

Semi-Annual Report  
**June 2011**



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## Dear Shareholder

The first half year posed some further challenges to the financial markets and to the listed private equity segment in particular. The consolidation in the listed private equity segment was further progressing and several peers saw themselves faced with opposing shareholders or tender offers at prices only slightly above current levels.

In that context we are pleased to report that shaPE weathered the first half of 2011 fairly well. Over the first six months of the year, the NAV moved from CHF 186.64 per share to CHF 168.66. Considering the cash distribution of CHF 25 per share in May, this translates into a NAV per share increase of slightly more than 4%. While the underlying portfolio funds generated strong returns in local currencies, the further strengthening of the Swiss Franc versus USD, EUR and GBP, the main investment currencies, unfortunately weighed on investment returns. On the other hand the share price – again after consideration of the cash distribution – advanced significantly by 30% over the first six months. Although we had started into the year with a discount of almost 40%, the discount reduced to 28% over the first half year. We interpret this further narrowing of the discount as a sign of our shareholders' endorsement of our execution of the realization strategy.

Announced in fall 2009, the realization strategy of shaPE rests on two main pillars: The first pillar is to discontinue new investments, to harvest the portfolio and ultimately over time to distribute cash and therefore the intrinsic value of the portfolio to the shareholders. The second pillar is to minimize costs, in particular management fee, which accounts for the bulk of the costs. With a management fee of 1% on invested assets (net of cash), shaPE probably operates at approximately half of the fee level of many peers.

Over the first half of 2011 we have reached several important milestones. Most notably, the above mentioned distribution of CHF 25 per share marked the first significant cash return to all shareholders. Besides this return of cash to all shareholders shaPE continued its share buyback activity and was able to execute a share capital reduction of 170'000 shares or 20% of share capital, the maximum amount approved by shareholders. As share buybacks continue to be a core element of returning value to shareholders a new successor program was started in July. Taking together the cash distribution and treasury share purchases shaPE returned almost CHF 30 million or approximately one-fifth of the beginning period NAV back to shareholders over the first half of 2011.

Two years into our realization strategy, we are pleased to see that market participants share our beliefs and honor our proactive decision to put shaPE into the realization mode. Having done so has enabled us to carefully select the right elements of the execution of the strategy and to diligently apply these elements over time. The alternative of being forced to do so under pressure by definition tends to come too late and with suboptimal results in our view.

Finally we would like to remind you that it will take a considerable time to harvest the intrinsic value of shaPE's investment portfolio. Furthermore, the most recent episode of the global debt crisis and its associated financial market turbulences have been a striking reminder that the world remains fragile and volatile. Also, with the now significantly lower

discount the share price of shaPE is not immune from market turbulences. While the further strengthening of the Swiss Franc versus the main investment currencies induces clearly calculable negative implications for the NAV of shaPE, the other consequences such as a temporary shut-down of the IPO window in the short term or – much more severely – a deterioration in the real economy in the US and Europe, where shaPE has its main exposure, are thus far ambiguous, but could potentially bring unpleasant headwinds.

We would like once more to take this opportunity to thank you for your continued trust and patience.

Yours sincerely,



Beat Buehlmann  
*Chairman*



Simon Lamprecht  
*General Manager*

## Summary of Key Results

Key metrics	30.06.11	31.12.2010 <sup>1</sup>	Change	
			Absolut	%
NAV per share (CHF)	168.66	161.64	7.02	4.3 %
Closing stock price (CHF)	121.00	93.11	27.89	30.0 %
Discount to NAV	(28.3%)	(42.4%)	14.1 %	–
Total equity (CHFm)	109.0	122.2	-13.2	-10.8 %
Net current assets (CHFm)	5.3	3.9	1.4	36.8 %
Total investments (CHFm)	103.7	118.3	-14.6	-12.4 %
Unfunded commitments (CHFm)	24.5	37.1	-12.6	-33.9 %
<b>Asset allocation by geography<sup>2</sup></b>				
Americas	35 %	33 %	2 %	–
Europe	40 %	44 %	-4 %	–
Rest of World	25 %	23 %	2 %	–
<b>Asset allocation by investment stage<sup>2</sup></b>				
Large buyouts	9 %	8 %	1 %	–
Small and mid-sized buyouts	55 %	59 %	-4 %	–
Growth capital	7 %	6 %	1 %	–
Venture capital	21 %	20 %	1 %	–
Special situations	8 %	7 %	1 %	–
<b>Currency exposure<sup>3</sup></b>				
CHF	2 %	3 %	-1 %	–
USD	64 %	62 %	2 %	–
EUR	28 %	30 %	-2 %	–
GBP	6 %	5 %	1 %	–
<b>Exchange rates</b>				
USD / CHF	0.8401	0.9335	-0.0934	-10.0 %
EUR / CHF	1.2185	1.2486	-0.0301	-2.4 %

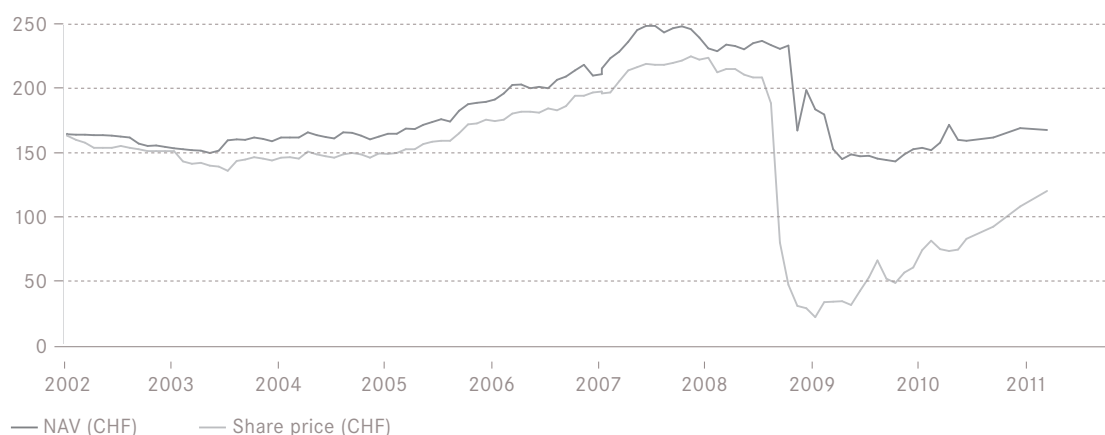
<sup>1</sup> 2010 figures adjusted for distribution of general legal reserves from capital contributions in May 2011

