchatel.

The non-executive board member was not previously member of management and no material business relationships exist between him and the Company.

## **3.2 Other activities**

Daniel J. Sauter is a board member of Sika AG, Baar, Charles Vögele Holding AG, Pfäffikon, Sulzer AG, Winterthur, and Model Holding AG, Weinfelden, Chairman of Trinsic AG, Zug, and is proposed to the Board of Bank Julius Bär & Co. AG, Zurich.

Hans Müller is Chairman and Managing Director of Fabrel AG, Hergiswil.

Dr. Hermann Strehler is a member of the audit commission of the Männedorf Hospital, Männedorf, and the Wäckerling Nursing Home Foundation, Uetikon am See.

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

## **3.3 Cross involvement**

There are no cross involvements.

## **3.4 Election and term of office**

The members of the Board of Directors are elected by the annual shareholders' meeting. Each member is elected for a period of one year and can be reelected. The Board of Directors constitutes itself. It appoints its chairman and a secretary who needs not to be a member of the Board of Directors.

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

## **3.5 Internal organizational structure, delegated authorities and management board**

The Board of Directors has not established any committees.

The nature of the Company's business dictates that the Board of Directors takes an active role in defining the Company's investment strategy whilst delegating management and control tasks to the Company's executives. Accounting functions and some administrative tasks have been outsourced to third parties, who supply the Board of Directors with a weekly report.

The Board of Directors convenes at least four times a year. During 2006 the Board of Directors convened 6 times. Meetings normally last half a day.

## **3.6 Areas of responsibility**

The Board of Directors assumes the responsibilities as stipulated in Art. 716 ff. of the Swiss Code of Obligations. The primary functions of the Board, 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 and to take investment decisions;
- to establish organizational policies, in particular to issue and amend the Organizational Rules;
- to organize the accounting, the financial control and the financial planning;
- to appoint and recall the persons entrusted with the management and representation of the Company and to grant signatory power;
- to ultimately supervise the persons entrusted with the management, in particular with respect to compliance with the law, the Company's Articles of Association, regulations and directives;
- to prepare the business report as well as the shareholders' meeting and to implement the latter's resolutions;
- to inform the judge in the event of over indebtedness;
- to pass resolutions regarding the subsequent payment of capital with respect to non-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 CO) 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.

# Corporate governance

The Board of Directors delegates the management of the Company entirely to the Company's executives unless otherwise provided by law, the Company's Articles of Association or Organizational Rules.

## **3.7 Information and control instruments**

In order to control and review the Company's activities, the Board of Directors is provided with weekly reports, monthly management accounting and investment reporting as well as ad-hoc information concerning major business activities.

## **4. Management**

### **4.1 Members of management**

The management of the Company consists of:

Daniel J. Sauter

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

Dr. Hermann Strehler

Dr. Hermann Strehler is responsible for conducting the business of the Company. He retired effective 11 December 2006. For further information see section 3.1.

Walter Geering

Walter Geering, born 1943, Swiss, is responsible for the administration and the risk management of the Company. He was active with banks in Switzerland and abroad from 1959 to 2006, including 12 years in the General Management of Swiss Volksbank. From 1995 to 2006 he was CEO of the LBBW Schweiz AG, a subsidiary of the Landesbank Baden-Württemberg AG, Stuttgart. Walter Geering is a financial analyst and has a management degree of the Zurich University. Effective the shareholder's meeting, Walter Geering is proposed to the Board of Directors of the Company for election and will be appointed Chief Executive Officer effective the shareholders' meeting.

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

See point 3.2. for Dr. Hermann Strehler and Daniel J. Sauter.

# Corporate governance

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

## **4.3 Management contracts**

No management contracts or agreements of a similar nature exist.

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

### **5.1 Content and method of determining compensation**

In accordance with the Articles of Association (Art. 17), the members of the Board of Directors 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. The compensation is rendered in the form of a fixed annual cash payment. There are no management incentive schemes which foresee the issuance of shares or share options.

### **5.2 Compensation for acting members of the governing bodies**

The following amounts were paid in 2006:

- CHF 873'244 to executive members of the Board of Directors and officers;
- CHF 0 to non-executive members of the Board of Directors (payable in 2007).

The highest compensation in 2006 to any one member of the Board of Directors was CHF 416'801. This amount including 12'000 shares of the Company was paid to an executive Member of the Board.

### **5.3 Compensation to former directors and officers**

No compensation has been paid to members of the Board of Directors or to officers who gave up their functions during the year preceding the one under review or earlier.

### **5.4 Allocation of shares**

No shares except as mentioned in 5.2 were allocated to members of the Board of Directors, officers of the Company or parties closely linked to such persons.

# Corporate governance

## **5.5 Share ownership of directors and officers**

At 31 December 2006 executive members of the Board of Directors and parties closely linked to such persons held directly and indirectly an aggregate 2'024'177 shares, non-executive members of the Board of Directors and parties closely linked to such persons held 3'500'140 shares and officers of the Company held 28'750 shares. All transactions were reported to the SWX Swiss Exchange.

## **5.6 Options**

No options have been issued.

## **5.7 Additional fees and remuneration**

No additional fees and remunerations have been paid to officers or directors.

## **5.8 Loans to directors and officers**

No loans to directors, nor to officers, or to parties closely linked to such persons have been granted.

## **6. Shareholders' participation rights**

### **6.1 Voting right restrictions**

There are no voting right restrictions.

### **6.2 Statutory quorums**

The general meeting of shareholders' passes its resolutions and carries out its elections with an absolute majority of the share votes represented except to the extent those 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 CO;
- the alleviation or withdrawal of restrictions upon the transfer of registered shares;
- the conversion of registered shares into bearer shares;

# Corporate governance

- the dissolution of the Company followed by liquidation;
- The recall of the members of the Board of Directors according to Art. 705 Para. 1 CO;
- 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 resolution of the shareholder's meeting, especially such of this Art. 12.

## **6.3 Convening of shareholders' meetings**

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

- Extraordinary shareholders' meetings shall be convened by the Board of Directors within 60 days after shareholders representing at least 10% of the share capital request such meeting in writing, setting forth the items to be discussed and the proposals to be decided upon;
- The shareholders' meeting shall be convened by mail to the shareholders and usufructuaries at least 20 days prior to the meeting day. The convening letter shall state the day, time and place of the meeting, the agenda, the proposals of the Board of Directors 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 meeting convened by the Board of Directors. 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 shareholder's 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 10 days before the shareholders' meeting. No exception can be granted.

# Corporate governance

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

### **7.1 Mandatory offer**

There is no statutory obligation for opting out or opting up.

### **7.2 Change of control clauses**

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 officers 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 17 May 2006 the shareholders' meeting elected Ernst & Young for a term of one year as Company and group auditors. Ernst & Young have been the Company's auditors since its incorporation in 1997. Since 2004, Cataldo Castagna has been lead auditor for the Alpine mandate.

### **8.2 Auditing fees**

For the year 2006 auditing fees paid to Ernst & Young amounted to CHF 110'000 (2005: CHF 117'000).

### **8.3 Additional fees**

Fees paid to Ernst & Young for services rendered other than under the audit mandate amounted to CHF 82'422 (2005: CHF 68'000).

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

The work of external auditors and their independence is assessed and examined by the Board of Directors in planning meetings with the auditors and after audit meetings. In 2006 two meetings took place.

## **9. Information policy**

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

# Corporate governance

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 convening of the shareholders' meeting. A copy of the report is posted to all shareholders registered in the share register;
- Quarterly reports, published in English;
- Monthly reports, published in English;
- Weekly net asset value reports;
- Ad-hoc releases, as required.

