

The Alpine Group, Inc.
Unaudited Condensed Consolidated Financial Statements
For the Quarterly Periods Ended June 30, 2012 and 2011

THE APLINE GROUP, INC.
UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

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THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)
(unaudited)

ASSETS	June 30, 2012	December 31, 2011
Current assets:		
Cash and cash equivalents.....	\$ 11,403	\$ 4,498
Marketable securities, at fair value (Note 1)	2,005	1,034
Restricted cash (Note 1)	120	1,028
Accounts receivable, trade.....	5,841	2,326
Accounts receivable, affiliates (Note 1)	260	289
Income tax receivable.....	641	509
Inventories, net (Note 2)	6,664	29,507
Derivative assets (Note 6).....	25	27
Prepaid expenses, deposits and other current assets	2,728	2,437
Total current assets	29,687	41,655
Property, plant and equipment, net.....	898	537
Investment in affiliates (Note 1)	1,729	1,404
Deferred income taxes.....	1,763	1,763
Goodwill	1,033	1,033
Other assets.....	1,353	1,507
Total assets	\$ 36,463	\$ 47,899
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
	\$ —	\$ 11,097
Revolving credit facility (Note 3)		
Current portion of mandatorily redeemable series A convertible preferred stock (363 and 1,089 shares outstanding at June 30, 2012 and December 31, 2011, respectively).....	138	414
Accounts payable	4,493	3,491
Accounts payable, affiliates (Note 1)	—	14
Accrued expenses.....	3,508	4,129
Derivative liabilities (Note 6)	135	45
Deferred income taxes.....	10,082	9,982
Total current liabilities.....	18,356	29,172
Other long-term liabilities	1,128	1,215
Total liabilities	19,484	30,387
Stockholders' equity:		
9% cumulative convertible preferred stock at liquidation value	177	177
Common stock, \$.10 par value; (50,000,000 shares authorized; 32,594,407 shares issued at June 30, 2012 and December 31, 2011)	3,259	3,259
Capital in excess of par value	174,106	174,162
Accumulated other comprehensive loss	(2,084)	(2,233)
Accumulated deficit	(41,420)	(41,315)
Treasury stock, at cost (18,393,029 and 17,738,950 shares at June 30, 2012 and December 31, 2011, respectively).....	(117,059)	(116,538)
Total stockholders' equity	16,979	17,512
Total liabilities and stockholders' equity	\$ 36,463	\$ 47,899

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Net sales	\$ 17,650	\$ 51,455	\$ 58,799	\$101,532
Cost of goods sold	15,756	47,400	56,178	98,698
Gross profit	1,894	4,055	2,621	2,834
Selling, general and administrative expenses	1,256	1,241	2,583	2,684
Severance costs (Note 7)	284	—	284	—
Operating income (loss)	354	2,814	(246)	150
Interest expense	(31)	(329)	(164)	(621)
Dividend and interest income	18	14	32	36
Realized gains on sale of investments	84	61	57	73
Income from stock plans of affiliate (Note 1)	92	—	184	—
Other income (expense), net	(12)	17	(2)	29
Income (loss) before income taxes	505	2,577	(139)	(333)
Income tax (provision) benefit	(202)	(1,039)	56	126
Net income (loss)	303	1,538	(83)	(207)
Preferred stock dividends	(9)	(20)	(22)	(44)
Net income (loss) applicable to common stock	\$ 294	\$ 1,518	\$ (105)	\$ (251)
Net income (loss) per share of common stock: (Note 4)				
		\$ 0.09		\$ (0.01)
Basic	\$ 0.02		\$ (0.01)	
		\$ 0.09		\$ (0.01)
Diluted	\$ 0.02		\$ (0.01)	
Weighted average shares outstanding:				
Basic	17,327	17,429	17,387	17,407
Diluted	17,624	17,673	17,387	17,407
			\$ (83)	\$ (207)
Net income (loss) per above	\$ 303	\$ 1,538		
Other comprehensive income/(loss)				
Change in unrealized gains (losses) on securities	(121)	(60)	249	(23)
Income tax benefit (provision), (net) related to items of other comprehensive income (loss)	48	24	(100)	9
Other comprehensive income (loss), net of tax	(73)	(36)	149	(14)
Comprehensive income (loss)	\$ 230	\$ 1,502	\$ 66	\$ (221)

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THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Six Months Ended	
	June 30, 2012	
	Shares	Amount
9% cumulative convertible preferred stock:		
Balance at beginning of period.....	177	\$ 177
Common stock:		
Balance at beginning and end of period.....	32,594,407	3,259
Capital in excess of par value:		
Balance at beginning of period.....		174,162
Compensation expense related to restricted stock and certain stock options, less vested shares released from treasury		(56)
Balance at end of period.....		174,106
Accumulated other comprehensive loss:		
Balance at beginning of period.....		(2,233)
Change in unrealized losses on securities, (net of tax)		149
Balance at end of period.....		(2,084)
Accumulated deficit:		
Balance at beginning of period.....		(41,315)
Net loss.....		(83)
Dividends on preferred stock.....		(22)
Balance at end of period.....		(41,420)
Treasury stock:		
Balance at beginning of period.....	(17,738,950)	(116,538)
Purchase of treasury stock	(654,079)	(521)
Balance at end of period.....	(18,393,029)	(117,059)
Total stockholders' equity		\$ 16,979

