Passionate Client Service

Ernst & Young in Switzerland 2007

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ERNST & YOUNG

Our Values Statement Who We Are And What We Stand For

People who demonstrate integrity, respect and teaming.People with energy, enthusiasm, and the courage to lead.People who build relationships based on doing the right thing.

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On the front cover: Iqbal Khan, Partner, Audit Services, Zurich

Ernst & Young Global

Key Figures (per June 30, 2007)

- 125,000 employees
- Offices in 140 countries, combined in 7 areas
- 2006/2007 sales: USD 21 billion
- Revenue growth 2006/2007: +12%
- 7,600 partners

Ernst & Young

Ernst & Young, a global leader in professional services, is committed to restoring the public's trust in professional services firms and in the quality of financial reporting. Its 125,000 people in 140 countries pursue the highest levels of integrity, quality, and professionalism in providing a range of sophisticated services centered on our core competencies of auditing, accounting, tax, and transactions. Further information about Ernst & Young and its approach to a variety of business issues can be found at www.ey.com/perspectives.



Andreas Müller, Chairman of the Board of Directors; Prof. Peter Athanas, Chief Executive Officer

Basle and Zurich, Autumn 2007

Dear Clients and Business Associates

The market for auditing and advisory services is in flux. Many companies are now putting mandates out to tender, while stricter disclosure and corporate governance requirements are giving rise to new projects that aim not only to secure compliance, but above all, added value. Both publicly and within companies themselves, corporate governance and compliance have for too long been regarded as self-serving projects. For the owners, employees, suppliers and clients of companies it is added value that counts. Experienced and financially literate boards of directors and operational decision-makers in mid-sized as well as international companies are increasingly thinking and acting globally and are rightfully confronting their auditors and advisors with higher expectations. It is clear that our market is becoming more demanding and competitive, but at the same time more professional.

At Ernst & Young, we are fully aligned in meeting these requirements. In the year under review, we have further intensified our global cooperation, specifically in the areas of strategy, organization, methodology and quality. Today the majority of our market activities and projects involve cross-border collaboration – such as in Ernst & Young's Central Europe area, of which the Swiss practice is a leading member.

Our employees receive domestic and international training on an ongoing basis, thereby ensuring they maintain specialized skills and are able to satisfy the increased expectations placed on us as trusted business advisors. Numerous outstanding Ernst & Young partners and employees are involved not only in working with clients, but also in recruiting and teaching at renowned universities and institutions for higher education. We would like to take this opportunity to thank all our employees, who are constantly striving to better serve our clients, for their valuable contribution.

We want to continue on our way of sustainable growth in all our core businesses. We thereby place special emphasis on our Advisory Services, which provide clients with structured information as a basis for key financial and operational decisions.

At Ernst & Young, we aim to differentiate ourselves from the competition by offering the highest quality combined with a maximum focus on our clients. In addition to our advanced technical competencies, we also seek excellence in our client service. Our commitment to "Passionate Client Service" is felt both inside and outside the company. Our conscious efforts to achieve more transparent reporting further exemplify our serious commitment to our clients and stakeholders. For us, "Passionate Client Service" means doing everything we can to offer our clients services of an impeccable quality coupled with exceptional client care and to earn the trust of investors in the market.

We would like to thank all our clients and business partners for their trust in us, and we hope you will find this report interesting reading.

Andreas Müller Chairman of the Board of Directors

Manay

Prof. Peter Athanas Chief Executive Officer



Don't cause problems, solve problems

"Our clients know how complex the world of business is. Our lenges on a daily basis. If I see a new problem developing, I put all my energy into coming up with ways of resolving it." Diane Webster, Senior Manager, Accounts & Industries, Zurich

Globally consistent business models, services and methods, a corporate culture based on clear values and an internationally standardized and focused strategy are what make Ernst & Young a worldwide leader in auditing and advisory services.

Sustainable growth through globally consistent services

In Switzerland Ernst & Young is a leading provider of high-quality services with a particular focus on auditing, tax and legal consulting, advisory services and accounting. As a result, we have a special commitment to our clients and the capital markets. Through our services we support our clients in their efforts to fulfill all the latest and often complex requirements of legislators, financial investors and the capital markets.

Our services not only help to ensure good corporate governance and controlling as well as transparent communication of financial data, but are also always focused around our clients' business goals, for example supporting their efforts to strengthen and efficiently integrate business processes. Our interdisciplinary competencies in auditing, financial advisory and in tax and legal matters enable us to apply an integrated approach, which can prove even imperative, e.g. in corporate transactions.

Ernst & Young applies unified standards to its operations worldwide

Established as a co-operation of legally and economically independent local companies, over the past few years Ernst & Young has increasingly evolved into a globally steered and integrated organization. At the same time, the individual country practices were combined into seven areas, "Continental Western Europe", "Central Europe", "Northern Europe, Middle East, Africa and India", "Far East", "Japan", "Oceania", and "Americas", within which country practices closely work together. The Swiss Ernst & Young practice is a key part of the Ernst & Young Central Europe area, holding prominent positions in the relevant coordinating and steering committees. Over the past five years the Central Europe area has grown into a leading provider of auditing and advisory services. The 10 percent growth in sales revenue to EUR 2.3 billion exemplifies Ernst & Young's position in Central Europe.

By means of coordinated, jointly marketed, globally consistent business models and standardized services, processes and methods, we have been able to raise all our services to a uniform level, thereby meeting the real needs of our clients. Often our clients operate in an international environment, so they are looking for consistent cross-border solutions. Our unified standards in over 140 countries serve to ensure that we can provide our clients with the same seamless consistent top-quality services, worldwide.

We have enhanced collaboration globally and particularly at the area level with concrete initiatives and activities. Some examples of this are:

- the focused expansion of our Advisory Services in the core areas of Transactions, Risk and Performance
- the success of our Global Financial Services Risk Management Practice with European headquarters in Switzerland, which is geared to highly complex risk calculation activities
- our professional Actuarial Practice centered in Zurich with its highly qualified specialist team and

European-wide competency to support insurance companies operating worldwide

 the new global outreach Pharma Center in Basle (see page 23).

Even as Ernst & Young adopts a global direction and global market activities, the local companies remain the backbone of our organization. They are responsible for implementing our global strategy, for local marketing and localization of our global products and for – an essential pillar of our future success – the training and development of our employees.

Strategy

In order to strengthen and further expand our position as a leading auditing and advisory company, we are committed to the theme "Passionate Client Service", which means focusing all our energy on providing exceptional service and added value for our clients. Our activities are based upon the three strategic pillars – people, quality and growth. Our aim is to achieve sustainable and profitable growth by employing the best people and offering the highest quality services.

People first

As a service provider, Ernst & Young is a "people" company. On a daily basis, our employees and teams develop client-focused solutions and are thus primarily responsible for our reputation and our success in the market. For this reason, we take the training and development of our employees very seriously. In the past, emphasis was mainly focused on technical expertise and professional training, but this emphasis has now shifted to incorporate soft skills, such as the development of strong communication skills. An increased awareness for professional values such as integrity, independence and objectivity is also reflected in Ernst & Young's enhanced training and development programs. Not only do we strive to provide our employees with the technical training they require, but also to provide interpersonal development. Our employee culture enables us to treat all stakeholders with uncompromising integrity, to work efficiently as a team on projects and to deliver innovative solutions to our clients.

People who demonstrate integrity, respect and teaming, People with energy, enthusiasm, and the courage to lead, and People who build relationships based on doing the right thing are the values that our staff put into practice in their work and which are anchored in every office of our organization. They are an expression of our corporate culture and also the benchmark against which we measure ourselves both internally and externally. We believe our values are what set us apart, and so we are consistent in putting them to work.

Quality

We ensure our services achieve the required quality by consistently expanding our internal quality and risk processes (see page 44). Client focus also has a great influence on the way we think and act. The > "10 Commandments for Passionate Client Service" (see page 17), drafted and communicated in fiscal 2006/2007, emphasize the client-centric focus of our services. These principles form the framework for committed client relationships and serve as a benchmark for individual client work for every employee.

"Passionate Client Service" is also the theme which recurs throughout this year's annual report. We intentionally emphasize our client-centric approach in this report because our focus on clients and specific attention to their individual needs create the prerequisites for high-quality services. Tailored products that cater to specific needs enable us to successfully position ourselves in the market. In this way, for instance, we have continued to drive our specialization in tax advisory and expanded or regrouped key services such as Tax Effective Supply Chain Management or Business Tax Compliance. A fundamental response to market needs is the creation of the Advisory Services business unit which provides answers to questions in the areas of performance, risk and transactions during the corporate life cycle. With such sensitive transactions, it is important that company executives can rely on Ernst & Young's internationally coordinated expertise, proven methods and seasoned cross-border project management. Our Transaction Integration Services (see page 18), which we are expanding in a targeted fashion, are a particularly recent addition to our successful Transaction Advisory Services. We use this advisory service to support our clients in identifying potential success factors prior to the acquisition of a company, in realizing this potential following an acquisition and in optimizing the new corporate structures and processes. In this way we contribute to the successful implementation of the transaction.

Growth and markets

Our growth strategy follows a three-pronged approach. First, with the aid of targeted initiatives, we focus on securing auditing and advisory mandates for multinational groups, young and dynamic growth companies and mid-sized firms. Second we continue to expand our portfolio of services while taking into account the real needs of the market. Part of this is the new organizational structure that we implemented on July 1, 2006 (see page 46). Finally, we aim to grow in the individual industries. Every industry has its specific challenges and dynamics. The more familiar we are with our clients' industry, the more customized the service we can provide. After focusing even more strongly on individual industries in recent years, in the last fiscal year we made additional investments to promote client proximity in the industry teams, which have geared themselves towards the specific issues and challenges of the individual industry segments. As a result we can offer our clients services that not only deliver professional expertise, but also address sector-specific issues in a comprehensive way.

In the course of the business year we grew our client base considerably, which however had a limited first impact on revenue for this period. Our Audit Services business unit reported winning an aboveaverage number of the requests for auditing proposals it received. Our non-audit clients business was also very successful. Setting up practice-relevant internal controlling systems for corporate clients, assisting clients with major IPOs and corporate transactions as well as providing special advisory services to the financial services industry (in areas such as MiFID, Basle II, and risk management) represented extremely challenging, but also very interesting mandates for both Audit Services and Advisory Services. Tax Advisory saw an increase in tax structuring and specifically in fiscally complex areas of expat management. Legal Advisory established itself more firmly as an interdisciplinary provider of top services for compliance issues at banks and insurers as well as in the implementation of legal due diligence processes in connection with transactions. Together, Tax and Legal Advisory were often able to combine their efforts to solve business succession issues and to establish international companies in Switzerland. The latter also increasingly require the assistance of our Accounting Services unit for the central processes of financial management.

As a "staff development company", Ernst & Young has a turnover rate that is typical for our industry. Combined with a growth rate of some 8%, this translates into over 250 new hires every year. The important task of optimally integrating new employees also pushes us to the limits of our growth potential. Our overarching objective is to preserve and improve the quality needed for our services. A growth rate of 7% to 8% is thus an optimum sustainable goal for us. In fiscal 2006/2007 we exceeded this mid-term target range with growth of 9.3 %.

Contribution to the security of the capital market

As an auditor and advisor, we often play an important role in supporting company management. We have an in-depth and detailed view of the client's company and act as a sparring partner for the business owner as well as for the board of directors and executive management. These people and bodies bear a substantial economic and social responsibility.