Information is disclosed through:

- Reuters: ALPN.S;
- Bloomberg: ALPN SW EQUITY;
- Finanz und Wirtschaft, Zurich;
- Internet: Website, RSS, E-Mail

# Consolidated financial statements according to IFRS

<b>Consolidated balance sheet at 31 December</b>			
<b>in CHF</b>	<b>Notes</b>	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		53'944'133	55'891'029
Trading securities	4	249'447'707	183'886'654
Trading options	4	927'500	0
Other current assets	3	2'266'780	5'346'653
<b>Total current assets</b>		<b>306'586'120</b>	<b>245'124'336</b>
<b>Non-current assets</b>			
Furniture and equipment, net		40'179	46'873
<b>TOTAL ASSETS</b>		<b>306'626'299</b>	<b>245'171'209</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Bank overdraft	13	19'437'025	30'581'353
Trading liabilities		0	39'064'503
Trading options	4	1'130'514	127'897
Accounts payable and accrued liabilities		3'680'924	4'093'787
Deferred tax liabilities	10	3'094'000	0
<b>Total current liabilities</b>		<b>27'342'463</b>	<b>73'867'540</b>
<b>Shareholders' equity</b>			
Share capital	5	317'283	226'631
Additional paid in capital		152'313'137	85'414'594
Currency translation differences		(136'329)	222'981
Treasury shares		(209'426)	0
Retained earnings		126'999'171	85'439'463
<b>Total shareholders' equity</b>		<b>279'283'836</b>	<b>171'303'669</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>306'626'299</b>	<b>245'171'209</b>

<b>Consolidated income statement for the year ended 31 December</b>			
<b>in CHF</b>	Notes	<b>2006</b>	<b>2005</b>
<b>OPERATING INCOME</b>			
Gain on trading securities and liabilities, net		51'038'324	11'623'504
Other income		279'803	251'192
Interest (expense) income, net		(327'090)	212'328
Dividend income		1'482'610	1'460'522
Foreign exchange (loss) gain		(3'081'801)	2'362'729
Excess acquirer's interests on acquisition		0	3'356'420
<b>Total operating income</b>		<b>49'391'846</b>	<b>19'266'695</b>
<b>OPERATING EXPENSES</b>			
General and administrative expenses	8	1'843'204	2'439'972
Commissions and other bank fees		2'686'692	1'908'173
Other costs		0	696'269
Depreciation		6'694	6'698
<b>Total operating expenses</b>		<b>4'536'590</b>	<b>5'051'112</b>
<b>Net profit before taxes</b>		<b>44'855'256</b>	<b>14'215'583</b>
Taxes	10	470'000	0
Deferred taxes	10	3'094'000	0
<b>Net profit after taxes</b>		<b>41'291'256</b>	<b>14'215'583</b>
Earnings per share	11	3.53	1.54
Earnings per share, diluted	11	3.53	1.54

<b>Consolidated statement of changes in equity</b>						
	Share capital	Additional paid in capital	Treasury stock	Currency translation differences	Retained earnings	Total
<b>in CHF 1000</b>						
<b>Balance at 1 January 2005</b>	<b>181</b>	<b>55'976</b>	<b>0</b>	<b>0</b>	<b>71'224</b>	<b>127'381</b>
Currency translation differences				223		223
Net profit for the period					14'216	14'216
Total recognized gains and losses	181	55'976	0	223	85'440	141'820
Capital increase	46	29'417				29'463
Net premium on treasury share activity		21				21
<b>Balance at 31 December 2005</b>	<b>227</b>	<b>85'414</b>	<b>0</b>	<b>223</b>	<b>85'440</b>	<b>171'304</b>
Currency translation differences				(359)		(359)
Net profit for the period					41'291	41'291
Total recognized gains and losses	227	85'414	0	(136)	126'731	212'236
Capital increase	90	66'899				66'989
Net premium on treasury share activity					59	59
Treasury shares			(209)			(209)
Shares-based payment					209	209
<b>Balance at 31 December 2006</b>	<b>317</b>	<b>152'313</b>	<b>(209)</b>	<b>(136)</b>	<b>126'999</b>	<b>279'284</b>

<b>Consolidated statement of cash flows for the year ended 31 December</b>			
<b>in CHF</b>	<b>Notes</b>	<b>2006</b>	<b>2005</b>
<b>Cash flow from operating activities</b>			
<b>Net profit after taxes</b>		<b>41'291'256</b>	<b>14'215'583</b>
<b>Adjustments for:</b>			
Reversal of non-cash items			
- Deferred and accrued taxes		3'564'000	0
- Depreciation		6'694	6'698
Unrealized gains on trading securities and liabilities and derivatives, net		(19'058'734)	(9'058'816)
Excess acquirer's interests on acquisition		0	(3'356'420)
Dividend income		(1'482'610)	(1'460'522)
Net interest expense / (income), net		327'090	(212'328)
Changes in other current assets		3'079'873	2'773'245
Changes in accounts payable and accrued liabilities		2'041'214	(8'699'794)
Dividends received		1'482'610	1'460'522
Interest received		323'165	317'744
Interest paid		(558'585)	(105'416)
Income taxes paid		0	0
<b>Net cash flow used for / from operating activities</b>		<b>31'015'973</b>	<b>(4'119'504)</b>
<b>Cash flow from investing activities</b>			
Purchases of financial investments		(433'597'572)	(234'317'236)
Proceeds on sales of financial investments		343'940'235	180'862'813
Net cash outflow acquisition of Sumara AG		0	(7'754'916)
<b>Net cash flow used for / from investing activities</b>		<b>(89'657'337)</b>	<b>(61'209'339)</b>
<b>Cash flow from financing activities</b>			
Bank overdraft		(11'144'328)	30'581'353
Acquisition or disposal of treasury shares, net		(150'399)	0
Capital increase		67'989'195	29'461'978
<b>Net cash flow from financing activities</b>		<b>56'694'468</b>	<b>60'043'331</b>
Net change in cash and cash equivalents		(1'946'896)	(5'285'512)
At the beginning of the period		55'891'029	61'176'541
At the end of the period		53'944'133	55'891'029
<b>Cash and cash equivalents</b>		<b>53'944'133</b>	<b>55'891'029</b>

# Notes to the consolidated financial statements according to IFRS

## 1. Organization and business activity

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

In December 2005, the Company acquired the private Swiss investment company Aramus AG with its wholly owned subsidiary Aramus Portfolio Ltd. The names of Aramus AG and Aramus Portfolio Ltd. were changed respectively to Sumara AG and Sumara Portfolio Ltd, together the "Sumara Group", at acquisition. In 2006, Sumara Portfolio Ltd. was liquidated.

The consideration paid for the purchase of the Sumara Group including costs associated with the acquisition amounted to CHF 69.1 million. The fair value of the acquirers identifiable net assets at acquisition date exceeded the cost by CHF 3.4 million which was recognised in the Company's income statement as Gain on acquisition of Sumara AG. Had the Company acquired the Sumara Group on 1 January 2005, the Alpine Group would have reported on a pro forma basis CHF 26.6 million (unaudited) of net income after tax for the year ended 31 December 2005.

The fair value of the identifiable assets and liabilities of the Sumara Group as at the date of acquisition were:

in CHF	12 Dec. 2005 Recognised on acquisition	12 Dec. 2005 Carrying value
Cash and cash equivalents	60'792'324	60'792'324
Securities investments	50'359'175	50'359'175
Receivables for investments sold	4'945'863	4'945'863
Other assets	104'051	104'051
<b>TOTAL ASSETS</b>	<b>116'201'413</b>	<b>116'201'413</b>
Securities sold, not yet purchased	31'783'178	31'783'178
Payables for investments purchased	9'549'273	9'549'273
Other liabilities	68'976	68'976
Accrued expenses	2'388'260	2'388'260
<b>TOTAL LIABILITIES</b>	<b>43'789'687</b>	<b>43'789'687</b>
<b>FAIR VALUE OF NET ASSETS</b>	<b>72'411'726</b>	<b>72'411'726</b>

<b>in CHF</b>		
Fair value of net assets	72'411'726	
Excess over cost of acquisition	(3'356'420)	
<b>Cost of acquisition</b>	<b>69'055'306</b>	
	<b>Cash outflow on acquisition</b>	
Net cash acquired	60'792'324	
Cash paid	68'547'240	
<b>Net cash outflow</b>	<b>(7'754'916)</b>	

Alpine's original purpose was trading in a diversified range of currencies, commodities and financial futures, options, other derivatives, fixed income instruments and securities. In April 2003, the Company's investment policy was changed.