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended	
	June 30,	
	2012	2011
Cash flows from operating activities:		
Net loss.....	\$ (83)	\$ (207)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:		
Depreciation and amortization	120	162
Compensation expense related to stock options and grants	(55)	(6)
Income from stock plans of affiliate (Note 1)	(183)	—
Realized gains on investment in securities	(57)	(73)
LIFO and lower of cost or market adjustments	(299)	3,270
Changes in assets and liabilities:		
Accounts receivable, net	(3,514)	(2,381)
Accounts receivable/payable, affiliates	15	53
Inventories (excluding LIFO and lower of cost or market reserves)	23,143	3,728
Deposit from related party	—	217
Other current and non-current assets	(22)	(1,623)
Derivative assets and liabilities, net	92	(9,157)
Accounts payable and accrued expenses	372	(1,999)
Income taxes – current and deferred	(132)	(115)
Other, net	(89)	(30)
Cash flows provided by (used for) operating activities	19,308	(8,161)
Cash flows from investing activities:		
Capital expenditures	(441)	(70)
Purchase of marketable securities	(1,527)	(613)
(Increase) /decrease in restricted cash	907	6,432
Proceeds from sale of marketable securities	736	692
Investment in affiliate	(142)	—
Cash provided by (used for) investing activities	(467)	6,441
Cash flows from financing activities:		
Net borrowings (repayments) under revolving credit facilities	(11,097)	1,958
Purchase of treasury stock	(520)	—
Debt issuance costs	(29)	(32)
Preferred stock redemption	(276)	(276)
Cash dividends on preferred stock	(14)	(36)
Cash provided by (used for) financing activities	(11,936)	1,614
Net increase (decrease) in cash and cash equivalents	6,905	(106)
Cash and cash equivalents at beginning of period	4,498	2,766
Cash and cash equivalents at end of period	\$11,403	\$ 2,660
Supplemental disclosures:		
	\$148	\$ 516
Cash paid for interest		
Cash paid (received) for income taxes, net	\$ 42	\$ 8

The accompanying notes are an integral part of these condensed consolidated financial statements.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
(unaudited)

1. General

The accompanying condensed consolidated balance sheet as of December 31, 2011, which has been derived from audited financial statements, and the unaudited interim condensed consolidated financial statements as of June 30, 2012 and for the three and six months then ended, include the accounts of The Alpine Group, Inc. and the consolidation of all of its majority-controlled subsidiaries (collectively "Alpine" or the "Company", unless the context otherwise requires) with the exception of its 52% owned subsidiary, Synergy Cables Ltd. ("SCL"), which is accounted for using the equity method. As a result of the Company gaining control of SCL, business combination accounting should have been applied with respect to this investment. Additionally, thereafter, according to accounting principles generally accepted in the United States of America ("GAAP"), Alpine's financial statements are required to include the consolidation of SCL. SCL has not been consolidated, and for the reason discussed in the following sentence, such accounting has not been applied. Since the Company still intends to reduce its ownership of SCL to below 50%, the equity method has been utilized in the financial statements presented herein. After giving effect to options and warrants exercisable by third parties, the Company's fully diluted ownership in SCL would be approximately 42%. During the fourth quarter of 2009, Alpine's investment in SCL was written down to zero due to accumulated net losses at SCL exceeding the Company's equity investment. As discussed later in Note 1, in 2010 the Company made a cash loan to SCL in the amount of \$2.0 million, of which \$0.4 million was later sold to other parties. Consistent with its application of the equity method of accounting, the Company wrote off the net advance of \$1.5 million in the fourth quarter of 2010. In order to facilitate a more timely release of Alpine quarterly financial information, commencing with the first quarter of 2009, the Company began recording its share of SCL's earnings and other comprehensive income/(loss) ("OCI") on a one quarter lag. Alpine is not liable for any indebtedness or other liabilities of SCL. For the year ended December 31, 2011, SCL's independent accountant's opinion removed the going concern qualification, which in accordance with International Financial Accounting Standards ("IFRS"), resulted in SCL reinstating NIS 6.1 million (\$1.6 million) of previously impaired assets. Such reinstatement is not permitted under GAAP. Other than the aforementioned impairment reinstatement, there were no differences between IFRS as used by SCL and GAAP as used by Alpine that would have a material effect on the results of operations of SCL.

These financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's December 31, 2011 Annual Financial Statements available on-line at "www.alpine-group.net/investorrelation.htm". In the opinion of management, all adjustments (consisting of only normal and recurring adjustments) necessary for a fair presentation have been included. The results for the three and six month periods ended June 30, 2012 do not necessarily indicate the results that may be expected for the full year.

Alpine was incorporated in New Jersey in 1957 and reincorporated in Delaware in 1987. Alpine is a holding company which over the recent past has owned and operated industrial and other manufacturing companies. At June 30, 2012 Alpine's operations consisted of its 52% ownership in SCL, an Israeli based producer of wire and cable products, Exeon Inc. ("Exeon"), a wholly owned subsidiary primarily engaged in the business of copper scrap reclamation and copper and other metal products wholesaling and selective retailing; and Posterloid Corporation ("Posterloid"), a wholly owned subsidiary engaged in the design and manufacture of menu boards and signage for the food service industry and financial institutions.

Fair Value of Financial Instruments

Cash and cash equivalents, accounts receivable, accounts payable, and short-term accrued expenses are reflected in the consolidated financial statements at historical value, which approximates fair value, because of the short-term duration of these instruments. The carrying value of long-term liabilities approximates fair value due to interest rates which are currently available to the Company for debt with similar terms and maturities.

ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal (or the most advantageous) market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company utilizes the following three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012
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1. General (Continued)

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the Company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company used the following methods and significant assumptions to estimate the fair value of items which are measured on a recurring basis:

Investments: The Company's marketable securities, consisting primarily of stocks and mutual funds, were classified as available for sale at June 30, 2012 and December 31, 2011 and carried at fair value. The fair value of such securities were \$2.0 and \$1.0 million as of June 30, 2012 and December 31, 2011, respectively, and were determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

Derivatives: The derivative instruments consist primarily of copper forward contracts representing copper pounds used to hedge related inventory and sales transactions (see Note 6). The fair value of the related derivative financial instruments was determined based upon prices obtained from various market exchanges (Level 2 inputs) as of the balance sheet dates herein.

Restricted cash

The Company is required to make certain margin deposits with its commodity brokers related to its derivative contracts used to hedge certain transactions (see Note 6). The deposits include both initial margin requirements and variation margin, to the extent that such variation results in a net loss position. The Company had total net deposits of \$0.1 and \$1.0 million as of June 30, 2012 and December 31, 2011, respectively. The Company is required to maintain \$0.1 million of cash related to a lease of its New Jersey office, which is classified as other noncurrent assets, in the financial statements contained herein.