<sup>2</sup> Fair value plus unfunded commitments

<sup>3</sup> Percent of total equity

### Performance since inception (31 Dec 2001)\*

\* Chart adjusted for distribution of general legal reserves from capital contributions in May 2011.



## A Brief Portrait

shaPE is a SIX Swiss Exchange-listed investment company with exposure to a global private equity portfolio built over the past years. In 2009 shaPE decided to initiate a realization strategy with the ultimate goal of returning the intrinsic value of the current portfolio to its shareholders. Under this realization strategy shaPE does not make any new commitments to private equity funds, but focuses on harvesting the value of the current portfolio over the coming years.

shaPE is a stock company under Swiss law. It is based in Freienbach SZ and benefits from the status of a holding company in Switzerland. The company's investments are held via a subsidiary company in the Cayman Islands. Julius Baer Bank & Trust Company Ltd. is entrusted with the investment management and Augentius Fund Administration LLP, London with the administration.

In light of the realization strategy, shaPE has implemented a fee model as follows:

- |  |     |
|--|-----|
| – Management fee   | 1 % |
| <i>p.a. based on NAV minus cash holdings of the subsidiary</i> |     |
| – Distribution fee   | 2 % |
| <i>on distributions paid out to shareholders of shaPE</i>      |     |

## Management Report

### Market Review and Outlook

With hindsight 2010 can definitely be considered as the revival year for private equity in terms of deal activity but particularly in terms of realizations through the full range of exit channels such as trade sales, IPOs and recapitalizations. This trend continued in the first few months of 2011 although market participants have since turned more cautious.

As evident in the investment portfolio of shaPE, the private equity industry experienced strong valuation increases over the first six months of 2011. While the increases were in many cases driven by improved portfolio company fundamentals, they were also a function of higher year-end valuations following the strong stock market performance in 2010 as well as the exits that were achieved above book values.

While for buyouts particularly trade sales to strategic buyers celebrated an encouraging comeback, the IPO market saw exits by both private equity backed companies and VC backed companies. For the first time since over a decade VC backed companies generated a strong series of multiple home runs, in some cases even reminding people of the surge preceding the dot-com bubble. As several more announced exits are awaiting their closing and several IPOs will reach the end of their lock-up period we expect cash flows to investors to continue over the second half of the year despite the continued uncertainty that weighs on financial markets. As equity markets had a weak start into the third quarter, we have however to expect that exits

might over the coming few months be made at lower than previously anticipated valuations. In addition, after several quarters with increasing valuations reported by the underlying funds, we might now face an upcoming period with write-downs reported by the underlying funds.

Supported by readily available debt structures, new deal activity continued unabated during the first half of 2011. Besides the reopened debt markets the above mentioned exit activity supported the deal activity as it allowed general partners (GPs) to return cash to their limited partners who in turn were more willing to finance new deals. Whether this regained confidence ultimately translates into fundraising for follow-on private equity funds remains to be seen. Although a few high profile GPs are again able to wrap funds in ultra-short oversubscribed exercises the average time-to-market is still long and overall volumes are still substantially off their previous peak levels. Furthermore, although many private equity firms had at first sight weathered the financial crisis of 2008 pretty well, the moment of truth will come with their next fundraising campaign. As a lot of GPs will have

to return to the fundraising markets in 2011 and 2012 this moment is imminent and according to a survey done by secondary market specialist Collier Capital, one in five GPs is expected to eventually vanish as a consequence of not being able to raise a new fund over the coming years.

The secondary market for LP interests is of high importance for shaPE and the market was tested several times in fund disposal exercises. While pricing had already improved substantially in 2010 and only slightly increased further in 2011, transaction volumes surged as several large transactions were closed with predominantly financial institutions selling. As a result, the first six months of 2011 turned out to be the most active six-months period ever for private equity secondary markets. Overall this market has greatly matured and became quite competitive. As a lot of earmarked secondary capital still remains to be invested and further capital continues to be raised, we expect pricing for quality assets to remain stable.

### **NAV, share price and portfolio development**

Despite a challenging overall market environment the positive trends emerging in the private equity sector throughout 2010 continued over the first half year 2011. Improved fundamentals in portfolio companies were mirrored in rising valuations. The investment portfolio showed a healthy increase by 8.3% over the first half year when measured in original currencies. Unfortunately the continued appreciation of the Swiss Franc against the major investee currencies of USD (-10.0%), EUR (-2.4%) once more almost offset the appreciation.

The chart on page 10 illustrates the breakdown of the NAV change over the first half year 2011. Total equity or net asset value (NAV) decreased from CHF 139.1 million to CHF 109.0 million over the period. However, the change is heavily distorted by the CHF 16.9 million (CHF 25 per share) cash distribution to shareholders out of general legal reserves from capital contributions. Adjusted for this CHF 16.9 million cash distribution to shareholders the NAV decreased by CHF 13.1 million (-10.3%) whereof CHF 12.4 million relates to purchases of treasury shares conducted over the first half year. As a result of these share buybacks and restated for the CHF 25 per share cash distribution the NAV *per share* actually increased by 4.3% from CHF 161.64 (restated for CHF 25 per share distribution) to CHF 168.66.