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 2006, the Company had four employees of which three worked part time.

The Board of Directors takes all investment decisions.

## 2. Accounting policies

### 2.1 Basis of presentation of the financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the accounting guidelines recommended by the SWX Swiss Exchange's Additional Rules for Listing of Investment Companies.

The consolidated financial statements comprise the financial statements of Alpine Select AG and Sumara AG. The financial statements of Sumara AG are prepared for the same reporting year as the parent company Alpine Select AG, using consistent accounting policies. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The consolidated financial statements have been prepared under the historical cost convention except for financial assets and liabilities held for trading and all derivative instruments, which are recorded at fair value. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the

date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

On 20 April 2007 the Board of Directors authorized the issuance of the financial statements for approval by the ordinary shareholders' meeting to be held on 25 May 2007.

## **2.2 Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous financial year except of the following new IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any effect on the consolidated financial statements of the Group.

- IAS 19 Amendment – Employee Benefits
- IAS 21 Amendment – The Effects of Changes in Foreign Exchange Rates
- IAS 39 Amendments – Financial Instruments: Recognition and Measurement
- IFRIC 4 Determining whether an Arrangement contains a Lease
- IFRIC 5 Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6 Liabilities arising from Participation in a Specific Market – Waste Electrical and Electronic Equipment

The following new standards come into effect as of January 1, 2007 or later. They require further disclosures and have no impact on the asset, financial or income position. The Group did not exercise the option to adopt them earlier.

- IFRS 7 Financial Instruments: Disclosure. IFRS 7 requires disclosures that enable users to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.
- IAS 1 Presentation of Financial Statements: This amendment requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.
- From the application of the following standards, there are no impacts on the consolidated financial statements expected: IFRS 8 Operating segments / IFRIC 7 Application of Adjustment Approach under IAS 29 Accounting Standards in

Hyper-Inflation Countries / IFRIC 8 Scope of IFRS 2 / IFRIC 9 Revaluation of imbedded Derivatives / IFRIC 10 Interim Financial Reporting and Impairment / IFRIC 11 IFRS 2 Group and Treasury Share Transactions / IFRIC 12 Service Concession Arrangements

### 2.3 Subsidiaries

Effective 12 December 2005 the Company acquired a 100% interest in Sumara AG (see Note 1 above). A subsidiary of Sumara AG, Sumara Portfolio Ltd., Cayman Islands was liquidated on 2 October 2006.

### 2.4 Foreign currencies

Foreign currency transactions are recorded at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Swiss francs at the exchange rates prevailing at the end of the period. The resulting exchange gains and losses are included in the income statement. The exchange rate difference, which arises out of the foreign currency positions within cash and cash equivalents, is disclosed separately in the income statement. The following exchange rates have been applied:

<b>USD/CHF</b>		<b>2006</b>	<b>2005</b>
Balance sheet	Year end exchange rate	1.2207	1.3180
Income statement	Average exchange rate	1.2537	1.2420
<b>EUR/CHF</b>		<b>2006</b>	<b>2005</b>
Balance sheet	Year end exchange rate	1.6097	1.5550
Income statement	Average exchange rate	1.5739	1.5480
<b>GBP/CHF</b>		<b>2006</b>	<b>2005</b>
Balance sheet	Year end exchange rate	2.3891	2.2643
Income statement	Average exchange rate	2.3148	2.2736

### 2.5 Cash and cash equivalents

Cash and cash equivalents comprise cash and term deposits with maturities of three months or less.

The fair value of cash and cash equivalents approximates their book value due to the relatively short term nature of these financial instruments.

## **2.6 Financial investments**

Financial investments comprising equity investments are classified as "Trading securities". Financial investments sold short are classified as "Trading liabilities" in current liabilities. Trading securities and liabilities 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.

Investments in securities that are listed on a stock exchange are valued at the last available price on such exchange.

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

All realized and unrealized gains and losses with respect to investments, including foreign exchange gains and losses, as of the balance sheet date are recognized in the income statement. The cost of investments is determined based on the weighted average cost formula for purposes of calculating gains and losses.

## **2.7 Derivative financial instruments**

Derivative financial instruments may include futures, options, warrants, forward rate agreements and swaps, which are valued on a fair value basis by use of market quotations. Trading options are stated separately in the consolidated balance sheet, whereas other current assets respectively accounts payable and accrued liabilities may comprise positive and negative replacement values of forward rate agreements and accruals from swaps. Investments in derivative financial instruments are part of the investment policy. All realized and unrealized gains and losses with respect to derivati-

ve financial instruments are recorded in the income statement including the related foreign exchange differences.

## **2.8 Non-current assets**

Depreciation of non-current assets is based on estimations for the useful lives of these assets (8 years for furniture and equipment).

## **2.9 Dividends**

Dividend income is recorded on the ex-dividend date and net of withholding tax when applicable.

## **2.10 Taxes**

Alpine Select AG and Sumara AG are taxed as a holding company in the Canton of Zug. Income, including the dividend income and capital gains from its participations, is exempt from taxation at the canton and municipality level. For Swiss federal tax purposes, both Companies are subject to income tax at a rate of 7.8% (based on the profit before tax) on income which does not qualify under the participation exemption as dividend income or capital gains. In the past and partially for 2006, the Group was not paying income tax due to loss carry forwards.

## **2.11 Financial instruments and associated risks**

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

**Credit risk:** Financial assets that potentially expose the Group to credit risk consists of current assets. The extent of the Group's exposure to credit risk in respect of these financial assets is limited to the carrying value as reported in the Group's consolidated balance sheet of such financial assets. The Group mitigates the exposure to credit risk by transacting with reputable and established institutions and by investing in companies and investment companies whose financial condition and performance are judged adequate. There are no significant concentrations of credit risks.

**Market risk / concentration risk:** Market risk is the risk of potential adverse change to the value of financial instruments and derivatives because of changes in market conditions such as interest and currency rate movements and volatility in security prices. The Group manages and limits these risks by diversification among markets, instruments and counterparties as well as through the use of trading limits. 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 securities, 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 balance sheet.

**Interest rate risk:** The fair value of certain instruments in which the Group invests is sensitive to changes in interest rates.

Also the Group may borrow from time to time to fund its activities. Changes in interest rates are not expected to significantly impact the Group's results of operations.

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

**Currency risk:** The Group may enter from time to time into transactions denominated in currencies other than the Swiss franc. Accordingly, the Group is exposed to the risk that the exchange rate of foreign currencies against the Swiss franc will change in a manner which will adversely impact the Group's results of operations and/or net assets. The Group's currency risk positions are monitored on a regular basis by the Group's management.