Revenue recognition and accounts receivable

Except for products that were bought and resold to Wolverine Tube, Inc. ("Wolverine"), revenue on sales is recognized when the product is shipped to the customer, which is when title and risk of loss pass. Credit sales on open accounts are made to customers in the normal course of business. Management periodically reviews its accounts receivable and writes off any amounts deemed to be uncollectible. The Company provides an allowance for doubtful accounts when needed. At both June 30, 2012 and December 31, 2011 no allowance was required. The Company's price to the buyer is fixed and determinable based upon the price set forth in a written order from the customer.

For products that were bought and resold to Wolverine, in accordance with ASC 605-45 Revenue Recognition – Principal Agent Considerations revenue was recognized on a "net as an agent" basis. While the Company did take title and bear all risks of ownership, there were other indicators, such as the fact the Company's supplier was responsible for the fulfillment of the order, including acceptability of the product as well as the fact that the Company only earned a stated rate of the amount billed to Wolverine, that resulted in the sales being recorded on a net basis. Therefore, only the incremental fees earned on the sales were recorded in net revenues in the statement of operations. Revenue on these sales was recognized when title transferred, which was the earlier of consumption or payment.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012
(unaudited)

1. General (Continued)

Investment in affiliate - Wolverine

Wolverine is a global manufacturer of copper and copper alloy tube, fabricated products and metal joining products used in commercial and residential heating, ventilation and air conditioning, refrigeration, home appliances, industrial equipment, power generation, and petrochemicals and chemical processing. Through a series of investments made during 2007 and 2008, Alpine acquired a total of 24,494 and 927,235 shares of Wolverine preferred and common stock, respectively, for a total cost of \$25.2 million. However, due primarily to the global economic collapse towards the end of 2008 and the subsequent sluggish construction markets in 2009 and 2010, Wolverine announced on November 1, 2010 that it would be undertaking a financial restructuring and that it had reached an agreement in principle with holders of its 15% Senior Secured Notes due 2012 (the "Notes") on the terms of a financial restructuring of the company. To implement the restructuring, Wolverine and certain of its domestic subsidiaries filed Chapter 11 petitions in the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court") to effectuate a prearranged Plan of Reorganization (as amended, the "Reorganization Plan") supported by holders of the Notes. Subject and pursuant to interim first day orders issued by the Bankruptcy Court, Wolverine as debtor in possession continued its ordinary course of business operations including payment of trade creditors and hedge counterparties, and performance under vendor and customer contracts including the WJT Toll Agreement, the Ardmore Toll Agreement and transactions under the Terms and Conditions (see below). On June 28, 2011 the Reorganization Plan became effective and Wolverine emerged from bankruptcy. Pursuant to the Reorganization Plan, all existing Wolverine common and preferred stock (including options to acquire the same) was cancelled, and the holders of such stock, including Alpine, did not receive or retain any property on account of such stock. Prior to the bankruptcy Alpine accounted for Wolverine using the equity method of accounting and as a result of Wolverine's losses during 2008 and 2009, Alpine's investment was written down to zero by the end of 2009. Therefore, there was no additional impact on Alpine's stockholders' equity as a result of the bankruptcy.

Following its emergence from bankruptcy on July 19, 2011 (the "grant date") and pursuant to its 2011 Management Incentive Plan (the "MIP") Wolverine granted Alpine a non-qualified option to purchase at an exercise price of \$55.01 per share 40,719 shares of Wolverine common stock, par value \$0.01 per share (3.2% of the issued and outstanding common stock of Wolverine on a fully diluted basis). The options vest in equal annual installments of 33 1/3%, with 33 1/3% vesting on the grant date and the remainder on the next two anniversary dates and are subject to acceleration upon the occurrence of certain events and exercisable until July 19, 2021. Additionally, on the above grant date, pursuant to the MIP Wolverine granted Alpine 40,719 restricted stock units (3.2% of the issued and outstanding common stock of Wolverine on a fully diluted basis) vesting in equal annual installments of 33 1/3% %, with 33 1/3% vesting on the grant date and the remainder on the next two anniversary dates and subject to acceleration upon occurrence of certain events. Unless payment is deferred by Alpine pursuant to the MIP and the granting agreement, Alpine is entitled to receive upon vesting of any restricted stock units one share of Wolverine common stock for each such vested restricted stock unit. As a result of the grant of non-qualified and restricted stock units, Alpine recorded income of \$1.2 million in 2011. Due to estimated impairment of these non-qualified stock options and restricted stock grants, a loss of \$0.7 million was recorded in 2011. As a result of the vesting of the non-qualified stock options and restricted stock grants in the first and second quarters of 2012, Alpine recorded income of \$0.2 million less a related estimated impairment of \$0.1 million the net of which was \$0.1 million that was recorded as Income from stock plans of affiliate in the Statement of Operations in both the first and second quarters of 2012.

Alpine has purchased 53,209 shares of Wolverine common stock (4.5% of the issued and outstanding common stock of Wolverine) from unrelated third parties for cash purchase prices totaling \$1.0 million since September 1, 2011.

Related party transactions - Wolverine

On February 16, 2007, Alpine and Wolverine entered into an agreement pursuant to which Alpine provided certain management and other services to Wolverine for an initial period of two years in consideration of an annual fee of \$1.3 million and reimbursement of its reasonable and customary expenses. Since March 2009, the agreement has been extended on a month to month basis. The Company recorded \$0.3 million for the quarters ended June 30, 2012 and 2011 and \$0.6 million for the six month periods ended June 30, 2012 and 2011 as a credit against selling, general and administrative expenses related to management fees under such agreement. On June 28, 2011, as contemplated under Wolverine's Reorganization Plan, Alpine and Wolverine entered into an

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2012
(unaudited)

1. General (Continued)

Amended and Restated Management Agreement (the “Restated Management Agreement”). Under the terms of the Restated Management Agreement, Alpine continues to provide to Wolverine the management and other services it previously provided in consideration of the same annual fee and expense reimbursement. Additionally, pursuant to the Restated Management Agreement, in the event of the sale or other disposition of all or substantially all of the capital stock or assets of Wolverine prior to June 28, 2014 (a “liquidity event”), Alpine would be entitled to receive (other than in circumstances where it has been terminated for cause) a liquidity event payment equal to (i) 20% of the aggregate cash consideration attributable to such liquidity event in excess of \$70 million but less than \$120 million, plus (ii) 25% of such cash consideration in excess of \$120 million. The term of the Restated Management Agreement is for an initial period of three (3) years, thereafter it continues on a month-to-month basis until either party provides at least 30 days written notice of termination, and is subject to earlier termination for cause by either party or for any reason upon 90 days notice by Wolverine. Alpine’s right to receive payment under the Restated Management Agreement is subordinate to the right of the lenders under Wolverines secured credit facility and the holders of its senior secured notes due 2014, in certain instances.