Over the first half year 98'965 treasury shares were bought. As of 30 June the company held 203'557 treasury shares representing 23.9% of share capital. Thereof 170'000 of shares have been cancelled as per shareholders' resolution at the beginning of the third quarter resulting in a new share capital of 680'000 shares.

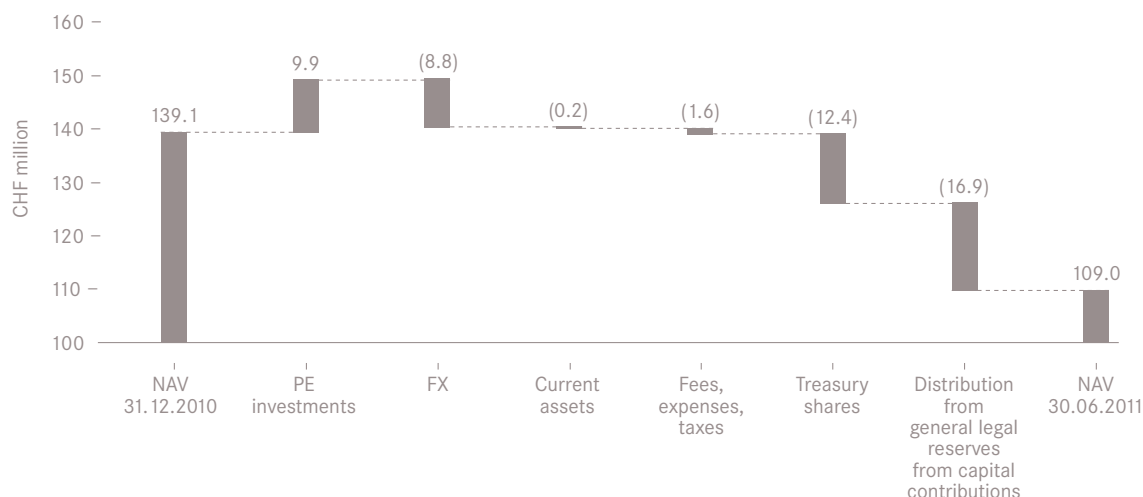
Throughout the first half year three further secondary sales were conducted. Unfunded commitments were further reduced by CHF 12.6 million to CHF 24.5 million over the first half year. With net cash of CHF 5.3 million and the available CHF 12 million credit line the commitment coverage remains at a comfortable 70.6%. The investment portfolio today is left with only a few funds that still carry a significant portion of unfunded commitments that will be called over the coming quarters and years. A significant part of the reported unfunded commitments lies with funds that

either only engage in follow-on investments or with funds whose investment period has elapsed and the remaining unfunded commitment is merely of technical nature and to a large extent will not be called at all.

The more mature portfolio benefited from the revitalized exit markets. Over the first half year shaPE received distributions of CHF 12.9 million and paid out capital calls in the amount of CHF 3.3 million, a marked accentuation of the relations in 2010 when throughout the whole year CHF 17.7 million distributions (H1 2010: CHF 3.7 million) compared to CHF 16.6 million capital calls (H1 2010: CHF 6.4 million).

On 30 June the share price stood at CHF 121.00, representing an increase of CHF 27.89 or +30.0% over the first half year on a restated basis. Compared to the NAV per share of CHF 168.66 the share traded at a discount of 28%, again significantly less than the 42% prevailing at the beginning of the year.

**Breakdown of NAV change**





## Condensed Semi-Annual Financial Statements

### Consolidated Statement of Financial Position

(Amounts in TCHF)	Notes	30.06.2011 Unaudited	31.12.2010 Audited
<b>Assets</b>			
Cash and cash equivalents		6'108	21'898
Loans and receivables		43	12
<i>Current assets</i>		<i>6'151</i>	<i>21'910</i>
Investments at fair value through profit or loss - designated	5	103'704	118'348
<i>Non-current assets</i>		<i>103'704</i>	<i>118'348</i>
<b>Total assets</b>		<b>109'855</b>	<b>140'258</b>
<b>Liabilities and shareholders' equity</b>			
Payables and other short-term liabilities		823	1'134
<i>Current liabilities</i>		<i>823</i>	<i>1'134</i>
Share capital paid-in	6	85'000	85'000
Less treasury shares	6	(21'222)	(8'802)
Share premium		78'537	95'452
Accumulated income / (loss) carried forward		(32'526)	(36'385)
Net income / (loss) for the period		(757)	(3'859)
<i>Shareholders' equity</i>		<i>109'032</i>	<i>139'124</i>
<b>Total liabilities and shareholders' equity</b>		<b>109'855</b>	<b>140'258</b>
Number of shares outstanding at balance sheet date	6	646'443	745'408
Net asset value per share		168.66	186.64

The selected explanatory notes on pages 16 to 28 are an integral part of these condensed semi-annual financial statements.