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

### 3. Other current assets

Other current assets consist of:

<b>in CHF</b>	<b>2006</b>	<b>2005</b>
Swiss withholding tax	2'243'757	5'104'496
Accrued interest	13'799	185'048
Accrued income and prepaid expenses	9'224	57'109
<b>Total</b>	<b>2'266'780</b>	<b>5'346'653</b>

### 4. Consolidated investment table

Movements in investments are to be found on the following pages:

<b>Consolidated investment table as of 31 December 2006</b>		<b>Swiss francs</b>		
Investments	Shares at	Fair value at	Shares at	Additions
	1 January 2006	1 January 2006	31 December 2006	
<b>LONG POSITIONS :</b>				
Absolute Europe AG			180'345	18'116'903
Absolute Managers AG	217'447	13'483'892		
Absolute Private Equity AG	157'543	12'385'449		13'501'900
Absolute US AG	109'910	34'664'276	186'308	32'968'247
Acom Alternative Strategies AG				8'551'536
AIG International Real Estate GmbH & Co KGaA	586'106	31'526'149	322'895	1'499'790
Altin AG	5'600	369'028		
Amcore Financial Inc	11'200	448'900		
Atlas America Inc Common	39'559	3'139'796		
Atrium V Ltd Pref/-Reg.S-			1'500	1'835'736
Banco Bilbao Vizcaya	22'300	524'886		
Bancorp Inc Common	45'195	1'012'639		
Bank Linth AG			2'000	2'494'019
Bank of America Corporation	57'000	3'467'065		
BB Medtech AG	123'381	7'279'479		21'221'929
Bendigo Bank Ltd	124'657	1'412'503		
Berkshire Hills Bancorporation Inc	17'942	792'193		
BOK Financial Corporation Common	6'955	416'443		
Bristol West Holdings Inc	35'000	877'854		
Burckhardt Compression Holding AG				554'200
Canadian Western Bank	16'700	677'992		
Capital One Finl. Corporation Com	9'830	1'119'393		
Capitalia Spa	111'856	853'743		
Chittenden Corporation				395'381
Cicor Technologies			50'000	4'860'000
Citigroup Inc Com	37'300	2'385'803		
City Bank Lynnwood				85'459
Coastal Financial Corporation				261'305
Cobiz Inc				231'541
Credit Suisse Group	10'746	722'394		
Dollar Financial Corp	14'000	221'239		
Downey Financial Corporation	5'100	459'704		
Dundee Wealth Management Ltd	28'100	321'441		
Enterprise Financial Services	1'800	53'806		

Swiss francs								
Reductions	Realised gains / (losses) net of FX	Realised FX gains / (losses)	Unrealised gains / (losses) net of FX	Unrealised FX gains / (losses)	Dividends/ capital reductions	Fair value at	Stock price (closing) in local currency at	
Twelve month period to 31 December 2006						31 December 2006	31 December 2006	
(766'503)	(2'997)	244	1'824'520	273'933	(7'195'766)	12'250'335	EUR	42.20
(13'032'795)	3'182'204	332'741	(3'194'873)	(771'169)		0		
(27'097'248)	1'969'143	(57'598)	(467'590)	(234'056)		0		
(7'913'316)	667'529	370'422	6'888'527	(3'398'844)		64'246'841	USD	282.50
(8'551'536)						0		
(17'712'392)	5'144'755	92'022	(228'711)	468'304		20'789'917	EUR	40.00
(391'851)	50'280	(8'185)	(18'451)	(821)		0		
(432'594)	(13'151)	(3'155)				0		
(3'540'417)	432'337	(31'716)				0		
			36'620	(41'336)		1'831'020	USD	1'000.00
(578'405)	58'320	(4'801)				0		
(1'131'380)	121'686	(2'945)				0		
(1'560'039)	89'627		58'393			1'082'000	CHF	541.00
(3'223'848)	(192'736)	(50'481)				0		
(30'119'504)	4'082'848		(2'464'752)		373'400	0		
(1'501'599)	105'744	(16'648)				0		
(775'011)	(11'499)	(5'683)			3'289	0		
(405'408)	(8'137)	(2'898)			914	0		
(849'580)	(16'485)	(11'789)				0		
(621'420)	67'220					0		
(702'162)	32'788	(8'618)				0		
(1'079'346)	(24'337)	(15'710)			343	0		
(1'000'255)	152'002	(5'490)				0		
(375'235)	(26'797)	6'651				0		
			340'000			5'200'000	CHF	104.00
(2'213'133)	(146'425)	(26'245)			24'031	0		
(90'874)	3'977	1'438				0		
(244'939)	(20'761)	4'395				0		
(227'920)	(7'515)	3'895				0		
(705'167)	(10'448)	(6'779)				0		
(250'046)	29'611	(804)				0		
(413'561)	(41'859)	(4'284)			671	0		
(341'407)	23'346	(3'380)				0		
(60'462)	5'880	776				0		

<b>Consolidated investment table</b> (continued)		<b>Swiss francs</b>		
Investments	Shares at	Fair value at	Shares at	Additions
	1 January 2006	1 January 2006	31 December 2006	
<b>LONG POSITIONS :</b> (continued)				
Euronext NV	7'120	488'980		
Feintool Intl Holding AG			6'624	2'899'499
Fidelity Bankshares Inc New	5'502	237'128		
Fifth Third Bancorp Com	5'900	293'318		
First Citizens Bancorp of Sout	50	46'130		
First Citizens Bancshares Inc	3'500	804'599		
First Republic Bank	45'300	2'209'697		
Fremont General Corporation				179'670
Gold Banc Corporation	10'300	247'344		
Golden West Financial Corporation	15'400	1'339'615		
Great Southern Bancorp Inc				163'897
Greene County Bancshares Inc	11'500	414'696		
Gurit Holding AG			29'152	42'618'967
HBM Bioventures AG			60'195	5'013'380
Highland Financial Trust			600'000	11'556'900
HSBC Holdings Plc	23'200	491'097		
Inficon Holding AG			15'000	2'662'500
Invisa Inc	130'000	23'986	130'000	
Ivanhoe Energy Inc *	0	173'804	124'237	
Julius Baer Holding AG	7'366	688'072		
Kensington Group Plc	19'097	400'778		
Labranche & Co Inc				1'161'083
Mach Hitech AG	279'200	5'430'440		1'153'750
Macquarie Bank Ltd				1'765'071
MB Financial Inc	9'000	419'915		
Medisize Holding AG				11'026'422
Merrill Lynch & Co Inc Com	9'500	848'047		
Nasdaq Stock Market Inc	31'700	1'469'842		
New York Community Bancorp Inc				1'404'394
OZ Holding AG	9'800	862'400		
Paragon Group of Co	50'700	746'534		
Pargesa Holding AG			5'601	2'745'815
Peoples Choice Financial Corporation	70'800	513'229	70'800	
Peoples Financial Corporation	6'800	151'016		

Swiss francs								
Reductions	Realised gains / (losses) net of FX	Realised FX gains / (losses)	Unrealised gains / (losses) net of FX	Unrealised FX gains / (losses)	Dividends/ capital reductions	Fair value at	Stock price (closing) in local currency at	
Twelve month period to 31 December 2006						31 December 2006	31 December 2006	
(450'899)	(40'088)	2'007		8'437		0		
						2'907'936	CHF	439.00
(227'032)	(8'342)	(1'754)				0		
(295'868)	2'550					0		
(48'355)	2'225					0		
(853'343)	52'316	(3'572)				0		
(2'119'938)	(71'736)	(18'023)			7'445	0		
(173'857)	(8'836)	3'022				0		
(245'921)	235	(1'658)				0		
(1'365'773)	33'798	(7'640)				0		
(156'869)	(9'785)	2'757				0		
(428'457)	18'834	(5'073)				0		
(19'094'672)	127'259		7'366'174		374'976	31'017'728	CHF	1064.00
			343'975			5'357'355	CHF	89.00
				(570'780)		10'986'120	USD	15.00
(475'456)	(8'819)	(6'822)				0		
			217'500			2'880'000	CHF	192.00
			(8'899)	(15'087)		0		
			(173'804)			0		
(705'370)	24'283	(6'985)				0		
(470'613)	74'948	(5'113)				0		
(1'352'979)	172'365	19'531				0		
(5'778'189)	701'389		(259'195)		(1'248'196)	0		
(1'762'727)	(2'344)	(1)				0		
(428'376)	6'920	1'541			1'775	0		
(13'459'672)	2'433'251					0		
(934'866)	90'366	(3'547)			3'123	0		
(1'635'613)	168'525	(2'754)				0		
(1'422'068)	(31'187)	48'861				0		
(955'800)	122'643		(29'243)			0		
(774'383)	39'269	(11'420)				0		
(1'897'064)	(97'536)		26'202			777'418	CHF	138.80
			(37'897)		24'120	475'332	USD	5.50
(156'666)	6'516	(866)				0		