We consciously assume corporate responsibility by raising public awareness of the role of private enterprise. With our Entrepreneur Of The Year® program (see page 42), sponsored for the tenth time in Switzerland in 2007, we have succeeded in doing this in a sustainable and unprecedented manner. By their participation or attendance, prominent individuals from the world of politics and economics again give the award their acknowledgement and support in 2007, thereby underscoring the importance of the program for Switzerland. The search for the Entrepreneur Of The Year® in the three categories "Services/Trade", "Industry/High-Tech" and "Start-ups", is conducted in 40 countries according to a standard set of criteria. Every spring of the following year the World Entrepreneur Of The Year® is announced from Monte Carlo.

As a leading auditing and advisory company, we are aware of our responsibility to Switzerland as a business location. Our services enable us to make a considerable contribution to the security and trans- >

Be available and responsive at all times

"Transactions are extreme situations for companies. As a result, my clients expect me to be flexible. In this way I create added value for them." Roger Müller, Senior Manager, parency of the capital markets. As an employer of some 1,800 employees and a revenue volume that surpassed the half-billion mark for the first time this year, we are a major player in the Swiss economy.

For the first time, Ernst & Young Switzerland publishes its annual report containing financial statements in accordance with Swiss GAAP ARR. As a major company with an important public role, we have deliberately opted to present our financial figures in a more transparent and comprehensive manner than is required by law. We do this in order to set a clear precedent and to promote increased transparency in financial communications. • People with different backgrounds working together in an interdisciplinary approach create a climate of mutual information exchange that defines Ernst & Young. Targeted training and development sharpen the skills of our staff while also raising our services to a new level.

An interdisciplinary approach and good teamwork make the difference

For a service provider like Ernst & Young, good employees are the most precious resource. Expertise and integrity, respect and teamwork and a passion for their work are the qualities that characterize Ernst & Young employees and that form the basis of the quality and trust needed to deliver services in a dedicated and client-focused manner.

These characteristics are anchored in the fundamental values of our corporate culture and not only express what Ernst & Young stands for, but are also primarily responsible for our successful positioning in the industry as a leading provider of quality auditing and advisory services.

Our employees have high expectations placed on them through their work in dynamic, interdisciplinary teams, the assignment of responsibility at an early stage and their introduction at a given moment to client-facing activities, all of which demands both specialist expertise and interpersonal skills. Ernst & Young employees are thus independent, flexible and enthusiastic. In return we offer both specialized training and development and make a considerable contribution to the personal development of staff members at all levels of the organization.

The increasingly international environment fosters an exchange between employees from various countries and cultures offering insight into different companies from various industries, which is without a doubt a source of enrichment for our employees.

Workforce

Generally, for us as a service company, economic growth also means an increase in specialized staff. During the period under review, the number of employees at Ernst & Young Switzerland increased by 6.2% to 1,808, with the bulk of the expansion in the specialist advisory area. Specifically, Ernst & Young added 106 new positions in Switzerland. Personnel costs as a percentage of revenue were 68.0%, up from 65.6% in the prior year, reflecting our investment in an expanded array of specialist advisory services.

Identifying and winning talented staff

An ongoing supply of qualified staff is a key asset for the future of Ernst & Young. Particularly in an economic expansion, recruiting promising young employees presents a challenge for us as well. This is why Ernst & Young maintains a presence at the universities and in the relevant professional journals and has continually bolstered communication for potential new hires.

We participate in the annual jobs fair at universities and are also present at practice-related seminars and lectures at various colleges and universities. In addition we offer interested students tailored programs, such as the HSG Practice Day for students at the University of St. Gallen.

As part of our annual MATCH Program, Ernst & Young offers students who are about to graduate the

opportunity to learn more about Ernst & Young in general and the Audit Services business unit in particular at a two-day camp. Topics such as the presentation of auditing methods, the wide variety of clientele and the general development of the auditing profession are discussed, as are possible career and educational development options.

The best people want to work for the best companies. Our strong brand, based on sustained performance, is thus also important in making Ernst & Young an attractive employer. We regularly rank as an attractive company in the well-known "Universum" study that is conducted every year: students majoring in economics rate us among the top ten. In 2007 we even improved our ranking from 9th to 5th. All this contributes to our ability to attract the number of top college graduates that we need in Switzerland as well as abroad.

Active contribution to research and teaching

Our presence at universities extends far beyond recruitment: Ernst & Young Switzerland has supported the Institute for Accounting, Controlling and Auditing at the University of St. Gallen HSG since October 2006 through its sponsorship of a full assistant professorship position in the area of Audit and Risk Management, together with a teaching position and a 35% assistantship position in Auditing. Dr. Anke Müssig is the assistant professor, and Dr. Andreas Blumer, a Partner at Ernst & Young, holds an additional teaching position. Other lectureships are held by Partners Prof. Claude Bourqui, CEO Prof. Peter Athanas at the University of St. Gallen HSG and Dr. Thomas Noesberger at the University of Fribourg. As a visiting professor, Claude Bourqui is also a member of the academic teaching team of the Master in Accounting, Controlling and Auditing program, held in common by the Universities of Lausanne and Geneva. Our specialists from the areas of Tax, Law, Transaction Support and Advisory Services (e.g. Forensics) also hold numerous teaching positions and give seminar lectures at universities, colleges and other institutions of higher learning. To underscore our support for the dynamic development of the economy and our proximity to business and research, we have entered into a partnership with the new journal REFLEX launched by the Federal Institute of Technology in Lausanne.

The path to personal development

Upon completing their university education our employees have a solid base of specialist knowledge that they continue to develop in specific areas. Ernst & Young places a correspondingly strong emphasis on specialist training and further education. An individual Learning Map, which charts the profile requirements of our employees and which is reviewed at regular intervals, documents the development stage of each and every employee at all levels within the organization.

In the first few years, training and development focuses on the professional skills of the employees >

Employees

Workforce and personnel costs	30.06.2007	30.06.2006
Number of employees (full-time equivalents)	1'808	1'702
Personnel costs (in CHF million)	358.6	323.3
Personnel costs as percentage of revenue from services	68 %	66 %



which we intentionally recruit from various specialist disciplines. In this way we support our talented young employees on their path to become top-performing specialists. Another focal point - especially at the higher functional levels - is on the development of interpersonal skills. The more responsibility our employees have for clients, the more important communication, negotiation and management skills become. We support our staff in a way that is adapted to their level of responsibility, with the focus of training and development changing as they move forward in their careers. For us it is important that our clients receive more than just professional service, which is something clients routinely expect. In addition we place great importance on providing client care by experienced staff with accomplished social skills who can also provide competent answers to specific issues which extend beyond their area of expertise.

The investment in company employees is a critical success factor for Ernst & Young. For this reason we continually conduct employee performance reviews which evaluate personal performance and suggest development and career options. In addition to its auditors and tax advisors, Ernst & Young has an impressive pool of highly competent specialists – such as lawyers or actuaries – which is unrivalled in its interdisciplinary scope in Switzerland.

Diversity takes us forward

Diversity is not an internal program at Ernst & Young, it is an important part of our corporate culture. Person-to-person exchanges are indispensable for an auditing and advisory company which operates in over 140 countries worldwide and offers a cohesive service network. All too often "diversity" is reduced to the integration of women into the business world. This narrow interpretation is not what Ernst & Young's diversity approach is about.

Multinational groups and even international midsized companies expect the same methodologies and quality worldwide in all of Ernst & Young's services. In addition to the specialist methods, this also requires a coherent vision. Ensuring that Ernst & Young's particular vision and methodologies are applied uniformly in an environment of diverse cultures, economic and legal systems presents both a key challenge and a major advantage for our clients.

We view the exchange of experiences between people from different backgrounds, ages and cultures as one of the strengths of Ernst & Young and of Switzerland as a business location in particular. Sharing different viewpoints and reviewing a situation from various perspectives fosters a culture of mutual development.

International competencies are thus a key factor in mandates that frequently reach across borders. For this reason an important part of employee development involves working abroad. Ernst & Young has developed various exchange programs tailored to the needs of both, its employees and the company, and ranging from short-term assignments to several years abroad. In this way we promote the mobility and international networking of our employees. >

Growing together

We take the critical and honest opinions of our employees very seriously. Only through an open exchange can we recognize the potential for improvement and grow organically as a whole. Since 2003 we have conducted the Global People Survey in over 100 countries with around 60,000 employees taking part.

The main topics include Quality, Change Management, Strategy, Employee Commitment, Leadership and Performance and Career Development. Ernst & Young Switzerland can contribute country-specific questions to the Global People Survey. The survey results are impressive evidence that our people fully identify with Ernst & Young as an employer, and it also points out individual areas that are in need of concrete actions. In such cases it is important to us that new and practical solutions are actually implemented to resolve issues, rather than making empty gestures.

We also hold regular feedback discussions with employees at various levels of the organization in order to gauge employee satisfaction. Specialist seminars and training sessions help ensure that in addition to the formal program, there is a way for employees at various levels and in different areas of activity to exchange ideas with executive management and business unit heads. The emphasis here is on a casual and informal exchange that covers a wide range of topics such as work-life balance, job risks or internal procedures.

Changes in the group of Partners

More than ever Ernst & Young needs qualified Partners. They serve as trusted contact persons in the market, as highly qualified specialists in their daily work and as exemplary entrepreneurs for the employees at Ernst & Young. For this reason we wish to make special mention of the changes in the group of Partners in fiscal 2006/2007 up to September 30, 2007.

Changes in executive management

Executive management was reorganized at the beginning of fiscal 2006/2007, with several changes taking place thereafter. As scheduled, our CFO of many years and at times member of the Board of Directors, *Peter Hurni*, retired after 30 years at Ernst & Young. *Jan Birgerson* was appointed Head of the Audit unit of our entire Nordic Sub-Area, which meant his resignation from the Swiss Board of Directors and partnership. However, he remains a key figure at Ernst & Young. After many years of intense engagement at Ernst & Young, *Barbara Lambert* has left the Board of Directors and the partnership to pursue a new challenge. We would like to take this opportunity to thank all three for their invaluable services to our company and wish them all the best for the future.

Retiring Partners

Following a long and successful career at Ernst & Young, the following Partners will retire:

- Paul Flückiger, Berne
- Verena Fontana, Zurich
- Peter Heckendorn, Lugano
- Peter Hurni, Basle
- Albert Massmünster, Basle
- René Stauber, Zurich

We would like to thank our valued Partners and all our retiring employees for their many years of dedicated service to Ernst & Young and wish them the very best for their future.

New Partners

The following persons were promoted to or hired as Partners during the same period:

People Ernst & Young, Switzerland, 2007

- Michael Faske, Zurich
- Marc Gröflin, Basle
- Bernhard Hamberger, Berne
- Ralph Holbein, Zurich
- Philipp Keller, Zurich
- Matthew Keson-Lee, Zurich
- Iqbal Khan, Zurich
- Alberto Lissi, Lugano
- Jürg Müller, Basle
- Stéphane Muller, Geneva
- Flurin Poltera, Zurich
- Paolo Prisco, Basle
- Edvard Rinck, Zurich
- Daniel Zaugg, Zurich

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Passionate Client Service

Women's ideas are not better - just different

GROW is not a program to promote women, but rather a powerful statement by Ernst & Young. GROW stands for diversity and equal opportunities.

Outstanding auditing and advisory services are not gender-related. The Swiss job market boasts a large number of highly educated women. Despite this, women are still underrepresented at Ernst & Young, especially in higher positions. Yet Ernst & Young really makes it possible for employees to combine career and family.

With the GROW initiative (Growth and Retention of Women) launched in 2005, Ernst & Young aims to make itself more attractive to women and also increase the number of women in upper management.