In December 2007, Exeon and Wolverine entered into a supply agreement pursuant to which Exeon agreed to supply Wolverine and Wolverine agreed to purchase from Exeon its copper scrap and cathode requirements for its North American melting operations (the “Supply Agreement”). The Supply Agreement expired November 28, 2009, and from then through August 28, 2010, both parties continued the Supply Agreement arrangement on a month to month basis. On July 27, 2010, Exeon gave Wolverine notice that it would not extend the Supply Agreement beyond August 28, 2010. As of September, 2010, the parties agreed to terms and conditions for Wolverine to continue to purchase from Exeon its copper scrap and cathode requirements for its North American melting operations (the “Terms and Conditions”). Each sale and purchase transaction made in accordance with these Terms and Conditions constitutes a separate transaction. The Terms and Conditions was terminated effective November 1, 2011 (see below). Exeon sales to Wolverine on a gross basis were \$59.9 million for the quarter ended June 30, 2011, and \$120.6 million for the six month period ended June 30, 2011. The copper handling fee which represents the net sale that was recorded in accordance with FASB ASC 605-45 was \$86,000 for the quarter ended June 30, 2011, and \$170,000 for the six month period ended June 30, 2011.

In December 2009, Exeon entered into a toll manufacturing agreement (“WJT Toll Agreement”) with Wolverine Joining Technologies (“WJT”), a wholly owned subsidiary of Wolverine. Under the WJT Toll Agreement, which became effective on November 30, 2009, Exeon provided raw materials (principally metals, including silver, copper, tin and zinc) to WJT which WJT used to manufacture products for Exeon’s sale to customers. WJT acted as sales agent for Exeon and marketed and sold Exeon’s finished goods. In addition, WJT provided certain related administrative services. In consideration of the foregoing, Exeon paid WJT a monthly toll service fee of \$4.45 per pound for products shipped. The toll services fee was adjusted periodically, as necessary. The effective fee charged for the quarter ended June 30, 2011, was \$6.75 and for the six month period ended June 30, 2011, was \$6.58. The WJT Toll Agreement provided for an initial term of three years, which was automatically renewed for successive twelve month periods, unless either party, upon ninety days prior notice, terminated the agreement. Additionally, during the term either party could terminate the WJT Toll Agreement upon thirty days notice. The WJT Toll Agreement also contained other terms and conditions customary for agreements of this type including: confidentiality requirements, limited warranties, and indemnifications between the parties. Exeon was charged \$6.0 million in toll service fees during the quarter ended June 30, 2011, and \$11.6 million in toll service fees during the six month period ended June 30, 2011. The WJT Toll Agreement was terminated effective November 1, 2011 (see below).

Effective August 21, 2010, Alpine entered into a toll manufacturing agreement (“Ardmore Toll Agreement”) with Wolverine. Under the Ardmore Toll Agreement Alpine purchased and provided to Wolverine the raw materials (principally metals, including copper and aluminum) which Wolverine used to manufacture product at its Ardmore facility and, as sales agent for Alpine, sold the finished products to customers. In addition, Wolverine provided certain related administrative services. In consideration of the forgoing, Alpine paid Wolverine a monthly toll service fee of \$1.34 per pound of products shipped. The toll service fee was adjusted periodically, as necessary. The effective fee charged for the quarter and six months ended June 30, 2011 was \$1.02 and \$1.06, respectively. The initial term of the Ardmore Toll Agreement was one year; however, it was renewable by mutual agreement between the parties. Additionally, during the term either party could terminate the Ardmore Toll Agreement upon 10 days written notice. Other terms and conditions customary for agreements of this type such as confidentiality requirements, limited warranties and indemnifications between the parties were included in the Ardmore Toll Agreement. Alpine was charged toll service fees of \$0.9

THE ALPINE GROUP, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED
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(unaudited)

1. General (Continued)

million and \$1.7 million for raw material inventory purchases related to the Ardmore Toll Agreement during the quarter and six month period ended June 30, 2011, respectively. The Ardmore Toll Agreement was terminated effective November 1, 2011 (see below).

Both the WJT Toll Agreement and the Ardmore Toll Agreement were assumed by Wolverine pursuant to the Reorganization Plan and continued in effect pursuant to their respective terms as of September 30, 2011. By agreement between the respective parties thereto as of November 1, 2011, the Terms and Conditions and aforementioned Toll Agreements were terminated (see below).

On October 27, 2011, Exeon and Wolverine agreed to terminate the WJT Toll Agreement and the Terms and Conditions arrangements effective November 1, 2011. Pursuant to termination agreements between the parties, on November 1, 2011, Exeon sold (1) inventories and account receivables related to the WJT Toll Agreement to WJT for a net estimated purchase price, adjusted for estimated outstanding tolling fees, of \$31.7 million and (2) raw materials inventories associated with the Terms and Conditions to Wolverine less the initial margin deposit related to firm priced contracts for a net estimated purchase price of \$1.4 million. The aforesaid net estimated purchase prices were paid to Exeon on November 1, 2011. Concurrently with the aforesaid sale, Exeon paid PNC \$17.8 million on account of the outstanding principal balance of its Revolving Credit Facility, which reduced the said principal balance to zero (\$0). Also on October 27, 2011 Alpine and Wolverine agreed to terminate the Ardmore Toll Agreement. Pursuant to a termination agreement between the parties, Alpine sold inventories, prepaid assets and account receivables related to the Ardmore Tolling Agreement to Wolverine for a net estimated purchase price, adjusted for estimated outstanding tolling fees, of \$2.7 million.