Consolidated investment table (continued)	Swiss francs			
	Shares at	Fair value at	Shares at	Additions
Investments				
	1 January 2006	1 January 2006	31 December 2006	
<b>LONG POSITIONS :</b> (continued)				
Phoenix Companies Inc	13'600	244'494		
Prime New Energy AG	184'678	7'294'781	207'492	862'789
Prokmu Invest AG	57'350		57'350	
Promise Co JPY50	8'650	758'694		
Safety Insurance Group Inc	15'500	824'719		
Sandy Spring Bancorp. Inc				107'116
Sarasin Torneo Multistrategy Fund			89'673	8'551'536
Saurer AG				67'000'000
Schaffner Holding AG	39'844	7'371'140	38'934	1'816'500
Shinsei Bank Ltd	103'000	784'878		
Signature Bank Common	49'900	1'846'113		
St' George Bank Ltd	13'116	376'112		
State Street Corporation	13'900	1'015'672		
Sussex Bancorporation	1'727	34'325		
Swisslog Holding AG			3'076'650	9'309'745
Takefuji Corporation	8'220	735'673		
Taylor Capital Group Inc	14'464	770'168		
Tornos Holding AG	739'668	7'618'580		47'895
UBS AG	13'190	1'655'596		
UMB Financial Corporation	10'600	892'874		
Unicredito Italiano	92'145	834'178		
Unionbancal Corporation	25'700	2'327'725		
Valora Holding AG	21'271	5'418'787	194'325	50'763'926
Vineyard National Bancorp				112'356
Vitafort International Corporation	317'543	41	317'543	
Webster Financial Corporation	30'100	1'860'607		
West Bancorporation				134'667
Westpac Banking	69'395	1'526'352		
White Mountains Ins. Group	3'500	2'576'591		
WSFS Financial Corporation	2'500	201'820		
<b>Total Long Positions :</b>		<b>183'886'654</b>		<b>329'635'823</b>
of which gains				
of which losses				

								<b>Swiss francs</b>	
Reductions	Realised gains / (losses) net of FX	Realised FX gains / (losses)	Unrealised gains / (losses) net of FX	Unrealised FX gains / (losses)	Dividends/ capital reductions	Fair value at	Stock price (closing) in local currency at		
						31 December 2006	31 December 2006		
Twelve month period to 31 December 2006									
(252'291)	9'053	(1'256)				0			
				(272'874)	(6'224'760)	1'659'936	CHF	8.00	
						0			
(631'985)	(115'452)	(11'257)				0			
(783'620)	(34'255)	(6'844)				0			
(106'250)	(2'667)	1'802				0			
				691'080		9'242'616	CHF	103.07	
(80'820'000)	13'820'000					0			
(2'114'216)	204'547			1'676'849		8'954'820	CHF	230.00	
(872'703)	102'350	(14'525)				0			
(2'091'501)	249'222	(3'834)				0			
(379'198)	8'923	(5'837)				0			
(1'118'318)	102'232	414				0			
(33'352)	(724)	(249)				0			
(5'715'171)	14'572			1'128'895		4'738'041	CHF	1.54	
(650'666)	(74'545)	(10'462)				0			
(739'606)	(27'788)	(2'774)				0			
(9'569'051)	2'957'885			(1'055'309)		0			
(1'651'467)	13'159	(17'288)				0			
(950'495)	58'475	(854)				0			
(780'669)	(48'785)	(4'724)				0			
(2'274'205)	(36'617)	(16'903)				0			
(2'605'648)	31'726			11'441'501	625'842	65'050'292	CHF	334.75	
(113'142)	(1'105)	1'890				0			
				18	(59)	0	USD	0.00	
(1'798'228)	(48'525)	(13'854)			9'852	0			
(126'985)	(9'948)	2'265				0			
(1'579'425)	72'595	(19'522)				0			
(2'488'001)	(73'638)	(14'952)				0			
(196'161)	(4'249)	(1'410)				0			
<b>(306'022'532)</b>	<b>36'661'613</b>	<b>407'691</b>	<b>23'837'093</b>	<b>(4'289'914)</b>	<b>(13'218'941)</b>	<b>249'447'707</b>			
	37'941'730	896'674	32'048'691	742'238					
	(1'280'117)	(488'982)	(8'211'598)	(5'032'152)					

Consolidated investment table (continued)	Swiss francs			
	Shares at	Fair value at	Shares at	Additions
Investments	1 January 2006	1 January 2006	31 December 2006	
<b>SHORT POSITIONS :</b>				
Atlas America Inc' Common				(2'681'517)
Bank of America Corporation				(3'213'292)
Brookline Bancorporation Inc	(58'500)	(1'092'550)		
Central Pacific Financial Corporation	(15'900)	(752'747)		
Chittenden Corporation	(10'550)	(386'695)		
Citigroup Inc				(871'616)
City Bank Lynnwood	(1'700)	(79'698)		
Coastal Financial Corporation	(14'190)	(240'513)		
Cobiz Inc	(9'400)	(225'855)		
Community Bank System Inc	(41'700)	(1'239'362)		
CVB Financial Corporation	(19'500)	(521'987)		
Draegerwerk AG	(5'000)	(341'312)		
Edwards AG Inc	(7'500)	(463'211)		
EFG International N	(75'000)	(2'625'000)		
Fifth Third Bancorporation	(17'848)	(887'313)		
First Bancorp P R Com	(18'800)	(307'500)		
FNB Corporation Common	(40'500)	(926'659)		
Fremont General Corporation	(5'700)	(174'518)		
Great Southern Bancorp Inc	(4'300)	(156'477)		
Harbor Florida Bancshares Inc	(29'800)	(1'455'191)		
Janus Capital Group Inc	(54'500)	(1'338'212)		
Labranche & Co. Inc	(79'100)	(1'054'006)		
Macquarie Bank Ltd	(28'534)	(1'880'266)		
Marketaxess Holding Inc	(46'100)	(694'485)		
National Penn Bancshares Inc	(25'700)	(645'273)		
New York Community Bancorp Inc	(65'100)	(1'417'446)		
Nobel Biocare Holding AG	(18'000)	(5'202'000)		(20'946'082)
Optionsxpress Holdings Inc	(16'700)	(540'360)		
Oriental Financial Group Inc	(26'810)	(436'748)		
Privatebancorp Inc	(27'700)	(1'298'611)		
Prosperity Bancshares Inc	(11'100)	(420'460)		
Provident Bankshares Corporation	(37'200)	(1'655'730)		
Regional BK Holdrs Trst	(9'100)	(1'684'889)		
T Bancorporation Inc	(23'800)	(1'154'984)		

Swiss francs								
Reductions	Realised gains / (losses) net of FX	Realised FX gains / (losses)	Unrealised gains / (losses) net of FX	Unrealised FX gains / (losses)	Dividends/ capital reductions	Fair value at	Stock price (closing) in local currency at	
Twelve month period to 31 December 2006						31 December 2006	31 December 2006	
2'687'131	55'292	(60'906)				0		
3'236'739	30'604	(54'051)				0		
1'140'932	(54'813)	6'431				0		
747'652	(220)	5'315				0		
373'740	7'644	5'311				0		
882'327	3'950	(14'662)				0		
90'512	(11'605)	791				0		
243'963	(6'493)	3'043				0		
227'012	(4'063)	2'906				0		
1'206'952	23'243	9'167				0		
538'252	(22'617)	6'352				0		
362'092	17'126	(2'208)	(39'669)	3'972		0		
446'308	13'471	3'432				0		
2'626'184	299'891		(301'075)			0		
878'791	9'546	(1'024)				0		
308'068	(2'547)	1'979				0		
866'439	52'452	7'768				0		
173'164	(842)	2'196				0		
156'245	(1'804)	2'036				0		
1'484'961	(38'240)	8'470				0		
1'540'495	(205'424)	3'141				0		
1'347'591	(300'645)	7'060				0		
1'762'728	37'416	80'122				0		
771'293	(79'547)	2'739				0		
702'662	(60'277)	2'888				0		
1'416'404	(17'168)	18'210				0		
26'842'863	(2'568'021)		1'873'240			0		
653'288	(116'959)	4'031				0		
477'514	(42'607)	1'841				0		
1'390'598	(98'879)	6'892				0		
430'069	(12'197)	2'588				0		
1'741'197	(94'468)	9'001				0		
1'685'049	(11'709)	11'549				0		
1'151'876	(5'260)	8'368				0		