## Consolidated Statement of Comprehensive Income

(Amounts in TCHF)	Notes	01.01.2011 - 30.06.2011 Unaudited	01.01.2010 - 30.06.2010 Unaudited
<b>Operating income</b>			
Realized gains / (losses) on investments, net	5	3'454	(10'191)
Change in unrealized gains / (losses) on investments, net	5	(2'669)	14'941
Dividend- and interest income from investments	5	286	660
<i>Income / (loss) from investments at fair value through profit or loss - designated</i>		<i>1'071</i>	<i>5'410</i>
Interest income from current assets		1	3
Gain / (loss) on foreign exchange, net		(230)	126
<i>Income / (loss) from current assets</i>		<i>(229)</i>	<i>129</i>
<b>Operating expenses</b>			
Management, advisory and distribution fees	7	(1'084)	(766)
Other expenses		(226)	(370)
<i>Operating expenses</i>		<i>(1'310)</i>	<i>(1'136)</i>
<b>Financing costs</b>			
Bank charges and commissions		(65)	(62)
<i>Financing costs</i>		<i>(65)</i>	<i>(62)</i>
<b>Net income / (loss) before tax</b>		<b>(533)</b>	<b>4'341</b>
Tax (capital tax / withholding tax)		(224)	(301)
<b>Net income / (loss) for the period</b>		<b>(757)</b>	<b>4'040</b>
<b>Other comprehensive income for the period</b>		<b>0</b>	<b>0</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>(757)</b>	<b>4'040</b>
Weighted average number of shares outstanding during period		695'926	795'294
Basic earnings per share (CHF)		(1.09)	5.08
Diluted earnings per share (CHF)		(1.09)	5.08

The selected explanatory notes on pages 16 to 28 are an integral part of these condensed semi-annual financial statements.

## Consolidated Statement of Cash Flow

(Amounts in TCHF)	Notes	01.01.2011- 30.06.2011 Unaudited	01.01.2010 - 30.06.2010 Unaudited
<b>Cash flow from operating activities</b>			
Purchase of investments	5	(4'898)	(7'346)
Sale proceeds and capital distributions received from investments	5	20'328	10'276
Dividends received from investments	5	222	134
Interest received from investments	5	63	526
Interest received from current assets		0	3
Operating expenses paid		(1'888)	(1'202)
Interest paid		0	(1)
<i>Cash flow from operating activities</i>		<i>13'827</i>	<i>2'390</i>
<b>Cash flow from financing activities</b>			
Purchase of treasury shares	6	(12'571)	(6'139)
Sale of treasury shares	6	107	0
Distribution of general legal reserves from capital contributions		(16'926)	0
<i>Cash flow from financing activities</i>		<i>(29'390)</i>	<i>(6'139)</i>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(15'563)</b>	<b>(3'749)</b>
Balance of cash and cash equivalents at beginning of period		21'898	8'001
Foreign exchange differences on cash and cash equivalents		(227)	126
<b>Balance of cash and cash equivalents at end of period</b>		<b>6'108</b>	<b>4'378</b>

The selected explanatory notes on pages 16 to 28 are an integral part of these condensed semi-annual financial statements.

## Consolidated Statement of Changes in Equity

(Amounts in TCHF)	Notes	Share capital paid-in	Share premium	Less treasury shares	Retained earnings	Total
<b>Opening balance 01.01.2010</b>		<b>85'000</b>	<b>95'415</b>	<b>(682)</b>	<b>(36'385)</b>	<b>143'348</b>
Net income / (loss) for the period					3'859	3'859
<i>Total comprehensive income / (loss) recognized in equity</i>					3'859	3'859
Purchase of treasury shares	6			(8'516)		(8'516)
Sale of treasury shares	6		37	396		433
<b>Closing balance 31.12.2010</b>		<b>85'000</b>	<b>95'452</b>	<b>(8'802)</b>	<b>(32'526)</b>	<b>139'124</b>
Net income / (loss) for the period					(757)	(757)
<i>Total comprehensive income / (loss) recognized in equity</i>					(757)	(757)
Purchase of treasury shares	6			(12'517)		(12'517)
Sale of treasury shares	6		11	97		108
Distribution of general legal reserves from capital contributions			(16'926)			(16'926)
<b>Closing balance 30.06.2011</b>		<b>85'000</b>	<b>78'537</b>	<b>(21'222)</b>	<b>(33'283)</b>	<b>109'032</b>

The selected explanatory notes on pages 16 to 28 are an integral part of these condensed semi-annual financial statements.

# Selected Explanatory Notes to the Condensed Semi-Annual Financial Statements

## 1 Organization and business activity

shaPE Capital AG (the “Company”) is an investment company which provides access to a diversified portfolio of private equity investments. The Company was incorporated under the laws of Switzerland on 17 September 2001 and has its head office in Freienbach, Wolleraustrasse 41a with the status of a holding company. The investment activities of the Company are conducted by the wholly-owned subsidiary shaPE Capital (Cayman) Ltd. (the “Subsidiary”, together with the Company the “Group”) in the Cayman Islands. The investment activities of the Subsidiary are supported by Julius Baer Bank and Trust Company Ltd. (the “Investment Manager”), located in the

Cayman Islands. As per 31 December 2010 the Company had two part time mandated direct employees (see also Note 7).

The shares of the Company are listed on the SIX Swiss Exchange under the ticker symbol “SHPN”. On 16 September 2009, the Company announced a realization strategy under which no new investments (i.e. commitments to private equity partnerships) will be made and that the existing portfolio will be realized over time.



## **2 Accounting policies and valuation principles**

### **2.1 Basis of preparation**

This condensed consolidated interim financial information of the Group for the six months ended 30 June 2011 has been prepared in accordance with IAS 34, 'Interim financial reporting' and complies with Swiss Law and the accounting guidelines laid down in the Listing Rules and the Directive on Financial Reporting (DFR) of the SIX Swiss Exchange. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2010, which have been prepared in accordance with IFRSs.

The board of directors of the Company approved this condensed consolidated interim financial information on 24 August 2011.

The accounting policies applied for the condensed consolidated interim financial information correspond to those of the audited consolidated financial statements 2010 as presented in the annual report 2010, except for the changes discussed below.