The aforesaid net estimated purchase price was paid to Alpine on November 1, 2011. The aforesaid termination agreements provided for review and confirmation of the net assets valuations utilized by the parties in determining the above net estimated purchase prices and for final payment adjustments based on the final value of net assets as agreed to by the parties, by no later than November 18, 2011. As final settlement, Wolverine paid Exeon \$0.3 million and Alpine paid Wolverine \$0.4 million.

Related party transactions – SCL

In accordance with a management agreement between Alpine and SCL, Alpine charges SCL a monthly management fee. The amount recorded for the three month and six month periods ended June 30, 2012 and 2011 was \$37,500 and \$75,000, respectively. In connection with SCL's refinancing of its indebtedness in 2010 (see discussion below - Note 1 – SCL convertible loan) SCL's lenders required, and Alpine agreed, that cash payment of management fees to Alpine would be suspended and accrued through August 2013 and thereafter, payment of such management fees are subject to SCL's achievement of certain financial results, which Alpine considers achievable and therefore continues to accrue such fees. The accrued unpaid management fees were \$260,000 and \$185,000 at June 30, 2012 and December 31, 2011, respectively.

THE ALPINE GROUP, INC. AND SUBSIDIARIES
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1. General (Continued)

SCL convertible loan

As part of a refinancing by SCL of certain indebtedness, on August 30, 2010, Alpine loaned SCL NIS 8.819 million (US \$2.3 million) (the "Convertible Loan"), comprised of (i) NIS 7.5 million (US \$2.0 million) in cash, and (ii) the consolidation of NIS 1.319 million (US \$0.3 million) in accrued and unpaid management fees due Alpine from SCL. The Convertible Loan is evidenced by SCL's note in like principal amount to the order of Alpine (the "Convertible Loan Note"). The outstanding principal amount of the Convertible Loan accrues interest at the rate of 10% per annum from August 30, 2010 until the earlier of conversion into ordinary shares of SCL or repayment. Interest is payable in cash quarterly in arrears, unless such payment is restricted under the terms of the "Senior Indebtedness" of SCL referred to below, in which case such interest is paid by issuance of payment in kind notes to Alpine in the principal amount of the interest due and otherwise substantially identical to the Convertible Loan Note. The outstanding principal amount and unpaid interest under the Convertible Loan are linked to the Israel Consumer Price Index to adjust for inflation. The Convertible Loan (other than any portion thereof attributable to such linkage adjustment) is convertible into ordinary shares of SCL at the conversion rate of NIS 0.145 per share. On June 28, 2012, the market value of SCL ordinary shares on the Tel Aviv Stock Exchange was NIS 0.09 per share. Unless previously accelerated as a result of default, the maturity date of the Convertible Loan is December 1, 2017. The Convertible Loan is subordinate to SCL's senior indebtedness as of June 30, 2012, including NIS 50 million (US \$12.5 million) due to SCL's principal bank lenders and NIS 126 million (US \$31.5 million) due to the holders of its Series A and Series B Notes (collectively, the "Senior Indebtedness"). On November 17, 2010, Alpine sold an aggregate of NIS 1.62 million (US \$0.4 million) of the Convertible Loan to three unrelated investors, which resulted in Alpine owning NIS 7.199 million (US \$2.1 million) of the Convertible Loan as of September 30, 2011. Consistent with its application of the equity method of accounting, the Company wrote off the net advance of \$1.5 million in the fourth quarter of 2010.

Equity accounting for earnings (losses) of affiliates

Alpine uses the equity method to account for its investments in affiliates. Because the results of operations for these companies are not always available and/or released to the public when Alpine is ready to release its quarterly results, the Company has elected to report its share of affiliate income (loss) and OCI on a one quarter lag basis. The third and fourth quarter results of affiliates are recorded in the fourth quarter for Alpine so that the full year audited financial statements reflect Alpine's share of the full year audited results of its affiliates.

As stated previously in Note 1, SCL is accounted for using the equity method and in accordance with the aforementioned quarter lag accounting, Alpine's share of SCL's first quarter 2012 net income was \$0.6 million; however since Alpine's net investment in SCL was still in a cumulative loss position of \$4.5 million after taking into effect the \$0.6 million, there was nothing recorded in Alpine's second quarter 2012 statement of comprehensive income (loss). SCL's first quarter 2012 change in OCI and its resultant impact on Alpine was negligible. As also stated in Note 1, since the Company's investment was written down to zero during the fourth quarter of 2009 and since SCL continued in a cumulative loss position during its first quarter of 2011, the Company made no adjustment related to the equity accounting for SCL during the first half of 2011.

Guarantees

Since 1993, Alpine has been a party to a guaranty of obligations of a former affiliate, under a lease by such former affiliate of a manufacturing facility in Brownwood, Texas. The lease provides for monthly payments of \$56,000 subject to adjustments for changes in the consumer price index ("CPI"). The lease term expires in 2018 but may be extended through 2033. As such, the maximum potential amount of future payments under the guaranty through 2018 would be approximately \$4.4 million, plus any incremental amount as a result of CPI adjustments. Any further extensions would amount to a guarantee of approximately \$0.7 million per year plus any incremental amounts as a result of any CPI adjustments. While Alpine's continuing obligations, if any, under the guaranty are not free from doubt, the Company believes the facility and underlying lease are valuable assets of such former affiliate and expects that such former affiliate will perform as tenant thereunder and continue to pay its obligations. In addition, Alpine would have a claim for indemnification and reimbursement from the former affiliate in respect of any amounts paid by Alpine as guarantor.

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1. General (Continued)

Under the provisions of the Revolving Credit Facility (see Note 3), Alpine and its wholly owned subsidiary Alpine Holdco Inc., have unconditionally committed to make or cause to be made under certain circumstances either (1) an equity contribution or (2) a subordinated loan to Exeon, the borrower under the Revolving Credit Facility, in an aggregate amount not to exceed \$2.5 million.