Consolidated investment table (continued)	Swiss francs			
	Shares at	Fair value at	Shares at	Additions
Investments	1 January 2006	1 January 2006	31 December 2006	
<b>SHORT POSITIONS : (continued)</b>				
Sandy Spring Bancorporation Inc	(2'300)	(105'735)		
Schwab Charles Corporation	(47'500)	(918'415)		
Sky Financial Group Inc	(18'900)	(693'002)		
St. Paul Travelers Co. Inc	(8'200)	(482'775)		
Synthes Inc				(2'892'031)
TCF Financial Corporation	(30'200)	(1'080'270)		
Tecan Group AG				(1'693'306)
Trustco Bank Corporation N Y	(60'300)	(987'084)		
Valley National Bancorporation	(29'918)	(950'309)		
Vineyard National Bancorp Co Com	(2'900)	(117'877)		
W Holding Company Inc Com	(42'228)	(458'053)		
Washington Federal Inc Com	(13'100)	(396'941)		
West Bancorp shs	(5'400)	(133'092)		
Westamerica Bancorporation Com	(20'600)	(1'440'892)		
Total Short Positions :		(39'064'503)		(32'297'844)
of which gains				
of which losses				
<b>TRADING OPTIONS:</b>				
Call CS Group				(51'000)
Call Euronext NV	(70)	(50'166)		
Call HSBC Holding PLC				(34'646)
Call Julius Baer Holding AG				(28'000)
Call SMI Index CHF 7500/18.09.06/1 Call/10 IDX				(200'000)
Call SMI Index CHF 7600/18.09.06/1 Call/10 IDX				(216'333)
Call SMI Index CHF 7700/18.09.06/1 Call/10 IDX				(200'000)
Call SMI Index CHF 8300/18.12.06/1 Call/10 IDX				(400'000)
Call UBS AG				(74'100)
Call Unicredito Italiano	(100)	(77'730)		
Call CS Group				(121'700)
Call Euronext NV				(104'927)
Call HSBC Holdings PLC				(27'608)

Swiss francs								
Reductions	Realised gains / (losses) net of FX	Realised FX gains / (losses)	Unrealised gains / (losses) net of FX	Unrealised FX gains / (losses)	Dividends/ capital reductions	Fair value at	Stock price (closing) in local currency at	
Twelve month period to 31 December 2006						31 December 2006	31 December 2006	
105'827	(2'364)	2'272				0		
1'002'271	(85'940)	2'084			(1'561)	0		
654'181	35'638	3'183				0		
467'082	9'045	6'648				0		
2'801'024	91'007					0		
1'014'547	56'116	9'607				0		
1'771'478	(78'173)					0		
1'008'220	(23'821)	2'685				0		
954'563	(7'606)	3'352				0		
112'691	3'539	1'647				0		
427'418	27'532	3'103				0		
401'128	(6'652)	2'465				0		
126'479	4'736	1'877				0		
1'458'853	(26'765)	8'804			(8'631)	0		
72'896'853	(3'209'478)	138'504	1'532'496	3'972	(10'192)	0		
	778'248	271'354	1'873'240	3'972				
	(3'987'726)	(132'850)	(340'744)	0				
121'700	(70'700)					0		
106'292	(59'402)	(3)	3'265	14		0		
27'608	7'293	(254)				0		
63'140	(35'140)					0		
702'600	(502'600)					0		
627'000	(410'667)					0		
529'000	(329'000)					0		
334'000	66'000					0		
180'960	(106'860)					0		
63'722	(6'994)	(4)	20'987	18		0		
	121'700					0		
	104'927					0		
	27'608					0		

Consolidated investment table (continued)	Swiss francs			
	Shares at	Fair value at	Shares at	Additions
Investments	1 January 2006	1 January 2006	31 December 2006	
<b>TRADING OPTIONS: (continued)</b>				
Call Julius Baer Hldg AG				(63'140)
Call UBS AG				(180'960)
Call Unicredito Italiano				(63'722)
OTC E-Call Inficon Holding AG			(15'000)	(165'000)
OTC E-Call Saurer AG				(8'660'000)
OTC E-Call Serono SA				4'364'000
OTC E-Put Gurit Holding AG			(10'000)	(310'000)
OTC E-Put Inficon Holding AG			(15'000)	(210'000)
OTC E-Put Saurer AG			(150'000)	(960'000)
OTC E-Put Valora Holding AG			(50'000)	(815'000)
Put SMI Index CHF 7150.--/18.09.06/1 Put/10 IDX				(359'250)
Put SMI Index CHF 7200.--/18.09.06/1 Put/10 IDX				(404'000)
Put SMI Index CHF 7250.--/18.09.06/1 Put/10 IDX				(303'929)
Put SMI Index CHF 7650.--/18.12.06/1 Put /10 IDX				1'020'933
Put SMI Index CHF 8300.--/16.03.07/1 Put /10 IDX			1'250	2'087'500
Put SMI Index CHF 8500.--/18.12.06/1 Put /10 IDX				998'501
Put Wts SMI MID				457'000
Swisslog Holding AG / SLOGO			(1'809'627)	(162'866)
Swisslog Holding AG / SLOTI				(630'000)
Swisslog Holding AG / SLOTI				732'208
<b>Total Trading Options:</b>		<b>(127'896)</b>		<b>(5'086'041)</b>
of which gains				
of which losses				
<b>FORWARDS AND FINANCIAL FUTURES:</b>				
Forward sales USD/CHF		(2'130'422)		
Forward sales EUR/CHF				
Forward purchase EUR/CHF				
Financial Futures				
<b>Total forwards and financial futures:</b>		<b>(2'130'422)</b>	<b>0</b>	<b>0</b>
of which gains				
of which losses				

\* of which 124'237 shares are held in escrow under the Agreement and Plan of Merger by and among Ivanhoe Energy Inc., Ivanhoe Merger Sub, Inc. and

Swiss francs							
Reductions	Realised gains / (losses) net of FX	Realised FX gains / (losses)	Unrealised gains / (losses) net of FX	Unrealised FX gains / (losses)	Dividends/ capital reductions	Fair value at	Stock price (closing) in local currency at
						31 December 2006	31 December 2006
Twelve month period to 31 December 2006							
	63'140					0	
	180'960					0	
7'322	56'415	(15)				0	
			(119'100)			(284'100)	CHF 18.94
17'970'000	(9'310'000)					0	
(4'376'000)	12'000					0	
			308'500			(1'500)	CHF 0.15
			128'550			(81'450)	CHF 5.43
			958'500			(1'500)	CHF 0.01
			234'000			(581'000)	CHF 11.62
	359'250					0	
	404'000					0	
	303'929					0	
	(1'020'933)					0	
			(1'160'000)			927'500	CHF 74.20
(1'000'000)	1'499					0	
(700'000)	243'000					0	
			(18'096)			(180'963)	CHF 0.10
671'410	(41'410)					0	
(751'296)	19'088					0	
<b>14'577'458</b>	<b>(9'922'895)</b>	<b>(276)</b>	<b>356'605</b>	<b>32</b>	<b>0</b>	<b>(203'013)</b>	
	1'970'810	0	1'653'802	32			
	(11'893'705)	(273)	(1'297'196)	0			
			5'224'295			(1'185'791)	
			(404'375)			(244'981)	
			(800)			0	
			4'110			0	
<b>0</b>	<b>0</b>	<b>4'823'230</b>	<b>0</b>	<b>699'650</b>	<b>0</b>	<b>(1'430'772)</b>	
			5'228'405				
			(405'175)				

and Ensyn Group, Inc.; dated as of December 11, 2004

## 5. Shareholders' equity and movements in treasury stock

As of 11 December 2006 the company increased its share capital from CHF 226'630.62 to CHF 317'282.88 with a par value of CHF 0.02 by issuing 4'532'613 new registered shares.