### **2.2 Standards, interpretations and amendments to published standards**

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2011:

- IAS 24 (revised) 'Related party disclosures' (effective 1 January 2011)
- Amendments IAS 32 Financial instruments: Presentation on classification of rights issues. (effective 1 February 2010)
- Amendment to IFRS 1, First time adoption on financial instrument disclosures (effective 1 July 2010)
- Amendment to IFRIC 14, 'Pre-payments of a Minimum Funding Requirement' (effective January 2011)
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective 1 July 2010)
- Annual Improvements 2010 (effective 1 January 2011)

The changes to these standards and interpretations had no impact on the financial statements of the Group.

The following standards, amendments and interpretations to published standards are mandatory for the Group's accounting periods beginning after 1 January 2011 or later periods, but the Group has not early adopted them:

- IFRS 9, 'Financial instruments' (effective 1 January 2013)
- IFRS 10, 'Consolidated financial statements' (effective 1 January 2013)
- IFRS 11, 'Joint arrangements' (effective 1 January 2013)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1 January 2013)
- IFRS 13, 'Fair value measurement' (effective 1 January 2013)
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1 January 2013)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1 January 2013)
- Amendment to IAS 19 'Employee benefits' (effective 1 January 2013)
- Amendment to IFRS 7, 'Financial instruments: Disclosures' (effective 1 July 2011)
- Amendment to IFRS 1 on hyperinflation and fixed dates (effective 1 July 2011)
- Amendment to IAS 12, 'Income taxes' on deferred tax (effective 1 January 2012)
- Amendment to IAS 1, 'Presentation of financial statements' on OCI (effective 1 July 2012)

While the group is yet to assess the full impact of IFRS 9, the Group assessed the impact of the remaining above mentioned amended and new standards and concluded that they will not materially affect the Group's results of operations or financial position.

### 2.3 Use of estimates

The preparation of financial statements in conformity with IFRS 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 period. Actual results could differ from those estimates. For further disclosures refer to note 4.

### 2.4 Segment reporting

The Group has defined one sole operating segment 'private equity investments'. Within the segment assets and investment income are further broken down according to the geographic focus of the underlying investee funds.

The geographical analysis of investments is as follows:

<b>Investments</b>	<b>30.06.2011</b>	<b>31.12.2010</b>
(Amounts in TCHF)		
Americas	40'333	45'118
Europe	38'388	46'861
<i>Thereof Switzerland</i>	<i>0</i>	<i>0</i>
Rest of World	24'983	26'369
<b>Total</b>	<b>103'704</b>	<b>118'348</b>

The geographical analysis of investment income is as follows:

#### **Income / (loss) from investments at fair value through profit or loss - designated**

	<b>01.01.2011- 30.06.2011</b>	<b>01.01.2010- 30.06.2010</b>
(Amounts in TCHF)		
Americas	(194)	4'225
Europe	1'324	(1'178)
<i>Thereof Switzerland</i>	<i>0</i>	<i>0</i>
Rest of World	(59)	2'363
<b>Total</b>	<b>1'071</b>	<b>5'410</b>

### 3 Financial risk management

#### 3.1 Disclosures about fair value of financial instruments

IFRS 7 established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques. Observable inputs such as quoted prices in active markets have the highest priority (Level I), whereas inputs requiring a higher degree of judgment used in measuring fair value have the lowest priority (Level III). Accordingly, the investments of the Group are classified and disclosed in one of the following three categories:

Level I – Financial instruments quoted in an active market.

Level II – Financial instruments whose fair value is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

Level III – Financial instruments whose fair value is determined in whole or in part using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument (i.e. without modification or repackaging) and not based on available observable market data.

In determining the fair value of its unquoted private equity investments (“unlisted investments”), the Group relies on the valuation as reported in the latest available financial statements and/or capital account statements provided by the fund manager, unless the investment manager or the board of directors are aware of reasons that such a valuation may not be the best approximation of fair value. In such cases the Group reserves the right to assign a fair value to such investment which differs from the one reported.

The following table summarizes the valuation of the investments of the Group as of 30 June 2011 by fair value hierarchy level.

At 30 June 2011	Level I	Level II	Level III	Total
(Amounts in TCHF)				
Investments at fair value through profit or loss - designated	0	0	103'704	103'704
<b>Total financial instruments measured at fair value</b>	<b>0</b>	<b>0</b>	<b>103'704</b>	<b>103'704</b>

At 31 December 2010	Level I	Level II	Level III	Total
(Amounts in TCHF)				
Investments at fair value through profit or loss - designated	0	0	118'348	118'348
<b>Total financial instruments measured at fair value</b>	<b>0</b>	<b>0</b>	<b>118'348</b>	<b>118'348</b>

The Group has determined that unquoted private equity investments (“unlisted investments”) as detailed in note 5 fall into the category Level III according to IFRS 7 while investments in listed private equity companies are valued according to the latest available bid price reported by Reuters. The financial statements at 30 June 2011 include Level III financial assets in the amount of TCHF 103’704, representing approximately 95 % of shareholders’ equity (31 December 2010: TCHF 118’348 and 85 %).

The changes in investments measured at fair value for which the Company has used Level III inputs to determine fair value as per 30 June 2011, are as follows:

(Amounts in TCHF)	01.01.2011- 30.06.2011	01.01.2010- 30.06.2010
Fair value of Level III investments at beginning of period	118’348	130’320
Total funding provided to Level III investments	4’898	7’346
Total distributions and sale proceeds from Level III investments	(20’614)	(6’303)
Total realized gains / (losses) from Level III investments	3’740	(1’422)
Total change in unrealized gains / (losses) from Level III investments	(2’668)	6’017
<b>Fair value of Level III investments at the end of period</b>	<b>103’704</b>	<b>135’958</b>

### 3.2 Liquidity risk

As per 30 June 2011 the unfunded commitments towards underlying partnerships which are callable at any time upon identification of an investment during the specified investment period amounted to TCHF 24’524 or 22 % of shareholders’ equity (31 December 2010: TCHF 37’077 or 28 %). While it is expected that these unfunded commitments will be covered by the existing stock of cash as well as by distributions from the more mature investments, the Group is exposed to a potential cash shortfall, should capital drawdowns from partnerships exceed cash and cash equivalents at a specific point in time.