Mentoring

In order to achieve the ambitious goals of the GROW initiative, Ernst & Young also started the Mentoring Program in 2006. Female employees are assigned an Ernst & Young Partner as a mentor for two years. They meet regularly to set individual objectives together, with the mentor acting as counselor and coach for questions of all kinds. Mentors pass on their experience, help their mentees to build up their skills and support them in networking and career planning. "The key factor for successful mentoring is trust between the mentor and mentee," stresses **Barbara Aeschlimann**, Director of Human Resources. There are already numerous women at Ernst & Young in Switzerland who are benefiting from the Mentoring Program.

Ernst & Young employees can also take advantage of the free child care advisory service, which can propose or arrange individual solutions for child care outside of the family and thus supports working parents in their dual role. Parents are thus relieved, so that they can fully concentrate on their work and clients. In addition, new mothers have the option of working parttime after the birth of a child. Men and especially fathers too can work part-time, provided such a solution is workable in their position.

Passionate Client Service

Ernst & Young does not rely on standard solutions, but rather develops individual, tailored solutions for its clients. This and our proactive approach to finding solutions for client problems which go beyond the standard requirements of the mandate offer important added value to our clients. These strengths are lived daily by the Partners and project managers in their teamwork. Mutual respect, commitment and the willingness to go the extra mile are what drive our work, and to experience an open ear for our opinions and concerns is a valuable aid in our daily quest for the best solution.

In order to further strengthen our client focus, we drafted ten principles this year which are not only an expression of our culture, but are also concrete standards of behavior that we set for ourselves. These guiding principles are part of our unique identity as a service provider and advisor, and are a prerequisite for dedicated client relations. These commandments make Ernst & Young the benchmark of individual client service for each and every employee.

Passionate Client Service

- 1. Never take a client for granted
- 2. Listen to your client and follow up
- 3. Be available and responsive at all times
- 4. Demonstrate that you really, really care
- 5. Make them feel special
- 6. Get the team right
- 7. Don't wait for the call call now!
- 8. Don't cause problems, solve problems
- 9. Think straight, talk straight
- 10. Go the extra mile, get the extra reward

Caree



Erika Schraner

Erika Schraner has been Head of Transaction Integration (TI) Services at Ernst & Young in Zurich since February 2007. She was previously the Director of Mergers & Acquisitions at Symantec Corporation where she was responsible for numerous corporate acquisitions at this company, which has grown considerably in recent years. Before working for Symantec, Erika Schraner was in corporate consulting for 10 years. Her extensive experience in M&A and corporate consulting underscores the qualified and practical approach used by Ernst & Young. As Head of TI Services in Switzerland, Erika Schraner is expanding the TI Team and steering it towards success through targeted cooperation with the TI specialists throughout Europe. She also assists key clients with the planning, evaluation and execution of acquisitions or divestment of companies or company units. "Many transactions are unsuccessful due to the lack of a proper integration processes as well as unrecognized or misjudged synergy potential. Cultural differences are often underestimated, and there is no clear response to employee concerns. As external advisors, we can provide our clients with solid, in-depth support during both strategic and operational planning, in this way making a considerable contribution to the success of the transaction," emphasizes **Erika Schraner**.

Erika Schraner grew up in Switzerland and earned her Master in Applied Mathematics at the Federal Institute of Technology in Lausanne. She also has a Ph.D. in Management Science from Stanford University. She worked in the US for some 15 years, and today lives with her husband in Zurich. Careei



Simone Schuchter

Simone Schuchter is a Manager in Ernst & Young's Corporate Tax department in Zurich. She joined as an Assistant in the Human Capital department directly after graduating with a degree in business administration in 2003. She changed to the Corporate Tax area in 2005 while completing her tax expert training, during which time she worked extensively, among other tasks, on corporate tax law. Her graduation in 2006 as a Swiss federally certified tax expert and promotion to Manager in fall 2007 both illustrate her exemplary career development and the encouragement of young talented people at Ernst & Young.

In her function as Manager, she supports Assistants and Seniors in Corporate Tax and

other business units in specific tax-related issues and thus shares the expertise she has gained in her career at Ernst & Young. Her work involves assisting national and international clients with tax planning and compliance issues where an understanding of the highly complex regulatory requirements is essential. In addition to specific training and development, Simone Schuchter sees the key to the high quality of our services as being good, trust-based client relationships which result in individual solutions and a high level of customer satisfaction. "We maintain a strong relationship of trust with all our clients. During client meetings we are often provided with extensive information about the company and our client's environment. This helps us evaluate the problem from a more comprehensive perspective. From there we develop individual tax advisory services designed specifically to meet the challenges our clients face," says Simone Schuchter.

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Beat Sonderegger

Employed by Ernst & Young since 1998, this Swiss certified tax expert is part of the International Tax Services (ITS) Team at Ernst & Young Moscow. Working out of a growth market, Beat Sonderegger is driving forward the global network of Ernst & Young ITS specialists. He is also continuing to build business relationships with Russian companies that are expanding into Switzerland or Swiss companies looking to enter the Russian market.

As an Advisory Assistant in the Tax Services department in Zug, Beat Sonderegger advised national companies and multinational groups on international tax laws as well as assisting them with international and group-internal transactions. After a successful internal career in which he advanced from Tax Advisor to Senior Manager in 2006, he was given the opportunity to support the rapidly expanding ITS Team in Moscow in 2007. The international focus of his projects and the ability to efficiently service his clients on site confirm his decision. "Companies that want to be competitive in the global markets must have the latest information on international tax issues. In order to provide complex cross-border tax advisory services, we work together in international teams. International networking and assignments abroad are becoming increasingly important for Ernst & Young," Beat Sonderegger emphasizes.

Career



Geneviève Lemaire

Geneviève Lemaire has been with Ernst & Young for 10 years. She began her career in 1997 as a Junior in the Audit Services business unit of Ernst & Young in Montreal, Canada, where she focused primarily on the biotech sector. She was promoted to Senior in 2000 and to Manager in 2002. In 2001 she earned a Canadian Chartered Accountant diploma through a working professional's course and received her credentials as a Certified Public Accountant in the US in 2004.

Her desire to go abroad combined with her French-language background and the importance of Swiss biotech companies in the world prompted her to move to Switzerland for a temporary stay in 2004. Since 2004 she has worked for the Audit Services business unit in Geneva where she is now a Senior Manager. "At Ernst & Young in Montreal and as a result of my work towards the CPA, I gained a deep understanding of the regulatory framework and accounting standards in the US. I can pass on this knowledge to the Audit Services Team in Geneva, for their audit mandates with US companies or to international companies that are listed on US exchanges," **Geneviève Lemaire** explains. In September 2007 her temporary as-

signment turned into a permanent position with Ernst & Young Switzerland.

Our professional excellence hinges on an in-depth industry know-how in our dealings with clients and a high level of specialization within our individual business units. By allocating each client to a dedicated Client Service Partner and gearing account management towards specific client needs, we add significant value to our services.

Closer to our clients through enhanced industry focus

Ernst & Young provides tailor-made auditing and consulting services for our clients for a wide range of industries. An in-depth understanding of the industry is a vital prerequisite for superior client service. Ernst & Young has actively promoted this industry-specific approach and incorporated it systematically into its client team structures. The wealth of accumulated industry expertise flows not only into staff training, but also directly into individual client projects as a result of industry experts working together with the Service Line specialists. The specific challenges facing individual industries are constantly evolving, and many companies have to contend with industryspecific regulatory regimes in addition to the general rules for the corporate sector. However, the boundaries between individual industries are also becoming increasingly blurred. Pharma, biotech and medtech are involved in similar areas of activity and are working together now more than ever before. Insurance companies and banks - while still facing their own specific challenges - are soon to be subject to overarching supervision in the form of the Swiss Federal Financial Market Supervisory Authority (FINMA).

Ernst & Young focuses on 16 industries and sectors in Switzerland. With global centers of competence such as the Global Pharmaceutical Center in Basle, Ernst & Young provides its clients with comprehensive support worldwide, while at the same time giving vital impulses to its own industry know-how. The knowledge generated by the centers of competence benefits not only clients, but also the optimally networked international industry teams of Ernst & Young. This industry focus is also reflected in our local internal organization. The industry teams are comprised of employees from all Service Lines (Audit, Tax, Legal, Accounting Services and Advisory Services). These Service Line specialists have extensive experience in their respective industries, enabling the smooth and speedy transfer of knowledge between the industry teams and functional specialist teams while laying the foundation for an in-depth understanding of needs in the individual mandates based on client and market proximity.

The industry teams actively manage their knowledge. By identifying and assessing emerging developments at an early phase, they are able to recognize specific industry trends and highlight future challenges. The ongoing dialog with clients worldwide helps Ernst & Young validate these trends, and this knowledge enables the company to develop targeted services together with the business units and train employees in the specific demands and requirements of the industry. Ernst & Young's industry-specific trend reports can enable clients to position themselves better in the market and gain a decisive competitive advantage.

Pharma

Pharmaceutical companies operate in a fiercely competitive global market. Patent expirations, product recalls and new regulatory requirements have made business conditions more difficult and increased the pressure on costs. While the focus on growing markets harbors opportunities, due to regional regulatory conditions it also brings with it significant risks. Ernst & Young is one of the most important providers of professional services to the pharmaceuticals industry worldwide. By providing services in areas such as business risk, fraud investigation or compliance, >

Passionate Client Service: Pharma

Competence center: Global Pharmaceutical Center in Basle

Ernst & Young has intensified its focus on the pharma industry in recent years and invested heavily in industry-specific services and solutions. A new competence center in Basle has brought Ernst & Young's services for the pharma industry to a whole new level.

Together with our center in New York, the newly opened Global Pharmaceutical Center in Basle has become the hub for Ernst & Young's global network of pharma experts, enabling us to focus more closely on the specific needs of pharma companies.

One of the three main objectives of the Pharmaceutical Center is to promote dialog between industry interest groups such as business leaders, scientists and legislators. It is also intended to develop thought leadership in relation to the most important industry-specific questions and trends, and – last but not least – foster the global networking and training of Ernst & Young teams so as to provide clients with consistent solutions worldwide.

"In addition to themed events we also hold regular roundtables with chief information officers and chief compliance officers in order to highlight industry-specific issues and discuss these subjects in detail. We were event sponsor of the first International Pharmaceutical Regulatory and Compliance Congress and Best Practice Forum in Brussels on June 6-7, 2007, which was attended by numerous industry leaders from the pharmaceuticals industry," explains **Patrick Flochel**, European Pharma Leader.

These activities underscore the focused investments made in key clients by the globally growing pharma team, and further position Ernst & Young as the leading provider of audit and advisory services for the pharmaceuticals industry. Ernst & Young is able to offer its clients significant support. Through targeted investments – including the Global Pharmaceutical Center Basle opened in 2007 – we are underlining our partnership role and further sharpening our industry focus.

Insurance

Regulatory requirements are on the rise in the insurance market. New solvency regulations and changes to accounting standards are also posing major challenges for insurance companies.

Ernst & Young has significantly bolstered its Insurance Practice, adding highly specialized staff. It also has the biggest Actuarial Practice in Switzerland. Over 100 employees serve Switzerland's top insurance companies with the focus on the following areas: life, nonlife, reinsurance and health insurance, AHV state pension offices and pension funds.

Banking

The increasing internationalization of the financial markets and the cross-border supply and demand flows in the financial services sector is forcing Swiss-based financial service providers to adopt a more international focus. In this connection they are required to deal with a wide range of national developments and regulations relevant to the financial sector. Compliance with different legislation in the respective jurisdictions is a complex and cost-intensive challenge, and monitoring, risk and IT processes need to be thoroughly documented. Ernst & Young has the specialist expertise and resources required to address issues like these, and the combination of specialist knowledge coupled with an in-depth understanding of the banking business enables us to offer our clients effective and competent advice and support. Within a short time span, multidisciplinary, international teams can be assembled to take the pressure off internal client resources or to strengthen these resources with knowledgeable experts.