The Board of Directors is authorized to increase at any time until 17 May 2008 the current share capital of CHF 317'282.88 up to an aggregate amount of 339'945.62 by issuing up to 1'133'137 registered shares to be fully paid-in with a par value of CHF 0.02 each.

The share capital could be further increased by an amount not exceeding CHF 113'315.00 through the issue of a maximum of 5'665'750 registered shares to be fully paid-in with a nominal value of CHF 0.02 each through the exercise of conversion or option rights in connection with bonds or similar instruments that may be issued by the Corporation or by its subsidiary or through the exercise of option rights granted to shareholders.

As of 31 December 2006, the Company owned 12'000 own shares. In the previous years the company did not own any own shares.

## 6. Result on trading securities and liabilities and derivatives, net

in CHF	2006	2005
Realized gains – trading securities	37'941'730	18'467'827
Realized (losses) – trading securities	(1'280'117)	(309'211)
Realized currency gains – trading securities	407'691	298'623
<b>Net realized – trading securities</b>	<b>37'069'304</b>	<b>18'457'239</b>
Unrealized gains – trading securities	32'048'691	10'372'442
Unrealized (losses) – trading securities	(8'211'598)	(4'875'463)
Net unrealized currency (losses) / gain – trading securities	(4'289'914)	6'987'985
<b>Net unrealized – trading securities</b>	<b>19'547'179</b>	<b>12'484'964</b>
<b>Total, net - trading securities</b>	<b>56'616'483</b>	<b>30'942'203</b>
Realized gains – trading liabilities	778'248	1'660'084
Realized (losses) – trading liabilities	(3'987'726)	(13'005'704)
Realized currency gains – trading liabilities	138'504	782'086
<b>Net realized – trading liabilities</b>	<b>(3'070'974)</b>	<b>(10'563'534)</b>
Unrealized gains – trading liabilities	1'873'240	5'290'304
Unrealized gain/(losses) – trading liabilities	(340'744)	(567'003)
Unrealized currency gain / (losses) – trading liabilities	3'972	(61'083)
<b>Net unrealized – trading liabilities</b>	<b>1'536'468</b>	<b>4'662'218</b>
<b>Total, net – trading liabilities</b>	<b>(1'534'506)</b>	<b>(5'901'316)</b>

<b>in CHF (continued)</b>	<b>2006</b>	<b>2005</b>
Realized gains – trading options	1'970'810	0
Realized (losses) – trading options	(11'893'705)	(539'000)
Realized currency (losses) – trading options	(276)	0
<b>Net realized – trading options</b>	<b>(9'923'171)</b>	<b>(539'000)</b>
Unrealized gains – trading options	1'653'802	0
Unrealized (losses) – trading options(	1'297'196)	(24'252)
Unrealized currency gains / (losses) – trading options	32	(33)
<b>Net unrealized – trading liabilities</b>	<b>356'638</b>	<b>(24'285)</b>
<b>Total, net – trading options-</b>	<b>(9'566'533)</b>	<b>(563'285)</b>
Realized gains / (losses) – other derivatives	4'819'120	(10'859'545)
Unrealized gains / (losses) – other derivatives	699'650	(1'994'553)
Realized gains – financial futures	4'110	0
<b>Total, net – other derivatives</b>	<b>5'522'880</b>	<b>(12'854'098)</b>
<b>Result on trading securities and liabilities and derivatives, net</b>	<b>51'038'324</b>	<b>11'623'504</b>

## 7. Liquidation of subsidiaries

Sumara Portfolio Ltd. declared a dividend to Sumara AG on 24 January 2006. The dividend was settled by transferring cash, trading securities and liabilities of Sumara Portfolio Ltd. to Sumara AG. The liquidation process of Sumara Portfolio Ltd. was completed on 2 October 2006

## 8. General and administrative expenses

General and administrative expenses consist of:

<b>in CHF</b>	<b>2006</b>	<b>2005</b>
Personnel and office expenses	1'114'996	1'928'615
Legal, accounting and auditing fees	703'208	473'660
Directors fees	25'000	37'697
<b>Total</b>	<b>1'843'204</b>	<b>2'439'972</b>

## 9. Employee benefits

Besides the statutory social security schemes there are independent pension plans or pension insurance policies covering substantially all employees. The Group's contributions to defined contribution plans are charged to the income statement in the period to which the contributions relate. The Group has no defined benefit pension or post-retirement schemes at 31 December 2006. The amount of contributions charged to the income statement for 2006 is CHF 26'777.

## 10. Taxes

Current and deferred income taxes

in CHF 1'000	2006	2005
Total current tax expenses	470	0
Total deferred tax expenses	3'094	0
<b>Total tax expenses for the period</b>	<b>3'564</b>	<b>0</b>

### Analysis of deferred tax liabilities

	Carrying Amount	Tax Base	Temporary Difference
Trading Securities	249'448	211'418	38'030
Trading Liabilities	(950)	(2'579)	1'630
<b>Total temporary differences</b>	<b>248'498</b>	<b>208'839</b>	<b>39'659</b>
Deferred tax liability at deferred tax rate 7.8%			3'094

Because of the uncertainty of market movements an exact estimate concerning future profits was not possible in the past. As a result, deferred tax assets were not capitalized to the extent of the existing and anytime realizable temporary differences respectively settled with the deferred taxes on the liabilities side.

Due to the fact that the accumulated losses from previous years were fully compensated in 2006 the Group recognized deferred tax liabilities on the realizable temporary differences as of 31 December 2006.

### Analysis of tax expenses and tax rate

The main elements contributing to the difference between the Group's overall expected tax expenses/rate (the weighted average tax rate based on the income before tax of each subsidiary) the effective tax rate are:

in CHF 1'000	2006
Earnings before tax (EBT)	44'855
Current year applicable tax rate	4.4%
Expected tax expense	(1'959)
Use of previously unused tax losses	1'489
First-time recognition of deferred tax expenses	
- on timing difference before 2006	(1'445)
- on timing difference in 2006	(1'649)
Other effects	
<b>TOTAL tax expense</b>	<b>(3'564)</b>
Effective tax rate	7.8%

Compared to prior years the Group incurred income taxes due to the fact that the remaining accumulated losses of CHF 18.3 million as of 31 December 2005 from previous years were not sufficient to offset this years income. Hence income taxes of CHF 470'000 have been expensed for the year ended 2006. The accrual of deferred tax liability of CHF 3'094'000 has a negativ effect on the net asset value of 1.14% as per 31 December 2006.

### 11. Per share data

Earnings per share are calculated using the adjusted weighted average number of shares outstanding, while the net asset value is calculated using the adjusted number of shares outstanding at year end.