The table below shows the breakdown of the Group's net liquidity exposure on contracted, undiscounted cash flows.

The liquidity risk arising out of the unfunded commitments is managed through the use of quantitative models. The models are reviewed by management on a quarterly basis and adjusted for changes in the investment portfolio and actual market developments. As explained in note 8 the Group has access to a CHF 12 million credit facility to cover a temporary cash shortfall. Furthermore possibilities to manage a potential liquidity imbalance include the disposal of partnership interests in the secondary market, the sale of treasury shares or a share capital increase.

(Amounts in TCHF)	<b>30.06.2011</b>	<b>31.12.2010</b>
	Due/realizable within three months	Due/realizable within three months
Unfunded commitments	24'524	37'077
Payables and other short-term liabilities	823	1'134
Total unfunded commitments and payables	25'347	38'211
Cash and cash equivalents	6'108	21'898
Unutilized credit line	12'000	12'000
Total cash and available credit line	18'108	33'898
<b>Net liquidity exposure</b>	<b>7'239</b>	<b>4'313</b>

## **4 Critical accounting estimates**

### **4.1 Fair value estimates**

Investments in other investment companies which are not publicly traded are valued at the underlying net asset value as advised by the managers or administrators of these investment companies, unless the board of directors is aware of reasons why such a valuation would not be the best approximation of fair value. Due to the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realizable values, and the difference could be material.

The valuation of the unlisted investments in the amount of TCHF 103'704 per 30 June 2011 is entirely based on unaudited first quarter reports of underlying investee funds.

## **5 Investments at fair value through profit and loss**

Income from unlisted investments is reported net of operating expenses (mainly management fees) generated by the limited partnerships and net profits attributable to the general partners.

The compensation of the general partners who are managing the different limited partnerships where the Group is invested in varies from partnership to partnership. In general, the general partners receive a fixed management fee of between 1.25% – 2.5% on the committed capital per annum during the investment period and a reduced fee thereafter. In addition, the manager normally participates with about 20% on the partnership's net profit after a compound threshold return of between 6% to 10% per annum is achieved for the limited partners.

As at 30 June 2011, the Group held the following investments:

## Investments

as at 30.06.2011

### Name of fund

Name of fund	Strategic Focus	Geographic Focus	Vintage	Fund CCY	Original Commitment Fund CCY	Cost Value as at 01.01.2011 TCHF	Fair Value as at 01.01.2011 TCHF	Cash Invested 2011 TCHF	Cash Received 2011 TCHF	Realized Gain/(Loss) 2011 <sup>2</sup> TCHF	Cost Value as at 30.06.2011 TCHF	Change in Unrealized Gain/(Loss) 2011 TCHF	Fair Value as at 30.06.2011 TCHF
Advent Global Private Equity IV-D, L.P.	Buyouts Medium	Europe/Americas	2001	EUR	5'500	352	1'185	0	0	0	352	(39)	1'146
Advent Global Private Equity V-C, L.P.	Buyouts Medium	Europe/Americas	2005	EUR	4'000	4'443	5'439	0	1'218	408	3'632	(246)	4'382
Advent International GPE VI, L.P. <sup>1</sup>	Buyouts Medium	Europe/Americas	2008	EUR	4'000	2'566	2'357	505	2'988	(83)	0	209	0
Atlas Ventures VI, L.P.	Venture Capital Early/Later Stage	Americas/Europe	2000	USD	4'650	5'587	1'909	0	0	0	5'587	(193)	1'171
Bain Capital Fund IX (US), L.P.	Buyouts Large/Medium	Americas/Global	2006	USD	5'000	5'411	3'496	0	401	262	5'272	438	3'795
Bain Capital Fund VIII-E (EU), L.P.	Buyouts Medium/Large	Europe	2004	EUR	2'500	3'477	2'532	0	272	144	3'349	171	2'575
Baring Vostok Private Equity Fund IV, L.P.	Buyouts Small/Growth Capital	Rest of World	2008	USD	5'000	3'197	3'055	22	187	145	3'177	(267)	2'768
Baring Vostok Private Equity Fund IV Supplemental Fund, L.P.	Buyouts Small/Growth Capital	Rest of World	2008	USD	2'000	1'158	1'417	39	36	17	1'178	(139)	1'298
Bencis Buyout Fund II, L.P. <sup>1</sup>	Buyouts Small	Europe	2004	EUR	2'500	368	999	45	747	334	0	(631)	0
Capital International Private Equity Fund IV, L.P.	Buyouts Small/Growth Capital	Rest of World	2004	USD	4'000	2'588	3'918	13	1'274	826	2'153	(472)	3'010
Capital International Private Equity Fund V, L.P.	Buyouts Small/Growth Capital	Rest of World	2007	USD	6'000	4'895	4'378	259	868	573	4'858	350	4'691
Crimson@Velocity, L.P.	Growth Capital/Buyout Small	Rest of World	2000	USD	3'000	4'576	1'037	0	0	0	4'576	146	1'183
Exponent Private Equity Partners, L.P.	Buyouts Medium	Europe	2004	GBP	1'000	1'978	1'254	157	204	94	2'024	(191)	1'109
Exponent Private Equity Partners II, L.P.	Buyouts Medium	Europe	2008	GBP	5'000	3'805	2'371	888	0	0	4'693	(333)	2'926
Forward Ventures V, L.P.	Venture Capital Early/Later Stage	Americas/Global	2003	USD	3'000	2'089	1'063	78	0	0	2'167	(188)	954
Green Equity Investors IV, L.P.	Buyouts Medium/Large	Americas	2003	USD	4'500	4'336	4'646	0	603	362	4'096	(328)	4'077
Swiss Re PEP II - U.S. Balanced Portfolio	Buyouts Medium/Large	Americas	2001-05	USD	12'710	8'681	8'000	0	781	0	7'900	(599)	6'619
Swiss Re PEP II - U.S. Venture Capital Portfolio	Venture Capital Early/Later Stage	Americas	2001-05	USD	8'657	7'716	5'926	37	105	0	7'649	(256)	5'603
Swiss Re PEP II - Western Europe Balanced Portfolio	Buyouts Medium/Small	Europe	2000-05	EUR	18'118	15'830	11'389	0	2'273	0	13'557	1'314	10'431
Swiss Re PEP II - Western Europe Venture Capital Portfolio	Venture Capital Early/Later Stage	Europe	2001-05	EUR	7'800	8'862	6'654	2	808	0	8'056	195	6'043
Indium III (Mauritius) Holdings Limited	Buyouts Small/Growth Capital	Rest of World	2007	USD	4'000	3'436	2'869	197	0	0	3'633	(348)	2'718
Indium IV (Mauritius) Holdings Limited	Buyouts Small/Growth Capital	Rest of World	2009	USD	2'000	149	96	81	0	0	230	(37)	139