Passionate Client Service: Insurance

Individual solutions for the insurance industry

The insurance industry is responding to the challenges within this sector by developing new integrated solutions and making adjustments to strategy.

Fiercer competition, increasing regulatory requirements, new solvency regulations, changes in accounting standards and the trend toward market concentration signal major challenges ahead for Swiss insurance companies.

The insurance industry is responding to this by making adjustments to strategy, which include focusing on core competencies, searching for growth opportunities and restructuring product portfolios. Additionally, emphasis is being placed on improving operational and financial efficiency through reorganization, process optimization and cost reduction programs. By consolidating previously largely independent functions such as Asset and Liability Management, Actuarial, Risk Management and Finance to create an integrated, efficient and economical financial management, it is possible to achieve profitability improvements.

Furthermore, the aim is to combine the different risk and assurance functions (Risk

Management, Compliance, Internal Control Systems, Quality and Internal and External Audit) into a single integrated concept, Risk Convergence, where the security of the company as a whole is the most important issue. This takes the burden off line managers, management and the board of directors, lowers regulatory costs and avoids redundancies.

With our insurance team composed of experienced insurance advisors and auditors together with specialists from the insurance industry, we have a balanced mix of well-qualified and experienced staff. Our specialists in IFRS or US GAAP, Actuarial / Embedded Value, Risk Management and IT are among Switzerland's best in their respective fields. Their specialist and industry-specific expertise guarantee efficient, integrated and - above all - customized solutions for our clients from the insurance industry.

"Our main goal is to support our insurance clients as they navigate their way through an increasingly complex regulatory environment. We deliver a service characterized by efficient, integrated and pragmatic solutions based on outstanding technical competence and know-how," states **Marcel Stalder**, Industry Leader Insurance.

FINANCIAL & CUMPLIANCE

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Listen to your client and follow up

"I often have a flash of inspiration when I'm talking with a client. I take it up at the next contact opportunity and always have some solutions ready to present ..."

Natacha Theytaz, Senior Manager, Advisory Services, Basle WATEGIC SOURCING WOOR PERF. HONT WTRACT LIFE CYCLE

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. DISCLOLURE REPORTING . JNTERLUMPANY / AFFILMTE TRANS. · ETC.

Passionate Client Service: Banking

Ernst & Young services help financial service providers navigate their way through European legislation

Cross-border regulations on financial instruments also have an impact on Swiss financial service providers when they conduct transactions within the European Union.

Money knows no borders. Financial institutions have an international focus and provide services that transcend national barriers. This has a decisive impact on the way clients behave, and international investors seek opportunities for their capital that will generate the best possible return. The economic power of individual financial locations and stock exchanges is therefore a critical factor in attracting capital and sustaining investor interest. On the flip side, investors are always ready to withdraw their capital if their expectations are not met. This results in significant capital swings and stock exchange corrections, as we have experienced recently in the Swiss stock market.

For their part, national regulators are looking for ways of stabilizing the capital markets. But domestic norms alone are not enough to regulate a sector with such a strong international focus as the financial industry. This calls for standards that apply across national borders. The European financial sector is currently dealing with the new EU Markets in Financial Instruments Directive (MiFID), which aims to extend existing national regulations on how financial services are executed by introducing provisions on investor protection, increased transparency in the financial markets and the integrity of financial service providers. In a number of EEA states, legislative processes are underway to implement the new EU guideline.

For Switzerland as a non-EU state, the guideline will initially not have any basis in law. Nevertheless Swiss financial service providers will still need to concern themselves with this legislation if their European subsidiaries and offices are required to comply with MiFID requirements. Moreover, in the case of cross-border transactions, European business partners may insist on being provided with the information they need to adhere to the provisions of MiFID.

"We have a qualified team of proven industry specialists who are well versed in the requirements of MiFID regulations and can provide financial services companies affected by the EU regulations with competent and comprehensive advice," says **Iqbal Khan**, Partner and Project Manager MiFID.

A well-functioning organization

The five areas Audit, Advisory, Tax, Legal and Accounting Services form the structural and personnel backbone of our company. The new organizational structure implemented on July 1, 2006, in particular the organizational separation of Audit and Advisory Services, has taken us one step further toward our goal of sharpening our market focus.

The reorganization has enabled the business units to focus more intensely on their core product responsibilities and make targeted investments in key resources and competencies, providing Ernst & Young with the platform it needs to position itself in the market as a provider of outstanding auditing and advisory services. By continually developing our processes and services, the business units also ensure that our products meet evolving market requirements at an early stage.

The economy is booming, and as it grows it is taking on increasingly global dimensions. In addition to engagements for multinational companies, we also serve numerous mid-sized companies with an international focus. When handling cross-border engagements like these, it is important to put together a competent team of specialists drawn from various countries. For it is not only specialist knowledge in general that counts, but also an in-depth understanding of local regulatory conditions and the prevailing culture in the country or regions concerned. Ernst & Young's globally uniform approach and standardized processes, methods and quality standards mean that clients can rely on topquality services no matter where they are located. Our clients' business processes are becoming more and more complex, while at the same time the growing mass of rules and regulations and the increasing internationalization of supervisory bodies' sphere of influence are restricting their scope for individual discretion. For this reason it is no longer just companies from regulated sectors that are investing in issues such as corporate governance, risk management and internal control systems. The Sarbanes-Oxley Act set trends that have been followed by the regulators in other countries and that are shaping the expectations of the financial market. This is also having an impact on Swiss companies. The management boards of companies listed in the US or of Swiss subsidiaries of US companies are required to report on the effectiveness of internal control systems and submit their assessment for review by external auditors. The amendments made to the Swiss Code of Obligations also stipulate that an external auditor must attest that an internal control system is in place and a risk assessment has been carried out by the board of directors.

These trends are also having an impact on our services. In order to achieve an appropriate return on their investment in corporate governance measures, financial reporting and the transaction activity of the past fiscal year, our clients want tailor-made support with pragmatic solutions. As companies expand, economic activities become more globally integrated, and the regulatory environment becomes more complex, even greater demands are being placed on the reliability of financial and risk reporting. Beyond the boundaries of individual services and disciplines, the ongoing transfer of knowledge between the individual business units constitutes one of the major strengths of Ernst & Young. Professional knowledge management, a firmly established culture of knowledge sharing and strong collaboration in interdisciplinary client teams enable us to react quickly and efficiently to market needs, identify industry-specific trends and develop new, integrated solutions. To do this, the business units work very closely with the industry teams, which are managed in a matrix organization by the cross-divisional Accounts & Industries area. They identify industry trends and requirements, foster internal understanding of current issues within the sector, and support the business units in designing industry-specific offerings and promoting their services in the market.

Interdisciplinary auditing

The requirements being placed on annual audits have increased. This is due not only to new regulatory provisions and expanded accounting standards; clients, too, have high expectations of their auditors, and demand professionalism and quality coupled with tangible added value that extends far beyond the audit report. In terms of content, economic globalization and increasingly complex business processes have turned annual audits into a multidisciplinary service. Even if the actual auditing process and its results shown externally have a formal and narrowly defined scope, and taking into account that auditors must constantly question the materiality of findings for the annual financial statements, the way in which observations and potential for improvement are communicated to the audit committee and operational management is becoming an increasingly vital component of annual audits. This is not a question of detective work, but rather of identifying developments, highlighting industry standards, and signaling the risks and opportunities associated with financial management.

Always allowing for the relevant independence provisions, we can offer audit clients audit-related services such as tax, transaction or risk management advisory and – thanks to the synergies this creates – generate significant added value. This achieves results that go far beyond the scope of the audit requirements defined by law. We are noticing that nowadays clients consider not only efficiency but also factors such as independence and compliance when choosing a service provider for these areas. The fact that we understand the varying preferences of our different clientele and know how to accommodate their individual requirements helped us to acquire a number of important engagements in our target segment of mid-sized and large companies during the year under review.

The overall market situation has changed as more and more audit engagements are put out to tender. This is increasing the pressure on costs and placing greater demands on proposals. In spite of this we succeeded in acquiring some major audit mandates in the 2006/ 2007 financial year – confirmation that we are on the right track. The requirement to prepare reports on > the auditing work performed for submission to the newly created federal auditing supervisory authority is also making the job of the auditor more complex and generates additional costs. The Audit Services business unit is meeting the dual challenge of continuing to provide excellent services while counteracting the increasing pressure on costs by continually developing and improving its audit services and methodology. Thanks to our targeted optimization of internal processes and enhanced client focus, we will be able to retain our position as a premium provider in the audit market over the long term.

Passionate Client Service: Audit

New challenges for annual audits

Switzerland – under the impact of numerous international financial scandals – has created a pragmatically tailored new audit law. The key changes include the obligation for companies to have an audit performed irrespective of their legal form, the option of a limited audit for smaller companies, and the duty to confirm the existence of an internal control system.

The new audit legislation makes a distinction between regular and limited audits. Public corporations and those that exceed predefined thresholds in terms of sales, total assets and full-time equivalent headcount, or companies that are required to prepare consolidated financial statements are subject to a regular audit. Shareholder minorities of smaller companies that together hold at least 10% of a company's share capital may also request a regular audit. All other companies are subject to a limited audit, which is very similar to the current "review" requirements. Small companies may elect not to carry out a limited audit provided they gain the approval of all shareholders.

In future a distinction will also be made between regular and limited audits with regard to the requirements in respect of the auditors' accreditation and independence. Accredited auditors are permitted to carry out a limited audit, which is subject to scaled-down requirements governing the provision of audit-like services. Regular audits, by contrast, can be carried out only by authorized audit experts. Only stateregulated audit firms are authorized to perform regular audits for public corporations. These firms are subject to supervision by the newly created Swiss Federal Audit Oversight Authority (FAOA).

The establishment of an independent FAOA means that state-regulated audit firms must meet high quality standards. "This will make a clear distinction among providers of auditing services, since the costs alone will permit only the companies with a critical mass to register with the supervisory authority. We are well equipped to perform audits under the new regulatory conditions and comply with the exacting standards of the FAOA," explains **Michael Riesen**, Managing Partner Audit.

The professionalization of the audit committee takes auditing to a new level and also gives auditors the opportunity to communicate important matters directly to the board of directors. **Michael Riesen** comments on this as follows: "From a purely factual perspective, CFOs do not necessarily have the same objectives as the board of directors, since they are substantially involved in preparing the consolidated financial statements. Audit committees, on the other hand, ultimately view consolidated financial statements in the same way as internal control – from the perspective of the shareholder."

Passionate Client Service: ICS

Internal control system (ICS) - key element of efficient corporate management

In the future, the annual audit must result in a verification of the existence of an ICS through the financial reporting mechanism. The new legislation can be perceived as an opportunity to improve corporate governance and enterprise risk management. When implementing the guidelines, Ernst & Young consistently seeks to ensure efficient and effective corporate management.

Well-managed companies have always maintained an appropriate internal control system as part of their corporate governance responsibilities. However, the accelerating trend of globalization, new technological possibilities and shareholders' expectations in terms of transparency and information disclosure have increased the demands being placed on companies. Prudent companies have driven this change forward (supported by models such as the COSO framework), but the pace of selfregulation has not always been adequate. Numerous countries are responding by introducing new legal requirements to structure internal control systems through the financial reporting mechanism. The new legislation is designed not only to keep a check on unintentional errors and prevent deliberate cases of fraud, but also to ensure that companies' consolidated financial statements disclose and present information correctly. Investor protection was initially the major concern. However, control systems are important not only for listed companies, but also for all entities that are of interest to the public - and this is the thrust of the new Art.728 of the Swiss Code of Obligations. Countless companies are therefore taking advantage of the opportunity to examine the effectiveness of their controls and the efficiency of their processes.