Subsequent event

On August 2, 2012 the Company received an oral confirmation that the Joint Committee of the U.S. Internal Revenue Service (“IRS”) had approved the settlement terms regarding the Company’s appeal of the findings of audits performed by the IRS for tax years 2005 through 2009. As discussed in Note 6 to the December 31, 2011 audited financial statements, the terms of the settlement are such that the Company would include approximately \$6.4 million in taxable income spread evenly over the 2009 to 2011 tax years, which would result in approximately \$2.3 million of current federal tax liability. This liability has been previously accrued and is included in current deferred tax liabilities. Approximately \$0.2 million of interest related to this settlement has been accrued and is included in accrued expenses in the financial statements included herein.

Management has performed an analysis of the activities and transactions subsequent to June 30, 2012 to determine the need for any adjustments to and/or disclosures within the financial statements for the quarter ended June 30, 2012. Management has performed their analysis through August 9, 2012 the date the financial statements were available to be issued. No additional adjustments and/or disclosures were deemed necessary.

2. Inventories

At June 30, 2012 and December 31, 2011, the components of inventories were as follows:

	June 30, 2012	December 31, 2011
(in thousands)		
Raw materials	\$ 4,802	\$ 5,179
Work in process	1,140	1,132
Finished goods.....	1,374	24,147
Total gross inventories.....	7,316	30,458
LIFO reserve.....	(652)	(951)
Inventories, net.....	\$ 6,664	\$ 29,507

Inventories are stated at the lower of cost or market. The inventories shown above include \$5.3 and \$28.4 million of gross inventory as of June 30, 2012 and December 31, 2011, respectively, valued using the LIFO method. An actual valuation of inventory under the LIFO method can be made only at the end of each year based on actual inventory levels and costs at such time. All other inventories are determined using the first-in, first-out method.

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3. Revolving Credit Facility

On December 21, 2009, Exeon entered into a Revolving Credit Facility with PNC Bank, National Association (“PNC”). The terms of the Revolving Credit Facility initially provided for a maximum borrowing limit of \$15 million when first entered into in December 2009, which was increased to \$20 million as of June 30, 2010, \$25 million as of December 31, 2010 and \$30 million as of April 29, 2011. Effective February 15, 2012, the maturity date of the Revolving Credit Facility was extended to May 15, 2012 and the maximum borrowing limit was reduced to \$15 million. Effective May 15, 2012, Exeon and PNC agreed to extend the maturity date of the Revolving Credit Facility to March 31, 2013 and to amend certain terms thereof (the “Amended Facility”). The maximum borrowing limit set under the Amended Facility is increased to \$20 million, provided that during (i) the period commencing with the effective date of the Amended Facility through November 2012 and during the month of March, 2013 borrowing availability will be capped at \$5 million and limited to borrowing base advances against Exeon’s eligible accounts receivable and (ii) the period commencing December 1, 2012 through February 28, 2013, a \$5 million availability blockage will be in place. On the effective date of the Amended Facility, Exeon paid PNC a fee of \$25,000. Borrowing availability is determined by reference to a borrowing base that permits advances to be made at various net valuation rates against various assets of Exeon. Interest is payable monthly in arrears and is based at Exeon’s option of LIBOR or bank rates plus, in each instance, a fixed margin. The weighted average interest rate at June 30, 2012 and December 31, 2011 was 5.8%. The Revolving Credit Facility provides for maintenance of financial covenants and ratios relating to minimum fixed charge coverage and quarterly net income and includes restrictions on mergers, acquisitions, sale of assets, capital expenditures, payment of cash dividends and incurrence of indebtedness. Exeon was in compliance with all applicable covenants at June 30, 2012 and December 31, 2011. The Revolving Credit Facility is collateralized by substantially all of Exeon’s tangible and intangible assets. At June 30, 2012 and December 31, 2011, Exeon had \$4.2 million and \$4.1 million of availability, respectively, under the Revolving Credit Facility. Under provisions of the Revolving Credit Facility, Alpine and its wholly owned subsidiary Alpine Holdco Inc. have committed under certain circumstances to make additional capital contributions to Exeon up to a maximum amount of \$2.5 million (see Note 1).

4. Earnings Per Share

The computation of basic and diluted earnings (loss) per share for the three and six month periods ended June 30, 2012 and 2011 is as follows:

	<u>Three Months Ended June 30,</u>					
	<u>2012</u>			<u>2011</u>		
	<u>Net Income</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>	<u>Net Income</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>
<u>Basic earnings per share</u>						
Net income.....	\$ 303	17,327	\$ 0.02	\$ 1,538	17,429	\$ 0.09
Adjustments:						
Preferred stock dividends	(9)	17,327	0.00	(20)	17,429	0.00
Net income applicable to common stock.....	<u>\$ 294</u>	<u>17,327</u>	<u>\$ 0.02</u>	<u>\$ 1,518</u>	<u>17,429</u>	<u>\$ 0.09</u>
<u>Diluted earnings per share</u>						
Net income applicable to common stock.....	\$ 294	17,476	\$ 0.02	\$ 1,518	17,551	\$ 0.08
Effect of dilutive securities:						
Preferred stock conversion	9	148	0.00	4	122	0.01
Net income applicable to common stock with assumed conversions	<u>\$ 303</u>	<u>17,624</u>	<u>\$ 0.02</u>	<u>\$ 1,522</u>	<u>17,673</u>	<u>\$ 0.09</u>

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4. Earnings Per Share – (Continued)

	<u>Six months Ended June 30,</u>					
	<u>2012</u>			<u>2011</u>		
	<u>Net Loss</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>	<u>Net Loss</u>	<u>Weighted Average Shares</u>	<u>Per Share Amount</u>
<u>Basic and diluted loss per share</u>						
Net loss.....	\$ (83)	17,387	\$ (0.01)	\$ (207)	17,407	\$ (0.01)
Adjustments:						
Preferred stock dividends	(22)	17,387	0.00	(44)	17,407	0.00
Net loss applicable to common stock	<u>\$ (105)</u>	<u>17,387</u>	<u>\$ (0.01)</u>	<u>\$ (251)</u>	<u>17,407</u>	<u>\$ (0.01)</u>

The Company has excluded the assumed exercise of certain stock options (0.3 million) from the Company's earnings per share calculation for the six month period ended June 30, 2012 and the assumed exercise of certain stock options (0.1 million) and vesting of restricted stock grants (0.1 million) from the Company's earnings per share calculation for the six month period ended June 30, 2011, as the impact for both periods would be anti-dilutive due to the net loss for those periods.