<sup>1</sup> Sold during first half year 2011

<sup>2</sup> Including dividend and interest income (TCHF 286 on aggregate for the first half year 2011)

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Name of fund	Strategic Focus	Geographic Focus	Vintage	Fund CCY	Original Fund Commitment CCY	Cost Value as at 01.01.2011 TCHF	Fair Value as at 01.01.2011 TCHF	Cash Invested 2011 TCHF	Cash Received 2011 TCHF	Realized Gain/(Loss) 2011 <sup>2</sup> TCHF	Cost Value as at 30.06.2011 TCHF	Change in Unrealized Gain/(Loss) 2011 TCHF	Fair Value as at 30.06.2011 TCHF
IPV Capital, L.P.	Venture Capital Later/Early Stage	Rest of World	2006	USD	10'000	7'002	8'733	481	0	0	7'483	(928)	8'287
MHR Institutional Partners III, L.P.	Buyouts Distressed	Americas	2007	USD	5'000	4'138	3'475	125	411	306	4'157	(30)	3'464
Nordic Capital Fund V, L.P.	Buyouts Medium	Europe	2003	EUR	1'000	1'067	2'149	13	292	262	1'050	(179)	1'953
Nordic Capital Fund VI, L.P.	Buyouts Medium	Europe	2006	EUR	2'000	3'195	2'279	60	193	193	3'255	21	2'361
Nordic Capital Fund VII, L.P. <sup>1</sup>	Buyouts Medium	Europe	2008	EUR	6'000	4'142	2'827	1'029	3'953	(1'218)	0	1'315	0
RGS Capital, L.P.	Buyouts Medium/Small	Europe/Americas	1997-00	USD	21'282	5'166	6'762	0	1'534	0	3'632	211	5'439
Sovereign Capital II, L.P.	Buyouts Small	Europe	2005	GBP	2'750	3'108	2'432	408	0	0	3'516	(375)	2'464
Sovereign Capital III, L.P.	Buyouts Small	Europe	2009	GBP	2'000	333	258	150	0	0	483	(36)	372
Sun Capital Partners V, L.P.	Buyouts Turnaround	Americas/Global	2007	USD	5'088	2'354	2'102	102	0	0	2'456	(153)	2'051
The Lightyear Fund, L.P.	Buyouts Medium/Growth Capital	Americas	2001	USD	6'060	2'075	1'605	0	1'461	1'110	1'724	177	1'431
The Lightyear Fund II, L.P.	Buyouts Medium/Growth Capital	Americas	2006	USD	5'000	4'224	4'870	207	4	4	4'431	(770)	4'307
Willis Stein & Partners III, L.P.	Buyouts Medium	Americas	2000	USD	7'500	8'887	4'867	0	0	0	8'887	(474)	4'392
<b>Total investments</b>						<b>141'188</b>	<b>118'348</b>	<b>4'898</b>	<b>20'614</b>	<b>3'740</b>	<b>129'213</b>	<b>(2'669)</b>	<b>103'704</b>
Total unfunded commitment as at 30 June 2011				TCHF									

<sup>1</sup> Sold during first half year 2011

<sup>2</sup> Including dividend and interest income (TCHF 286 on aggregate for the first half year 2011)

## 6 Shareholders' equity

### 6.1 Share capital and additional paid-in capital

As per 30 June 2011 the share capital of the Company was TCHF 85'000 consisting of 850'000 shares with a par value of CHF 100 each.

On their meeting on 3 May 2011 the shareholders resolved a capital reduction in the amount of TCHF 17'000 or 170'000 registered shares. The capital will be reduced accordingly to TCHF 68'000 or 680'000 shares and registered in the commercial register after the expiration of the two-month waiting period after the third call to creditors which was published on 12 May 2011 in the Swiss Official Gazette of Commerce. Since the Company's

treasury shares are already deducted from shareholders' equity at the time of purchase in accordance with IFRS, the capital reduction will have no impact whatsoever on the net asset value of the Company.

On their meeting on 3 May 2011 the shareholders further resolved a new share buyback program ("share buyback program 2011/14"). The new program allows share buybacks for a maximum amount of TCHF 12'237 or 122'366 shares as approved by the Swiss Takeover Commission. The extent of the repurchase is at the discretion of the board of directors and will depend on the Company's freely disposable cash and the market situation.