Ernst & Young's advisors help their clients recognize the relationship between opportunities and risk management, internal controls and corporate efficiency, and implement this in an effective and integrated ICS. When doing this, Ernst & Young focuses on specific client needs and draws on standardized, tested and proven methodologies guaranteeing the best possible quality.

Following a top-down, risk-oriented approach, the risks presented by the key business processes are first identified and then
assessed to ascertain whether an effective control system is in place for each major risk. The practicability of the ICS is checked using pilot processes, where appropriate, before being rolled out across the entire company or within the group. Once in place, an effective ICS ensures that changes to processes and risks are identified and the relevant controls adjusted – thus providing the basis for an efficient and effective ICS.

"We draw a distinction between companywide controls and process controls. Most organizations have controls that function well for routine processes. However, areas that involve non-routine processes and forecasts, such as provisions or contract accounting, are often far less effectively controlled. Company-wide controls document what management is doing, check that the company's code of conduct is being adhered to, and examine how executives set the so-called 'tone at the top'. The potential of these kinds of control is often not given the attention it deserves. Experience also shows that there is a close relationship between the quality of company-wide controls and that of process controls. A well-coordinated and efficient ICS is a catalyst for successful management," stresses Martin Studer, Managing Partner Advisory Services.

Advisory provides clients with end-to-end support

By restructuring our internal organization, Ernst & Young has strengthened its focus on advisory services and within a short time successfully positioned itself as an important provider in this market. In particular this has involved refining internal processes, intensifying cooperation among expert teams, defining core services and specifying client segments. These segments include not only the financial services industry, but also industries such as manufacturing, technology, pharma, chemicals, wholesale and retail, consumer goods, and the public sector.

The Advisory Services business unit accompanies our clients throughout the entire entrepreneurial life cycle, which can be broken down into six phases:

- 1. In the initial phase the emphasis is on fundamental decisions concerning the use of funds, such as capital investments, disinvestments or acquisitions.
- 2. Following this, internal company processes are stabilized and standards established.
- 3. Phase three involves developing reliable accounting structures and a control system or adapting those that are already in place.
- 4. The emphasis then is to introduce monitoring on the basis of transparent data.
- 5. This enables the board of directors and executive management to make any corrections necessary.
- 6. In the final phase the rewards of the entire process can be reaped: new investments or restructuring decisions can be made and appropriate measures instigated.

Passionate Client Service: Vendor Due Diligence

Ernst & Young offers new transaction services

The Ernst & Young Transaction Advisory Services team helps groups and private equity houses carefully plan and implement the entire transaction process. The latest services such as Vendor Due Diligence and Transaction Integration ensure that the transaction will be a success.

The transaction market is booming. In recent years not only have we seen a significant increase in the number of transactions, but also in their volume. As part of its transaction advisory services, Ernst & Young supports both companies that execute strategic transactions as well as a number of private equity houses.

We have noted a growing tendency for company executives and shareholders to opt for Vendor Due Diligence (VDD) before selling their company or business. VDD streamlines and steers today's usual auctions with several bidders. Under a VDD the compiler of the resulting report assumes liability to the buyer and the financing parties for its contents. As only one due diligence is performed, the management of the business to be sold is released from further obligations and can limit its warranties. This provides potential buyers with peace of mind. "Vendor Due Diligence helps to prevent unwelcome surprises arising during a later phase of the buying process," says Matthew Keson-Lee, Partner at Ernst & Young, Transaction Advisory Services.

Transactions are becoming more and more complex, fuelled by various regulatory aspects and increasing public and political interest. "Only just over one half of investments made result in the desired increase in value. The large proportion of unsuccessful transactions can often be traced back to a lack of planning, failure to properly integrate the areas that have been acquired, or unrecognized or unused synergy potential," explains Stephan Haagmans. Head Transaction Advisory Services. With this in mind Ernst & Young has developed Transaction Integration Services - to provide clients with all-around support even after they have signed the transaction.

The interdisciplinary Transaction Advisory Services team works closely with European and global specialists, helping Ernst & Young establish itself as a competent partner in the transaction market through focused services. Our specialists advise companies at each of the stages outlined above, contributing not only their knowledge of the industry, but also providing a comprehensive overview of the entire cycle. By doing this they impart their specific know-how on issues in the areas of risk management, transaction processing, optimizing operational efficiency and securing sustainable profitability.

With our integrated approach, Ernst & Young offers its clients a single point of contact, ensuring that company executives can implement their strategies successfully in the face of more intensive competition, increased pressure on costs, new risks and regulatory provisions.

The reorganization of Advisory Services helped the business unit to boost its revenue by 30 %, and thus made a significant contribution to the success recorded in the 2006/2007 business year. The demand for integrated advisory services is continuing to rise. With this in mind, we can expect further growth in revenue in the years to come and plan to expand our team of highly specialized professionals to meet this growing demand.

Tax advice: Adding value along the value chain

The increasing complexity of tax legislation and the internationalization of the relevant authorities are posing an ever-greater challenge for businesses. Within this context, tax departments are focusing their resources on the transparency of financial reporting and on risk management processes which, together with tax compliance, they rightly view as their two most important duties. By contrast, however, strategic tax planning is often not given the attention it requires.

Ernst & Young's highly specialized Tax Services business unit relieves the burden on companies not only in the area of tax planning, but also compliance, which, as a result of the international environment, is often subject to extremely complex regulations. Ernst & Young's nationally and internationally networked Tax Services business has the critical mass, the requisite legal and fiscal expertise, and the tried and tested experience to meet the most exacting client requirements quickly, competently and – above all – individually. Our in-depth knowledge of taxation helps us evaluate workable best practice models that – together with the project leaders – we can implement at our clients in a way that fits their respective business activity.

The Tax Services business unit offers not only specialized tax advisory services, but always thinks and acts in an interdisciplinary manner. This, coupled with an on-call global network, clearly distinguishes the unit from service providers that focus on general tax advice. The company's extensive resources of competent and specialized employees, with degrees as tax experts, legal specialists and attorneys, is one of the most important pillars of strength at Ernst & Young. Only with such a wealth of expertise behind us are we able to provide customized and targeted services in all areas of tax advice with the necessary credibility. >

Passionate Client Service: TESCM

TESCM services optimize operational efficiency

Tax Effective Supply Chain Management (TESCM) integrates tax planning in the business change process, impacts on operational efficiency and reduces tax costs. The TESCM team at Ernst & Young supports multinational companies by simultaneously optimizing their value chain and internal tax structure.

Globalization is changing business strategies and influencing the value chains and diversification of sales channels particularly for multinational corporations which need efficient business processes and a competitive group structure in order to assert their position in fiercely contested markets over the long term. The challenge is to maintain corporate value while continually lowering costs and tapping into new markets. If, in addition to making the necessary changes to the corporate structure, the tax situation is also taken into consideration, added value can be created.

A global industrial group launched a Tax Effective Supply Chain Management project in 2004 in response to operational concerns and called in Ernst & Young to help. The overall objective was to optimize the group's structure and centralize important functions. Some major functions that add value were migrated to Switzerland as part of the restructuring. As well as fulfilling the desired objective of improving operational processes and streamlining the value chain, the migration also laid the foundation for optimizing the company's tax structure.

"The cross-border engagement called for co-operation between interdisciplinary Ernst & Young specialists from more than 20 countries and spanning several business units. I found the task of coordinating such a large, spread-out team to be an especially tough challenge, but through focused team management we succeeded in creating the basis for efficient and client-driven service," explains **Peter Brülisauer**, Partner Tax Services.

The project was brought to a successful conclusion in 2007. Thanks to the competent advice from Ernst & Young, the client was able to restructure their organization and optimize their process structures and value chain. They were particularly pleased with the valuable support they received in defining their new transfer pricing model. Services such as transaction tax, tax due diligence and Tax Effective Supply Chain Management (TESCM) are exemplary proof of our interdisciplinary approach. Within the context of these TECSM mandates we support companies not just at the administrative level, but also creatively, with an eye for the company as a whole when assisting with restructuring and centralization efforts and business location appraisals. Here the emphasis is placed not only on companies' tax arrangements, but also on their operational efficiency.

The pleasing growth recorded by the business unit in the 2006/2007 business year proves that we more than satisfy our clients' individual and complex needs.

EY Accounting Services

Nowadays corporate head offices and companies are on the lookout for ways of outsourcing their entire finance and accounting operations (parts thereof) or payroll activities, which currently employ important and highly qualified staff resources and generate high personnel costs. Thanks to its large pool of high-performing specialists, EY Accounting Services AG can offer flexible, long- or short-term accounting outsourcing solutions to meet a wide range of client needs. Due to the current tight conditions in the labor market, if a company loses a key employee in accounting or payroll activities this can also have a significant impact on its operations, and the resulting outstanding payments or salary delays can cause substantial financial risks and lasting damage to the company's reputation. The Accounting Services business unit can minimize this risk by taking over individual key positions or an organization's entire accounting unit with its targeted task force services. These services are organized speedily and efficiently and even at short notice. This has helped us carve out a commanding position in the market. In recent years we have had major successes in all of our target segments, in particular, however, with international corporations. Of course it goes without saying that when we acquire new mandates we clarify any potential conflicts of interest with audit mandates through a formal and detailed process, and exclude this possibility at an early stage.

Legal advisory services for corporate transactions

The Legal Services business unit focuses on interdisciplinary services in commercial law – excluding representing clients in litigation – and thus clearly distinguishes itself from traditional law firms. The increasing complexity of commercial law calls for increased specialization. By working together cross-functionally with specialists from other business units we create synergies and added value for our clients. Thus in the area of company law (e.g. restructurings and reorganizations) or in connection with M&A transactions, we work closely with specialists in financial audit as well as from our tax and transaction advisory services.

Ernst & Young provides focused legal advice to the regulated financial services industry. The increasing level of regulation in the insurance industry has fuelled the demand for legal advice in order to meet compliance and corporate governance requirements. The >

integration of banking and insurance supervision under the Swiss Federal Financial Market Supervisory Authority (FINMA) looks set to reinforce this trend yet further. In close cooperation with the Insurance industry team, the Legal Services business unit radically expanded its insurance offering in the 2006/2007 fiscal year.

In the area of employment law, in recent times employee share participation schemes have not only been keeping finance departments busy: they have also been attracting the attention of the general public. The issue of data protection has also hit the headlines and is being subjected to closer legal scrutiny. This includes issues such as the transfer of databases abroad in the context of restructuring projects or the electronic archiving of databases, which need to be dealt with consciously in a secure legal environment. The trust our clients put in Ernst & Young's legal advice is reflected in our very solid growth in revenue.

The healthy economy has increased the demand in particular for integrated support for the management of corporate transactions. By maintaining a constant dialog with the Ernst & Young Transaction Advisory Services and Transaction Tax teams, we succeeded in substantially boosting our revenue in the area of corporate transactions and provided our clients with comprehensive local and cross-border advice when buying or selling companies. Professional support from a single source results in transactions that are structured, efficient and have a sound legal basis. The growth we have experienced here is attributable not only to the good economic environment, but also to the clear focus of our specialist activities and to the advantages our clients derive from our comprehensive, integrated consulting services. Within our holistic advisory services – which are increasingly being undertaken in a complex and often heavily regulated environment – legal components are being recognized as indispensable, and accordingly the demand for these services is increasing.