5. Stock-based compensation plans

Alpine formerly had an employee stock option incentive plan known as the 1997 Stock Option Plan (the "1997 Plan"), however, as of April 9, 2007, the tenth anniversary of the effective date of the 1997 Plan, no further grants or other awards may be issued under such plan. All rights under options granted prior to April 9, 2007 extend beyond such date subject to and in accordance with the terms of the 1997 Plan. The options granted under the 1997 Plan vest in equal annual installments over the three year period commencing on the first anniversary date of the grant or, if earlier, upon the occurrence of a change in control of the Company and options cannot be exercised after 10 years from the date of grant.

The Company adopted the Stock Compensation Plan for Non-Employee Directors (the "Director Plan") in January 1999. Under the Director Plan, each non-employee director of the Company automatically receives 50% of the annual retainer in either restricted common stock or non-qualified stock options, as elected by the director. In addition, each non-employee director may also elect to receive all or a portion of the remaining amount of the annual retainer and any meeting fees in the form of restricted stock or stock options in lieu of cash payment. However the Director Plan was amended commencing in 2009, so that 50% of the total annual non-employee director compensation automatically is paid in cash and the remaining 50% is paid in the form of restricted stock and/or stock options as selected by each non-employee director. During the quarter ended June 30, 2012, 53,153 non-qualified stock options were granted to non-employee directors. There was no restricted stock elected or granted under the Director Plan for either period. During the quarter ended June 30, 2011, 151,222 non-qualified stock options were granted to non-employee directors. All options granted during 2012 and 2011 were issued at the fair market value of the Common Stock at the date of the grant. Each stock option granted under the Director Plan expires on the tenth anniversary of the date of the grant. Awards of restricted stock and stock options under the Director Plan vest upon the earliest of the following to occur: (i) the third anniversary of the date of the grant; (ii) a non-employee director's death; and (iii) a change of control of the Company. Any shares issued pursuant to the Director Plan will be issued from the Company's treasury stock.

Alpine sponsors a 1984 Restricted Stock Plan under which a maximum of 600,000 shares of Common Stock have been reserved for issuance. At June 30, 2012, there were 45,064 shares available for issuance. During the quarter ended June 30, 2012, the Compensation Committee granted no new shares under this plan. Shares of restricted Common Stock granted under this Plan vest in equal installments over a three year period commencing with the first anniversary of grant.

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5. Stock-based compensation plans (Continued)

Alpine sponsors The Alpine Group, Inc. Deferred Stock Account Plan, an unfunded deferred stock compensation plan whereby certain key management employee participants are permitted to (i) defer the receipt of all, or a portion, of their non-cash salary or bonus, as defined by the plan and (ii) reinvest deemed cash dividends allocable to Common Stock credited to a participant's account under the plan into additional deferred Common Stock. The plan also provides for Company matching contributions of Common Stock of either 25% or 50%, depending upon period of deferral, applied to shares of Common Stock deferred therein. The compensation cost associated with the Company matching contributions is amortized over the period of the deferral in respect of which it may be earned. Shares deferred into the Deferred Stock Account Plan are held in irrevocable grantor trusts. At June 30, 2012, 2,591,303 shares of Common Stock have been deferred and are included in the grantor trusts. These shares and the corresponding liability are classified as components of treasury stock and additional paid-in capital, respectively, in the consolidated balance sheets. The total unamortized deferred compensation was \$0 as of June 30, 2012 and December 31, 2012, respectively. During the first six months of 2012, no new deferred shares were granted, or vested and no previously vested shares were certificated or distributed. During the second quarter of 2012, one executive elected to further extend deferrals previously made.

The following table summarizes stock option activity for all Plans for the six month period ended June 30, 2012:

	Shares Outstanding	Weighted- Average Exercise Price	Weighted Average Remaining Contractual Terms (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	3,234,111	\$ 1.12	5.87	\$ 187,303
Canceled.....	(14,515)	1.68		
Granted.....	65,236	0.40		
Outstanding at March 31, 2012.....	3,284,832	\$1.11	5.73	\$ 312,900
Canceled.....	(21,041)	1.74		
Granted.....	53,153	\$ 0.49		
Outstanding at June 30, 2012.....	3,316,944	\$ 1.09	5.57	\$ 174,034
Options exercisable at June 30, 2012.....	1,916,668	\$ 1.68	3.64	\$ 4,958

There were no options exercised during the six month periods ended June 30, 2012 and 2011, respectively.

The weighted average grant-date fair value of options granted for the three month periods ended June 30, 2012 and 2011 was \$0.36 and \$0.13, respectively.

Information with respect to stock-based compensation plan stock options outstanding and exercisable at June 30, 2012 is as follows:

Range Of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Of Options Outstanding	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number Of Options Exercisable	Weighted Average Exercise Price
\$0.17 - \$0.65	1,704,268	7.32	\$ 0.32	303,992	\$ 0.50
\$0.76	333,851	0.97	0.76	333,851	0.76
\$0.80 - \$2.90	1,252,024	4.48	2.19	1,252,024	2.19
\$3.10 - \$3.27	26,801	3.41	3.16	26,801	3.16
	<u>3,316,944</u>	5.57	\$ 1.09	<u>1,916,668</u>	\$ 1.68

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5. Stock-based compensation plans (Continued)

The Company accounts for stock options using the provisions of ASC 718 “Compensation-Stock Compensation” which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors based on estimated fair values. Total compensation expense related to all stock-based compensation plans (including restricted stock) for the six months ended June 30, 2012 and 2011, was \$0.1 and \$0.0 million, respectively.