	<b>Total shares</b> (Number of)	<b>Treasury shares</b> (Number of)	<b>Shares outstanding</b> (Number of)
<b>Balance at 1 January 2010</b>	<b>850'000</b>	<b>14'213</b>	<b>835'787</b>
Purchase of treasury shares at an average price of CHF 89.37		95'294	(95'294)
Disposal of treasury shares at an average price of CHF 88.20		(4'915)	4'915
<b>Balance at 31 December 2010</b>	<b>850'000</b>	<b>104'592</b>	<b>745'408</b>
Purchase of treasury shares at an average price of CHF 125.33		99'870	(99'870)
Disposal of treasury shares at an average price of CHF 119.48		(905)	905
<b>Balance at 30 June 2011</b>	<b>850'000</b>	<b>203'557</b>	<b>646'443</b>

### 6.2 Movements in shares outstanding

The disposal of treasury shares incurred a surplus of TCHF 11 (first half year 2010: surplus of TCHF 26) which is booked against the share premium in shareholders' equity.

### 6.3 Significant shareholders

As of 30 June 2011, the following major shareholders were known by the Company:

(Holding in % of share capital)	30.06.2011	31.12.2010
Between 3 % and 5 %	Schweizerische Rückversicherungs-Gesellschaft AG, Zürich	Schweizerische Rückversicherungs-Gesellschaft AG, Zürich
Between 5 % and 10 %	Rainer-Marc Frey, Baech, and Adrian Gut, Wollerau Baech SZ, indirectly via SO Finance (Cayman) Ltd.	Rainer-Marc Frey, Baech, and Adrian Gut, Wollerau Baech SZ, indirectly via Horizon21 Holding AG

## 7 Related party transactions

The Company considers the following persons or entities as related parties:

- Key management personnel of the Group (board of directors, management, directors of the Subsidiary)
- All entities, executives and officers of the Julius Baer Group.

### 7.1 Assets held with and liabilities due to related parties

In the period under review there were no assets held with related parties. Apart from the management and distribution fee payable to the Investment Manager there were no liabilities due to related parties as per 30 June 2011.

### 7.2 Investment transactions with related parties

In the period under review there were no investment transactions conducted with related parties.

### 7.3 Compensation of related parties as service providers

The consolidated statement of financial position contains accruals of TCHF 484 for management fees owed to the Investment Manager (first half year 2010: TCHF 656). The management fee is calculated as 1 % of the net assets of the Subsidiary minus cash and cash equivalents and is payable in quarterly installments. The quarterly management fee payments are reduced by a fixed lump-sum of TCHF 23 to account for certain administrative services that are born by the Company as well as salaries paid to employees as described below.

As of 1 January 2010, Dr. Simon Lamprecht and Mr. Thomas Bischoff have been entrusted with part time mandates for the operational and administrative management of the Group. For the period under review the total salary paid under the respective contracts was TCHF 30.

In the light of the realization strategy adopted in Fall 2009 and in order to align incentives the Group granted the investment manager a distribution fee of 2% on distributions to shareholders. For the period under review, a distribution fee in the amount of TCHF 339 was paid to the Investment Manager. The distribution fee was related to the distribution of general legal reserves from capital contributions in the amount of CHF 25 per share in May.

In the case of share buybacks the distribution fee is accrued at the time of the acquisition of the shares. The fee becomes due for payment upon registration of the respective capital reduction in the commercial register. The consolidated statement of financial position contains accruals of TCHF 444 for distribution fees related to share buybacks (31 December 2010: TCHF 182).

## **8 Credit line**

In March 2010 the Company entered into a TCHF 12'000 credit facility with Bank Julius Baer & Co. Ltd. whereas the underlying investment portfolio serves as collateral. For the setup of the facility a one-off arrangement fee in the amount of TCHF 100 was paid to Bank Julius Baer & Co. Ltd. The facility carries no stand-by fee and can be drawn in fixed installments of min. CHF 0.5 million for a term of one to three months extendable anytime. The agreed interest rate is LIBOR of the respective term +500 basis points. The credit facility expires in March 2012. As of 30 June 2011 the amount drawn under the credit facility was nil (30 June 2010: Nil).

## **9 Commitments, contingencies and off-balance sheet transactions**

Apart from those commitments disclosed in note 5 the Company has no open off-balance-sheet transactions. As of 30 June 2011 unfunded commitments to private equity partnerships amounted to TCHF 24'524 (31 December 2010: TCHF 37'077). Unfunded commitments are not shown on the consolidated statement of financial position as the underlying partnership has no unconditional right to receive cash as long as it has not identified an investment to invest in. Once a portion of the committed capital is called to fund an investment the default on such a capital call may result in various outcomes, ranging from lawsuits and enforcement via court to the loss of up to 100% of paid in capital.

## **10 Subsequent events**

Nothing to report.



## Information for Investors

<b>Listing</b>	SIX Swiss Exchange
Swiss security number	1.288.584
ISIN	CH0012885841
Ticker	SHPN
<b>Publication net asset value</b>	Bloomberg www.shape-capital.com (quarterly update)
<b>Periodic publications</b>	Annual report, semi-annual report, quarterly newsletter
<b>Accounting standards</b>	IFRS
<b>Organization</b>	
Board of directors	Dr. Beat Buehlmann (President) Prof. Dr. Christoph Lengwiler Juerg W. Sturzenegger Thomas Bischoff
Management	Dr. Simon Lamprecht Thomas Bischoff
<b>Investment manager</b>	Julius Baer Bank & Trust Company Ltd., Cayman Islands
<b>Investment advisor</b>	Bank Julius Baer & Co. Ltd., Switzerland
<b>Auditors</b>	PricewaterhouseCoopers AG, Zurich
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