Market focus

So as to offer clients individual and proactive advice, Ernst & Young assigns each client their own client service partner. In their capacity as a central point of contact for all client needs, client service partners are always informed and abreast of relevant client processes and the status of important projects. In regular meetings with the key personnel on the client side, the individual steps of the process are communicated in a transparent manner, ensuring that specific challenges are identified at an early stage and success and difficulties are brought to light, especially when dealing with complex engagements. This involves not only indentifying new client needs, but also drawing attention to industry-specific developments and problem-oriented solution proposals.

For each engagement the client service partner puts together a team of specialists sourced from the various Service Lines. The size and composition of the team is geared precisely towards the client's needs. In order to ensure they set up the best possible team for the job, the client service partner has access not only to all business units, but also to the global network. Based on industry-specific and specialist know-how, the Ernst & Young client team ascertains the client's individual requirements, also taking into account industry-related developments and challenges. This ensures that the solutions offered are devised in line with actual needs in mind to generate the desired added value for the client.

Through the active exchange of information with clients and efficient account management, Ernst &

Young creates a strong focus on its clients, providing not only standardized services, but also tailored solutions that take into account their unique situation and individual needs. This client-driven approach helps us to ensure top-quality services and position ourselves successfully in the market.

Market segments

The quality-oriented auditing and advisory firm of Ernst & Young boasts a very broad market offering. Our focus is on the following segments:

- Multinational companies
- Major national companies
- Mid-sized companies facing challenging issues
- Individuals with complex requirements

Thanks to our broad, cross-functional competencies, Ernst & Young is an attractive partner for clients who are looking for multidisciplinary auditing and advisory services. With its global network it is optimally positioned to serve multinational companies comprehensively and support them with expert knowledge that is specific to their industry.

Industry focus is a key criterion for international and major national companies. For this reason Ernst & Young fosters contact with these segments through specialized industry teams. For these mandates Ernst & Young puts together the best experts for the job and ensures that the services provided are of practical relevance to the mandate at hand. In the case of mid-sized companies and individuals, particularly in the area of tax advice, the focus is on regional availability. Thanks to its countrywide presence in all regions of Switzerland, Ernst & Young is an important local contact for considerable numbers of clients in these two segments.



Demonstrate that you really, really care

"I don't just want to be a risk management expert for my clients. I'm a sparring partner when it comes to tricky issues and I get in touch with them when I see important developments up ahead."

Marc Ryser, Senior Manager, Advisory Services, Zurich Mid-sized enterprises and emerging growth companies are a vital pillar of the Swiss economy. Specifically the globally oriented companies are an important client segment for Ernst & Young, a fact acknowledged and celebrated by its Entrepreneur Of The Year® award, which Ernst & Young presented for the tenth time in 2007.

Ernst & Young supports entrepreneurs

Ernst & Young offers a wide range of services to support mid-sized enterprises and young growth companies. The merger and acquisition boom seen in recent years has already taken hold among mid-sized companies, a large proportion of which have a strong international focus. So as to ensure that such transactions generate value rather than destroying it, advisory services are more and more in demand in the midsized enterprise segment, too.

The new provisions laid down by the Swiss Code of Obligations stipulate that all companies subject to an audit must be able to prove they have an internal control system in place, and furthermore have the existence of an ICS confirmed by their auditors. While mid-sized companies often have systems of internal control and risk management, usually they are not adequately documented. Not only does this create new obligations for auditors, but also new areas of business.

For family-run companies in particular, succession planning is a major tax, financial and organizational challenge. More than 50,000 business succession situations are due to emerge in Switzerland in the next five years. "Our interdisciplinary legal and transaction capabilities enable us to provide midsized companies with comprehensive advice on succession planning issues. A valuation expertise can show buyers the net present value of the business's potential value and also correct it by taking prompt action. When dealing with management buyouts, we are able to illustrate different financing models and can act as the liaison between buyers and lenders," says Peter Athanas, CEO.

Succession planning also has legal implications. Where a community of heirs exists, for example, succession is best defined in an inheritance contract. In order to avoid conflicts between working and nonworking owners, shareholder agreements, as they are known, can be drawn up to make provision for issues with the potential to cause conflict, right down to the salaries awarded to CEOs.

Entrepreneur Of The Year[®] celebrates its tenth anniversary in Switzerland

Ernst & Young in Switzerland awards its Entrepreneur Of The Year[®] award for the tenth time in 2007 in recognition of the outstanding achievements of selected Swiss entrepreneurs. The only national entrepreneur prize governed by worldwide standards, it is one of the oldest and most well-known of its kind in Switzerland. The strict yet transparent selection process and independent jury ensure that the award is only bestowed upon the best candidates in the categories "Services/Trade", "Industry/High-Tech" and "Start-ups".

Heinrich Christen, Partner in charge of Entrepreneur Of The Year[®], comments on the prize as follows: "Entrepreneur Of The Year[®] has extended its global reach and is now held by Ernst & Young in more than 50 countries around the world. Through the interface with other countries, entrepreneurs can benefit from jointly staged events, exchange cross-border experiences and expand their network of contacts. The Entrepreneur Of The Year[®] is announced to the world in Monte Carlo in spring of the following year. Several global "Entrepreneurs' Summits" have also been held, which are fast developing into a global economic forum for entrepreneurs. The next summit of this kind is scheduled for May 2008 in Moscow. The rising demands of various national and international regulators, in combination with our own high quality standards, make an appropriate quality and risk management system an essential component of our business. Its efficiency and reliability form the basis for our work and for the trust that our clients place in us.

Efficiently maintaining quality

"The risk management practices we apply across our company permit us to identify business risks at the earliest stage possible and to implement timely and appropriate control measures," explains Bruno Chiomento, COO. This involves, for example, analyzing possible client and mandate risks and verifying our impartiality and any potential conflicts of interest before taking on a new engagement. We implemented a series of measures during the period under review designed to keep our business processes streamlined while providing our front-office staff with a systematic, company-wide process operating on an integrated IT platform of the simplest possible design. The launch of the new platform was accompanied by compulsory information and training sessions for all front-office staff.

The consequences of globalization

Given the globally integrated nature of our clients' activities, managing risks and quality is even more crucial to providing services of a consistently high quality across the globe. We achieve this by adhering to existing global guidelines that are applicable in all our country practices, where they are complemented by local guidelines that take due consideration of local laws and statutory provisions. In this way we ensure that consistent quality standards and processes are applied across the globe. Monitoring adherence to quality guidelines is also organized and coordinated at the European level for our Swiss country practice. We have also integrated the core elements for staff training with our European counterparts. Alongside internal monitoring, for some years now Ernst & Young in Switzerland has been conducting client-satisfaction surveys of our services. Based on the feedback we receive, management carries out follow-up discussions on individual aspects of the survey results aimed at promptly addressing possible areas of improvement in our services and in our relationship with the clients in question. This was what prompted our sharpened focus on client teams and the inclusion of specialists in the period under review: centralized specialist functions, such as Accounting (IFRS, Swiss GAAP ARR, US GAAP), Taxes and Transaction Advisory Services, are all being systematically promoted, trained and deployed.

Preparation for upcoming registrations and renewal of existing ones

The tightened regulatory regime has made it necessary for audit companies to register with the supervisory authorities. Although companies have been aware of the requirement (e.g. registration with the Swiss Federal Banking Commission and US regulator PCAOB) for some time now, the increasing number of registrations required and the renewal of those that already exist have heightened the need for the systematization of administrative processes. It was with this in mind that we set up an internal registration office to act as the permanent contact for the various supervisory bodies and to safeguard the efficient collection of the appropriate documentation.

In preparation for the registration of the Ernst & Young Group with the Swiss Federal Audit Oversight Authority (FAOA) we conducted a comprehensive review of our present-day processes. Our internal analysis led to the conclusion that our existing organization conforms to the requirements laid down by the FAOA. To ensure that the company also meets future developments and requirements (e.g. from the SWX Swiss Exchange, EU or PCAOB), we are currently implementing measures to systematically collect the relevant information and to further strengthen all critical processes. We have set up various working groups for this purpose, who, in addition to legal aspects and internal processes, are examining our existing services portfolio, our staff and the working methods of our internal registration office.

We also take account of these changes in our staff's professional development; for example, the company has already introduced the systematic documentation of each staff member's training qualifications and made adjustments to the training program where necessary. We view the rotation of the lead auditor now prescribed by law as a chance to provide even clearer development perspectives for our more junior staff.

"Quality In Everything We Do."

Our internal quality management today meets Ernst & Young's high quality standards, those enforced by our profession and those required by law. This in turn

affects the organization and supervision of our engagement work and related quality assurance.

Our "Quality in Everything We Do" credo applies unreservedly to all services that we provide to clients across the globe and is predicated upon our internal quality and risk management. • Ernst & Young in Switzerland started the 2006/2007 financial year with a new organizational structure and a dynamic Management Committee.

Organization and Governance

The need for integrated solutions has grown in recent times. Ernst & Young has adapted to the change in market requirements and focused on the advisory services market. This market focus has led to the company's internal reorganization with the aim of bringing our service offerings to the market even more efficiently than before. A new organizational structure was introduced within Ernst & Young AG's Management Committee effective from July 1, 2006. Auditing and special services such as Internal Audit, Transaction Advisory Services and Risk Management have now been split into two areas. As Head of Assurance & Advisory Business Services (Audit) since July 1, 2006, Michael Riesen was already a member of the Management Committee in his capacity as Head of Bank Auditing. Martin Studer assumed the leadership of the new Advisory Services business unit. He had previously been in charge of Business Risk Services.

We also created the new functions of Chief Operating Officer (COO) and Deputy CEO to Prof. Peter Athanas. As COO, Bruno Chiomento is responsible for ensuring the seamless quality of internal processes and cost efficiency and heads internal Quality & Risk Management. Bruno Chiomento is a Partner with extensive international experience, who previously held a management function in the Auditing Business Unit and who, also in his new function, is in charge of important client engagements. To further sharpen our market and sector focus Markus Schweizer, the Managing Partner Accounts & Industries, was made a member of the Management Committee effective from July 1, 2006.

Governance

Changes were also made to the Board of Directors of ATAG Ernst & Young Holding AG in the 2006/2007 financial year. Barbara Lambert, who manages key client mandates and is Head of Auditing for Banks and Insurance Companies, stepped down from the Board of Directors effective from June 30, 2007. Following his nomination by the Ernst & Young Nordic Sub-Area, Jan Birgerson took on the challenge of Regional Head of Audit Services of the Ernst & Young Nordic Sub-Area. As a consequence he likewise stepped down from the Swiss partnership and Board of Directors effective from June 30, 2007. The appointment of Jan Birgerson as Regional Head of Audit Services of the Nordic Sub-Area is testimony to the importance ascribed to Ernst & Young Switzerland at the European level.

Under the leadership of Chairman of the Board Andreas Müller, the now five-member body, comprising Walter Jakob (Deputy Chairman), Manuel Aeby, Thomas Stenz and Hans Isler, meets on a regular basis.

Audit Committee

The Audit Committee comprises Chairman Hans Isler and Walter Jakob, who regularly evaluate the effectiveness of the external and internal audit. In addition, they attest the quality of the internal control system, in collaboration with Risk Management, and scrutinize adherence to compliance by the Ernst & Young Group in Switzerland.

Partner Compensation Committee

The Partner Compensation Committee (PCC) comprises Board members Andreas Müller, Walter Jakob and Thomas Stenz as well as CEO Peter Athanas and COO Bruno Chiomento. The PCC defines the performance-related and results-related compensation policy for Partners at Ernst & Young Switzerland.