<b>in CHF</b>	<b>2006</b>	<b>2005</b>
Net profit	41'291'256	14'215'583
Weighted average number of outstanding shares, adjusted	11'708'249	9'222'607
<b>Net earnings per share in CHF, adjusted (undiluted and diluted)</b>	<b>3.53</b>	<b>1.54</b>

### 12. Contingent liabilities and commitments

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

### 13. Credit agreements

On 15 February 2003 the Company has entered into a general banking and securities lending agreement with Bank Julius Baer & Co. AG, Zurich. Under this agreement, advances made or securities loaned to the Company are secured by a pledge on assets of the Company held by Bank Julius Baer & Co. AG, Zurich. Substantially all assets of the Company are held in custody by Bank Julius Baer & Co. AG, Zurich. Carrying amount of financial assets pledged as collateral for liabilities are CHF 1'164'983 (2005: 0)

The bank overdraft amounting to CHF19'437'025 is mainly composed by the following amount:

<b>Amount</b>	<b>Currency</b>	<b>in CHF</b>	<b>Maturity</b>	<b>Interest</b>
19'300'000	CHF	19'300'000	16.02.2007	2.3%

#### 14. Significant shareholders

To the best knowledge of the Company the following shareholders held a participation exceeding 5% of the share capital of the Company on 31 December

Number of shares (percentage)	2006	2005
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##### **Fabrel AG**

Seestrasse 50, 6052 Hergiswil,

(beneficial owner is

Hans Müller, 6052 Hergiswil)	3'500'000 (22.06%)	2'500'000 (22.06%)
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##### **Trinsic AG**

Artherstrasse 21, 6300 Zug,

(beneficial owners are

Daniel Sauter, 6300 Zug and

Michel Vukotic, 8706 Meilen)	1'946'236 (12.27%)	1'465'609 (12.93%)
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#### 15. Related party transactions and share based payments

Apart from the remuneration of the Board of Directors there were no other related party transactions in 2006. The remuneration of the Board of Directors amounts to CHF 744'078 including a share based payment of CHF 209'000. In December 2006, the Company allocated 12'000 treasury shares of Alpine Select AG to an executive member of the Board of Directors. Settlement will be performed in 2007. There are neither restrictions nor conditions for this settlement. Expenses measured at fair value and amounting to CHF 209'000 are recognized in general and administrative expenses and in a corresponding increase in equity. As of 31 December 2006 two members of the Board of Directors, Daniel Sauter and Hans Müller owned directly or indirectly more than 5% of the shares of the Company.

#### 16. Subsequent events

There are no subsequent events to report.

# Report of the group auditors to the General Meeting of Alpine Select AG, Zug

Zurich, 20 April, 2007

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in equity, statement of cash flows and notes/pages 22 to 50) of Alpine Select AG, Zug for the year ended 31 December, 2006.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and in accordance with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with the International Financial Reporting Standards (IFRS) and comply with the accounting provisions of the Additional Rules for Listing of Investment Companies of SWX Swiss Exchange as well as with Swiss law.

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

Ernst & Young Ltd

Cataldo Castagna  
Swiss Certified Accountant  
(in charge of the audit)

Roland Huwiler  
Swiss Certified Accountant

# Statutory financial statements

<b>Balance sheet at 31 December</b>		
<b>in CHF</b>	<b>2006</b>	<b>2005</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	51'930'874	1'222'637
Trading securities	137'093'793	115'717'149
Trading options	927'500	0
Other current assets	1'816'237	5'138'804
Own shares	209'426	0
<b>Total current assets</b>	<b>191'977'830</b>	<b>122'078'590</b>
<b>Long term assets</b>		
Furniture and equipment, net	40'179	46'873
Participation	69'055'306	69'055'306
<b>TOTAL ASSETS</b>	<b>261'073'315</b>	<b>191'180'769</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Bank overdraft	19'436'975	30'581'353
Trading securities	0	8'505'084
Trading options	2'579'101	127'897
Other derivative financial instruments	888'021	2'130'422
Accounts payable and accrued liabilities	2'309'577	1'203'875
<b>Total current liabilities</b>	<b>25'213'674</b>	<b>42'548'631</b>
<b>Shareholders' equity</b>		
Share capital	317'283	226'631
Legal reserves	91'829'938	91'829'938
Additional paid-in capital	67'689'116	0
Reserve for own shares	209'426	0
Retained earnings	56'575'569	47'356'892
Net profit of the year	19'238'309	9'218'677
<b>Total shareholders' equity</b>	<b>235'859'641</b>	<b>148'632'138</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>261'073'315</b>	<b>191'180'769</b>

<b>Income statement for the year ended 31 December</b>		
<b>in CHF</b>	<b>2006</b>	<b>2005</b>
<b>OPERATING INCOME</b>		
Realized gains on own shares	59'027	21'785
Net realized gains on securities and securities sold short	33'531'199	22'539'170
Net realized (losses) on derivative financial instruments	(8'346'321)	(12'854'098)
Other income	258'818	250'606
Interest (expenses), net	(568'984)	(98'570)
Dividend income	870'329	1'423'370
Foreign exchange (losses) / gains	(1'586'877)	2'508'194
<b>Total operating income</b>	<b>24'217'191</b>	<b>13'790'457</b>
<b>OPERATING EXPENSES</b>		
General and administrative expenses	2'664'516	2'105'083
Commissions and other bank fees	1'796'577	1'901'999
Other costs	0	558'000
Depreciation	6'694	6'698
<b>Total operating expenses</b>	<b>4'467'787</b>	<b>4'571'780</b>
<b>Net profit before taxes</b>	<b>19'749'404</b>	<b>9'218'677</b>
Taxes	511'095	0
<b>Net profit after taxes</b>	<b>19'238'309</b>	<b>9'218'677</b>

# Notes to the statutory financial statements

## 1. Share capital

On 11 December 2006 the share capital was increased by the issuance of 4'532'613 shares with a par value of CHF 0.02 each. The share capital of the Company as of 31 December 2006 amounted to CHF 317'282.88 and is divided into 15'864'144 registered shares with a par value of CHF 0.02 per share. The share capital is fully paid-in. 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. There are no participation certificates.

The shares are listed on the SWX Swiss Exchange and are traded in Swiss francs (symbol: ALPN; SSN: 1.919.955; ISIN: CH 0019199550).

## 2. Authorized share capital

The Board of Directors is authorized to increase the share capital at any time until 17 May 2008 by an amount not exceeding CHF 22'662.74.

## 3. Conditional share capital

The share capital could be increased by an amount not exceeding CHF 113'315.00.

## 4. Participation

As of 31 December 2006 Alpine Select AG owns, unchanged to prior year, 100% of Sumara AG, Zug, an investment company with a share capital of CHF 1'306'230.

## 5. Own shares

Statement of changes in own shares	Quantity	Rate*	CHF
Balance as of 31 December 2005	0	0	0
Own shares in connection with the capital increase in December 2006	119'422	17.45	2'084'198
Sale of own shares in December 2006	(107'422)	17.45	-1'874'772
Balance as of 31 December 2006	12'000	17.45	209'426

\* The rate refers to the purchase price

## 6. Significant shareholders

To the best knowledge of the Company the following shareholders held a participation exceeding 5% of the share capital of the Company on 31 December

Number of shares (percentage)	2006	2005
-------------------------------	------	------

### Fabrel AG

Seestrasse 50, 6052 Hergiswil,

(beneficial owner is

Hans Müller, 6052 Hergiswil)	3'500'000 (22.06%)	2'500'000 (22.06%)
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### Trinsic AG

Artherstrasse 21, 6300 Zug,

(beneficial owners are

Daniel Sauter, 6300 Zug and

Michel Vukotic, 8706 Meilen)	1'946'236 (12.27%)	1'465'609 (12.93%)
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## 7. Investments

Trading securities and trading options are recorded at the lower of cost or market.

Trading liabilities and trading options short are recorded at the higher of cost or market.

## 8. Fire insurance on tangible fixed assets

in CHF	2006	2005
	80'000	80'000

Proposed appropriation  
of available earnings as of 31 December 2006  
(Proposal of the Board of Directors)

<b>in CHF</b>	<b>2006</b>	<b>2005</b>
Retained earnings at beginning of the year	56'575'569	47'356'892
Net profit for the year	19'238'309	9'218'677
Retained earnings at end of year	75'813'878	56'575'569
<b>Proposal of the Board of Directors</b>		
Earnings carried forward	75'813'878	56'575'569

# Report of the statutory auditors to the General Meeting of Alpine Select AG, Zug

Zurich, 20 April, 2007

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 52 to 56) of Alpine Select AG for the year ended 31 December, 2006.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

Cataldo Castagna  
Swiss Certified Accountant  
(in charge of the audit)

Roland Huwiler  
Swiss Certified Accountant





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

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# ALPINE SELECT

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