The fair value of each option award was calculated on the date of grant using the Black-Scholes option pricing model. This model requires the input of subjective assumptions that may have a significant impact on the fair value estimate. Expected volatility was based on historical volatility of the Company’s stock, and other factors. Expected dividends were based on historical dividend practices and no immediate plans to pay a dividend in respect of the Common Stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The risk-free rate for periods within the contractual life of the option were based on average U.S. Treasury rates in effect at the end of each quarter. The following assumptions were used for each respective period:

The following assumptions were used for each respective period:

	<u>Three months ended June 30,</u>	
	2012	2011
Risk free interest rate	1.03%	2.24%
Expected life (years)	5.0	5.0
Expected volatility	100.2%	91.7%
Expected dividend yield	0%	0%

6. Derivative financial instruments and fair value information

The Company to a certain extent uses forward fixed price contracts and derivative financial instruments to manage commodity price risks. The Company is exposed to credit risk in the event of nonperformance by counterparties for metal forward price contracts, and metals futures contracts but the Company does not anticipate nonperformance by any of these counterparties. The Company is required by its brokers to make initial margin deposits based upon the net positions outstanding on a daily basis. In addition, the Company generally sends or receives cash to / from the brokers daily based upon the variation in metal prices and the Company’s net position at the time to cover the variation margin on account. The net amount on deposit at the brokers was \$0.1 and \$1.0 million as of June 30, 2012 and December 31, 2011, respectively, and is included in Restricted cash. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

Commodity price risk management

For the Company’s scrap reclamation business, most of the products are copper-based and the Company attempts to match its copper purchases and sales with the spot COMEX price used in pricing the purchase or sale with the vendor or customer, respectively. There were 2.1 and 8.4 million net copper pounds that were hedged under this arrangement as of June 30, 2012 and December 31, 2011, respectively, which served to hedge the outstanding inventory as of those dates.

The Company also treats as derivative instruments purchases from vendors or sales to customers for which there is a firm copper price established. There were 0.7 and 0.1 million net short copper pounds related to such commitments as of June 30, 2012 and December 31, 2011, respectively.

The fair value of the Company’s derivative instruments as of June 30, 2012 and December 31, 2011 were as follows:

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6. Derivative financial instruments and fair value information (Continued)

June 30, 2012			
	Net Position*	Asset	Liability
		Derivatives Fair Value	Derivatives Fair Value
Derivatives not designated as hedging instruments			
Commodity Contracts		(in thousands)	
Copper – Broker		\$ —	2,075 S
Copper – Vendor / customer	(688) L	25	—
Total		\$ 25	\$ 135

December 31, 2011			
	Net Position*	Asset	Liability
		Derivatives Fair Value	Derivatives Fair Value
Derivatives not designated as hedging instruments			
Commodity Contracts		(in thousands)	
Copper – Broker	5,275 S	\$ 24	3,125 S
Copper – Vendor / customer	45 L	4	—
Total		\$ 28	\$ 45

* in thousands of copper pounds. L = Long S = Short

The above net short copper positions of 1.4 and 8.4 copper pounds as of June 30, 2012 and December 31, 2011, respectively, were to economically hedge a like amount of physical copper inventory.

Since none of the Company's derivatives are designated as hedging instruments under ASC 815 "Derivative and Hedging", the changes in fair value of these hedges are recognized immediately in cost of goods sold. Such amounts were a \$86,000 gain and \$107,000 loss for the three months ended June 30, 2012 and 2011, respectively, and a \$49,000 and \$1,661,000 gain for the six months ended June 30, 2012 and 2011, respectively.

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7. Non-GAAP and non-recurring adjustments to financial statements

The Company records its inventory on a LIFO basis and marks to market its non-designated hedging instruments and records quarterly adjustments thereon in accordance with GAAP. Since in managements' opinion, these adjustments are of a non-cash and non-operating nature, the effects of such adjustments and the removal thereof are shown in the tables below. The Company also paid severance cost to certain employees during the second quarter of 2012 which are of a non-recurring nature and the removal thereof is shown in the tables below:

(millions)	Three months ended June 30, 2012			Three months ended June 30, 2011		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Net Sales	\$ 17.7	\$ —	\$ 17.7	\$ 51.4	\$ —	\$ 51.4
Cost of goods sold	15.8	0.8 (a)	16.6	47.4	2.1 (a)	49.5
Gross profit (loss).....	\$ 1.9	\$ (0.8)	\$ 1.1	\$ 4.0	\$ (2.1)	\$ 1.9
Selling, general and administrative expenses.....	1.2	—	1.2	1.2	—	1.2
Severance Costs.....	0.3	(0.3) (b)	—	—	—	—
Operating income (loss).....	\$ 0.4	\$ (0.5)	\$ (0.1)	\$ 2.8	\$ (2.1)	\$ 0.7
Net income (loss).....	\$ 0.3	\$ (0.3)	\$ (0.0)	\$ 1.5	\$ (1.2)	\$ 0.3

(a)-represents the following adjustments charge / (credit) as recorded:

Adjustment from FIFO to LIFO	\$ (0.7)	\$ (2.2)
Hedge mark-to-market adjustments	(0.1)	0.1
Total non-cash adjustments	\$ (0.8)	\$ (2.1)

(b)- represents non-recurring expenses related to severance of certain Alpine employees.

(millions)	Six months ended June 30, 2012			Six months ended June 30, 2011		
	GAAP	Adjustments	Non-GAAP	GAAP	Adjustments	Non-GAAP
Net Sales	\$ 58.8	\$ —	\$ 58.8	\$ 101.5	\$ —	\$ 101.5
Cost of goods sold	56.2	0.3 (c)	56.5	98.7	1.6 (c)	97.1
Gross profit (loss).....	\$ 2.6	\$ (0.3)	\$ 2.3	\$ 2.8	\$ 1.6	\$ 4.4
Selling, general and administrative expenses.....	2.6	—	2.6	2.7	—	2.7
Severance costs.....	0.3	(0.3) (d)	—	—	—	—
Operating income (loss).....	\$ (0.3)	\$ (0.0)	\$ (0.3)	\$ 0.1	\$ 1.6	\$ 1.7
Net income (loss).....	\$ (0.1)	\$ (0.0)	\$ (0.1)	\$ (0.2)	\$ 1.0	\$ 0.8

(c)-represents the following adjustments charge / (credit) as recorded:

Adjustment from FIFO to LIFO	\$ (0.3)	\$ 3.3
Hedge mark-to-market adjustments	—	(1.7)
Total non-cash adjustments	\$ (0.3)	\$ (1.6)

(d)- represents non-recurring expenses related to severance of certain Alpine employees.