Nomination Committee

The Nomination Committee, which comprises members of the Board of Directors, Management Committee and other elected Partners, lays down the principles for the selection of candidates for the offices of Chairman of the Board of Directors and Chief Executive Officer and makes recommendations on behalf of the Partners.

Ernst & Young Global

As a member of Ernst & Young Global, Ernst & Young Switzerland is integrated into the company's international network. Seven "areas" were created globally in 1999 to strengthen this network. Since July 1, 2006, Ernst & Young in Switzerland has been a member of the Central European Area, which includes Germany, Holland, Austria and the Central and Eastern European countries.

Through the area organization our global network strategically agrees on personnel policy and measures, marketing activities, as well as quality monitoring. This enables us to offer our clients a consistent level and quality of service wherever they are in the world. The area implements the requisite operational measures and coordinates individual programs such as training and development, infrastructure projects or cross-border deployment of resources in our client projects. As a country of outstanding economic prowess, Switzerland has assumed a major role in the structuring of these measures.

Information policy

Responsibility for communication at Ernst & Young in Switzerland lies with the CEO; in the case of issues that fall within the realm of the Board of Directors, responsibility for communication lies with the Chairman of the Board.

As a company that is privately owned by Partners, Ernst & Young Switzerland provides very extensive and ongoing information on current corporate management issues. In addition we provide our middle managers and staff with ongoing information on the relevant goals and extent to which they have been reached at the company and business unit levels.

For many years we have reported externally on our key figures and developments by company and segment. Being aware that transparency makes a major contribution to the reputation of companies in the public domain – and thus to the vast majority of our clients – we have gone one step further in our financial statements for the 2006/2007 financial year and published our audited balance sheet and income statement in accordance with Swiss GAAP ARR.

We are strictly bound by our legal and contractual duty to maintain the confidentiality of our clients and engagements in all of our external communications. Drawing on our in-depth sector and specialist expertise, however, we communicate and comment on current trends, publishing external information via our Corporate Communications & Marketing Department, usually in English, German and French as well as on our website www.ey.com/ch. •



Management Committee of Ernst & Young Ltd, from left to right: Michael Riesen, Managing Partner Audit Services Philip Robinson, Managing Partner Tax & Legal Services Bruno Chiomento, Chief Operating Officer, Chief Financial Officer Prof. Peter Athanas, Chief Executive Officer Thomas Huwyler, Managing Partner People Markus Schweizer, Managing Partner Accounts & Industries Martin Studer, Managing Partner Advisory Services

Senior management

Board of Directors of ATAG Ernst & Young Holding Ltd

 Andreas Müller
 Walter Jakob

 Chairman of the Board of Directors, Basle
 Vice-Chairman of the Board of Directors, Zurich

Manuel Aeby	Hans Isler	Thomas Stenz
Basle	Geneva	Zurich

Management Committee of Ernst & Young Ltd

Peter Athanas Chief Executive Officer	Bruno Chiomento Chief Operating Officer Chief Financial Officer	_		
Thomas Huwyler	Michael Riesen	Philip Robinson	Markus Schweizer	Martin Studer
Managing Partner	Managing Partner	Managing Partner	Managing Partner	Managing Partner
People	Audit Services	Tax & Legal Services	Accounts & Industries	Advisory Services

Managing Partners of other Business Units

René Schwarzenbach	Beat Steigmeier
Managing Partner	Managing Partner
Legal Services	EY Accounting Services Ltd

Legal structure



Industries

Banking & Capital Markets	Insurance	Asset Management	
Thomas Schneider	Marcel Stalder	Jürg Müller	
Pharmaceuticals	Biotechnology	Medical Devices	
Patrick Flochel	Jürg Zürcher	Heinrich Christen	
Technology	Media and Entertainment		
André Schaub	André Schaub		
Consumer Products	Retail & Wholesale		
Martin Gröli	Martin Gröli		
Real Estate	Construction		
Daniel Zaugg	Daniel Zaugg		
Chemicals			
Eric Ohlund			
Diversified Industrial Products			
Rico Fehr			
Utilities			
Alessandro Miolo			
Government, Public Sector & Not for	Profit		
Peter Bucher			

Peter Bucher

Partners

A

Aeby Manuel, Basle Aerni Daniel, Zurich Amhof Roger, Zurich Amstad Stefan, Zurich Athanas Peter, Zurich

B

Bachmann Daniel, Berne Balsiger Pierre, Geneva Barone Charles, Zurich* Bauer Thomas, Basle Bech Raymond, Lausanne Behrens Jörg, Zurich Birgerson Jan Ake, Zurich* Bludzien Laurent, Geneva Blumer Andreas, Zurich Bourqui Claude, Geneva Brülisauer Peter, Zurich Brun Jürg, Zurich Büchel Bernhard, Vaduz Bucher Peter, Zurich Bucher Viktor, Lucerne/Zug Bumbacher Robert-Jan, Basle Bürgy Dominik, Zurich

С

Caccia Stefano, Lugano Cardinaux Pierre-Alain, Lausanne Castagna Cataldo, Zurich Chiomento Bruno, Basle Chiomento Cherrie, Basle Christen Bruno, Zurich Christen Edgar, Zug Christen Heinrich, Zurich Clément Serge, Lausanne Clerc Jean-Louis, Lausanne Coats Peter, Zurich Comtesse Caspar, Zurich Cornelius Kevin, Geneva

D

Dalla Torre Michael, Basle Damji Salim, Zurich Dauwalder Peter, Zurich Delaloye Pierre, Lausanne Dolensky Christoph, Basle Dunant Olivier, Geneva

Е

Erskine Jennifer, Zurich*

F

Faske Michael, Zurich Feierabend Urs, Berne Fishman Bernard, Geneva Flochel Patrick, Zurich * Forster René, Zurich Fuchs Stefan, Zurich

G

Genetelli François, Geneva Gerber Reto, Berne Ginn Robin A., Zurich Girard Jean-Marc, Geneva * Giuffrida Dominick, Zurich * Gröflin Marc, Basle Gröli Martin, Zurich Grosbéty Dominique, Geneva Grundler Jvo, Zurich

H

Haagmans Stephan, Zurich Haldemann Daniel, Berne Hamberger Bernhard, Berne Häusler Jürg, Zurich Hausmann Rainer, Zurich Hawkins Mark, Geneva Hildebrandt Michael W., Lausanne Hofer Reto, Zug Hofstetter Willy, Zurich Hogan Joseph E., Zurich * Holbein Ralph, Zurich Holdener Willi, Zurich Huber Markus Frank, Zurich Hull Howard R., Geneva Huwyler Thomas, Zurich

I

Isler Hans, Geneva

J

Jaeger Hans-Joachim, Zurich Jakob Walter, Zurich

K

Keck Walter, Zurich Keller Philipp, Zurich Keson-Lee Matthew, Zurich Khan Iqbal, Zurich Kobelt Ferdinand, Berne Kuhn Stephan, Zurich

\mathbf{L}

Lissi Alberto, Lugano Locher Bernhard, Zurich Loetscher Andreas C., Melbourne (Australia)** Lutz Georg, Zurich

M

MacCabe Bernard S., Basle Magnollay Florian, Geneva Matruglio Peter, Zurich * Mattes Martin, Zurich McCabe Kevin, Zurich McIntyre Andrew, Zurich * Meister Christoph, Berne Miolo Alessandro, Zurich Mosca Mario, Geneva/Lugano Muller Stéphane, Geneva Müller Andreas, Basle Müller Jürg, Basle Myatt Mary-Katherine, Zurich *

N

Nguyên Kim H., Geneva Nösberger Thomas, Berne

0

Ohlund Eric, Zurich Oppliger Bruno, Zurich Oppliger Markus, St. Gallen Ort Felix, Zurich

Р

Petruccelli Pascal, Zurich Poltera Flurin, Zurich Preisig Alfred, New York (USA)** Prisco Paolo, Basle

R

Reid Stuart A., Zurich Riesen Michael, Zurich Rinck Edvard, Zurich Rinderknecht Roman, Zurich Robinson Philip, Zurich Rordorf Günter, Zurich Rösch Stefan, Basle Röthlisberger Beat, Zurich Röthlisberger René, Zurich Roux Eric, Geneva Rubin Philippe, Lausanne Ruprecht Roland, Berne

S

Saner Hanspeter, Berne Sapp Matthew, Zurich * Sauber Thomas, Zurich Scheller Jürg, Berne Scherrer Bruno, Zurich Schibler Christian, Zurich Schmidlin Alex, Zurich Schneider Thomas, Zurich Schönauer Rolf, Singapore** Schreiber René, Berne Schüpfer Urs, Basle Schwarzenbach René, Zurich Schweizer Markus, Zurich Seiler Stefan, Zurich Siegrist Louis, Zurich Sills Mike, Geneva Staehlin Walo, Berne Stalder Marcel, Zurich Steigmeier Beat, Zurich Stenz Thomas, Zurich Stoll Scott, Zurich * Studer Martin, Zurich Studer Vincent, Berne

Т

Tagmann Marco P., Zurich Thomet Marc, Berne

V

Vontobel Yves, Zurich

W

Wagner Ivan, Zurich Walker Rolf, Berne Wohlhauser Edgar, Berne Wüst Daniel, Zurich

Z

Zaugg Daniel, Zurich Zimmermann Philippe, Zurich Zürcher Jürg, Basle Zwahlen Bernhard, Berne

* Partners in Ernst & Young companies abroad working on key mandates in Switzerland on exchange.

** Partners currently working abroad.

Financial performance

In the financial year just ended we encountered strong demand for our services. The robust economy during the 2006/2007 financial year was a factor driving the ongoing pace of growth and profitability at many companies. This development also influenced the revenues of our various areas of business, albeit to a varying degree. In our Audit Services area in particular the strong competition of previous years continued and became even fiercer during the year under review. As we registered increased demand from our clients for more specialized advisory services during this period, however, the revenues of the Ernst & Young Switzerland Group (excluding divested units) increased by CHF 45.0 million (+9.3%) to CHF 527.0 million. For the first time, this took our Group revenues for the 2006/2007 financial year over the half-million Swiss franc mark.

Revenue from services (in CHF 1'000)

Revenues by segment	2006 / 2007	2005/2006	Growth in %
Audit Services	309,311	292,288	5.8
Advisory Services	62,701	47,837	31.1
Tax and Legal Services	134,862	123,245	9.4
Accounting Services	20,163	18,688	7.9
Total continued segments	527,037	482,058	9.3

Audit Services

Revenues in the area of Audit Services increased by CHF 17.0 million (+5.8%) year-on-year to CHF 309.3 million. As our biggest contributor to revenues continues to be the auditing of annual financial statements, most of the growth in revenues stemmed from audit-related services. Activities relating to preparations for compliance with the requirements of various regulatory provisions outside Switzerland had a particularly strong impact in the period under review.

Technology & Security Risk Services continued to develop positively in the year just ended, where a major shift in demand from audit-related services to advisory-related services was evident.

Advisory Services

As in the previous year the revenues reported by the Advisory Services business unit grew very strongly, increasing by CHF 14.9 million to CHF 62.7 million, with growth of + 31.1 % more than triple the level of the previous year (+8.1 %). The pronounced jump in revenues is primarily attributable to an increase in the proceeds from our specialized transaction advisory services. This development was evident both in our vendor due diligence as well as in our buy side due diligence advisory services. We likewise registered an extraordinarily positive trend in the demand for company valuations and purchase price allocations based on IFRS and US GAAP. The good environment for transaction support, an area we are specifically expanding, contributed to this above-average result.

The other areas of Advisory Services also continued to develop in a dynamic fashion. The market is highly receptive to the holistic advisory approach adopted by our experts in the fields of risk management, finance and accounting, controlling and internal audit. We would finally like to make particular mention of the successes we have registered in Financial Services Risk Management (FSRM), in whose expansion we also plan to invest.

Tax and Legal Services

Compared to the previous year, Tax and Legal Services generated revenues of CHF 134.9 million in the 2006/2007 financial year, which translates into encouraging growth of CHF 11.6 million (+9.4%). The continued appeal of Switzerland's tax regime in the period under review led numerous foreign companies to set up business operations in Switzerland. Tax Effective Supply Chain Management (TESCM), International Tax Services and Human Capital Tax Services also made a disproportionately high contribution to this result. Our tax advisory services for corporate transactions registered particularly positive growth.

Accounting Services

We increased revenues by CHF 1.5 million (7.9%) to CHF 20.2 million in an extremely competitive environment. The current tight market for personnel is leading increasingly to companies making use of the Task Force services offered by Accounting Services in the absence of their key staff or even to the complete outsourcing of accounting departments. In this area a shift from traditional SME clients to companies in the international group segment is evident.

Accounting principles

This is the first annual report published by the Ernst & Young Switzerland Group drawn up in accordance with Swiss GAAP ARR. Under Swiss GAAP ARR the annual financial statements are presented in such a way as to present a true and fair view of a company's assets, financial position and earnings.

Balance sheet

Within current assets, cash and cash equivalents grew by a considerable CHF 14.1 million (± 20.1 %), which is mainly attributable to an improvement in the billing process as well as a decline in accrued income and prepaid expenses of CHF 1.1 million (-14.6 %) and the repayment of a loan of CHF 2.7 million included in financial investments.

The improvements in processes are evident in work in progress, which despite the growth in revenues increased only minimally by CHF 1.5 million (+14.3 %). Accounts receivable even declined somewhat by CHF 1.4 million (-1.5 %).

Other receivables primarily include a residual amount from the sale of an equity participation, receivables due from companies in the Ernst & Young network and various receivables (cash deposits, withholding tax credit balances).

In the period under review, excluding standard additions in the field of information technology in the amount of CHF 3.7 million, there were no noteworthy additions or reductions in fixed assets. Consequently, apart from the additions mentioned, the reduction of CHF 2.7 million (-15.1%) essentially consists of depreciation. Due to the introduction of a new software in the human resources area, intangible assets in the period under review registered an inflow of CHF 1.2 million, which after amortization charges resulted in an increase in this balance sheet item of CHF 1.0 million.

The rise in short-term liabilities of CHF 15.7 million (12.4%) is attributable to the increase in accrued expenses and deferred income.

Due to the repayment of a further tranche of a fixed advance amounting to CHF 1.0 million, financial liabilities were reduced by the same amount. With regard to reserves, the new allocations of CHF 3.5 million more or less equal the amount of reserves used and released totaling CHF 3.6 million. The net balance sheet position was therefore unchanged.

The rise in equity capital results from net profit for the year of CHF 8.2 million, minus a dividend distribution of CHF 5.0 million.

Cash and cash equivalents

A substantial share of available cash and cash equivalents of CHF 84.2 million will be used for the payment of variable salary components in the last quarter of the 2007 calendar year. The funds required for our operational business in the 2007/2008 financial year and to carry out our planned investments will be financed from current business and from available cash.

The Group does not engage in speculative activities for its cash management and makes no use of complex financial instruments. Our cash flow is denominated largely in Swiss francs. At the most, forward foreign currency hedging transactions are carried out in US dollars and euros so as to cover important liabilities in these currencies.

Outlook

At this point in time we expect the global and Swiss economies to continue their positive course. We expect this robust growth to provide a strong impetus in particular for our specialized advisory services. We anticipate moderate growth in our traditional auditing business. The preparations of Swiss listed and economically significant companies for the introduction of the revised Code of Obligations in connection with the Audit Oversight Act are likely to lead over the next two years to increased demand for optimized internal processes and efficient risk management services. In the area of Tax and Legal Services we expect to experience a consistently positive influence from the relocation of international corporate groups to Switzerland and we expect to continue to see double-digit growth in our Transaction Advisory Services. Finally, we also anticipate above-average growth in the other areas of our Advisory Services. •

Get the team right

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Consolidates Financial Statements

from July 1, 2006 to June 30, 2007

Consolidated Income Statement (in CHF 1,000)

	Notes	2006 / 2007	2005 / 2006
Fee income	3	527,037	492,914
			· · ·
Operating expenses			
Personnel	4	358,586	323,229
Rent	5	23,297	23,762
Other operating costs	6	134,144	131,705
Depreciation	13/14	7,276	8,837
Total operating expenses		523,303	487,533
Operating result		3,734	5,381
Other expenses / income			
Financial result	7	5,249	1,060
Gain on disposal of fixed assets		125	425
Total other expenses / income - net		5,374	1,485
Profit before tax		9,108	6,866
Income taxes	8	-953	-1,188
Profit before minority interests		8,155	5,678
Minority interests		-7	-23
Net profit		8,148	5,655

Consolidated Balance (in CHF 1,000)

	Notes	30.06.2007	30.06.2006
ASSETS			
Current assets			
Cash and cash equivalents	9	84,164	70,063
Accounts receivable		87,189	88,546
Other receivables		26,021	16,772
Work-in-progress	12	12,404	10,856
Prepaid expenses and accrued income		6,153	7,205
Total current assets		215,931	193,442
Fixed assets			
Property, plant and equipment	13	15,007	17,678
Intangible assets	14	1,168	167
Loan	15	0	2,695
Total fixed assets		16,175	20,540
TOTAL ASSETS		232,106	213,982
LIABILITIES AND EQUITY			
Short-term liabilities			
Accounts payable		9,735	9,129
Advances from clients		706	864
Other short-term liabilities		9,333	9,450
Accrued liabilities		121,001	105,227
Short-term provisions	17	1,076	1,515
Total short-term liabilities		141,851	126,185
Long-term liabilities			
Financial obligations	16	7,000	8,000
Long-term provisions	17	16,764	16,455
Total long-term liabilities		23,764	24,455
Total liabilities		165,615	150,640
Equity			
Share capital		6,000	6,000
Retained earnings		60,190	57,042
Minority interests		301	300
Total equity		66,491	63,342
TOTAL LIABILITIES AND EQUITY		232,106	213,982

Consolidated Cash Flow Statement (in CHF 1,000)

	Notes	2006 / 2007	2005 / 2006
Cash flow from operating activities			
Net profit		8,155	5,678
Adjustments for			
- Depreciation	13	7,126	8,315
- Amortization	14	150	522
- Adjustment of financial assets		0	-1,000
- Change in short-term provisions	17	-439	-196
- Change in long-term provisions	17	309	3,112
- Change in net working capital		7,717	6,057
Net cash provided by operating activities		23,018	22,488
Cash flow from investment activities			
Purchase of property, plant and equipment	13	-4,455	-3,665
Disposal of property, plant and equipment	13	0	645
Investment in intangible assets	14	-1,151	-98
Disposal of intangible assets	14	0	3
Repayment of financial assets	15	2,695	705
Net cash used for investing activities		-2,911	-2,410
Cash flow from financing activities			
Dividend		-5,006	-5,006
Repayment of fixed borrowings	16	-1,000	-1,000
Net cash used for financing activities		-6,006	-6,006
Net cash flow during the reporting period		14,101	14,072
Cash and cash equivalents	9		
- At start of year		70,063	55,991
- At end of year		84,164	70,063

Consolidated Statement of Changes in Equity (in CHF 1,000)

	Share capital	Retained earnings	Total equity before minority interests	Minority interests	Total equity
At July 1, 2005	6,000	56,387	62,387	283	62,670
Dividend		-5,000	-5,000	-6	-5,006
Net profit 2005/2006		5,655	5,655	23	5,678
At June 30, 2006	6,000	57,042	63,042	300	63,342
Dividend		-5,000	-5,000	-6	-5,006
Net profit 2006/2007		8,148	8,148	7	8,155
At June 30, 2007	6,000	60,190	66,190	301	66,491

The share capital consists of 6,000 registered shares with a nominal value of CHF 1,000 each. The retained earnings include statutory reserves amounting to 5,918 (CHF 1,000).

Notes to the Consolidated Financial Statements

1. General

Ernst & Young Switzerland comprises companies belonging to ATAG Ernst & Young Holding AG, Basel (following "Holding") and is in the business of offering professional assurance and advisory services.

The capital of the Holding is 100%-owned by the partners of Ernst & Young Switzerland through the Partnerpool ATAG Ernst & Young.

2. Accounting Principles

General

The consolidated financial statements are prepared in accordance with Swiss GAAP FER and give a true and fair view of the financial position and results of operations. The significant accounting principles are summarized below.

Scope of Consolidation

Subsidiary undertakings, which are those companies in which ATAG Ernst & Young Holding AG, Basel, directly or indirectly, has an interest of more than half of the voting rights or otherwise has the power to exercise control over the operations, have been consolidated.

Other companies, in which ATAG Ernst & Young Holding AG has an interest between 20% and 50%,

are called associates and are included in the consolidated statement with the proportionate equity.

A listing of the Group's principal subsidiaries is set out in Note 22.

Consolidation Method

The capital consolidation is carried out in accordance with the purchase method according to which the purchase price of a subsidiary is eliminated against the group share of the newly valued equity (fair value of net assets) at the time of acquisition. The resulting difference (goodwill) is capitalized and amortized through charges to income.

Eliminations

Intercompany balances, transactions and intra group profit have been eliminated.

Revenue Recognition

Revenues for assurance and advisory services are recognized at the time when the services are rendered. Services not yet billed are carried at net realizable value. Advances from clients for services yet to be rendered are accrued as liabilities.

Client-advanced expenses are shown gross; equal amounts are booked in accordance with industry practice as revenue and expense. Services provided and billed abroad to clients of Ernst & Young Switzerland by employees of foreign Ernst & Young locations are not included in the fee income.

Taxes

The expected current income taxes on the profit of the individual group companies are fully accrued for. Capital taxes are booked in Other Expenses. They are included in the same line item as other operating costs.

Deferred income taxes are provided for all timing differences arising between the tax bases of assets and liabilities (in the statutory or tax balance sheets) and their carrying values for financial reporting purposes. Deferred taxes are fully provided for using the actual tax rates. Deferred tax assets relating to taxloss carry forwards of individual companies are only recorded if their realization is probable.

The tax expense correspondingly comprises the current income taxes of the reporting period and the net change in the deferred income tax positions.

Cash and Cash Equivalents

Liquid funds in the form of cash on hand, postal accounts, bank accounts, and short-term bank deposits with a maturity of less than 3 months are carried at nominal value.

The cash flow statement reconciles the change in cash and cash equivalents.

Accounts Receivable

The risks in accounts receivable are reflected by individually and statistically calculated allowances for doubtful accounts. Individual allowances are booked

to reflect known or expected losses in connection with an individual debtor. For the remaining population, allowances are calculated using percentages based upon the aging of the balance and past experience.

Work-in-Progress

Work-in-progress (services not yet billed) is valued according to the percentage-of-completion-method, POC). A proportional share of profit is booked only when the realization of the profit is considered to be likely. Identifiable losses are allowed for using rates deriving from past experience.

Property, Plant and Equipment

All property, plant, and equipment assets are recorded at cost. Depreciation is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. The cost basis includes all acquisition and production costs incurred until such time as the asset is brought into service. Interest expense is not capitalized. For the individual categories the following useful life is applied:

- Fixtures in leased locations
- according to lease contract, max. 10 years
- Furniture
- 5 to 10 years
- Information systems hardware
- 3 to 5 years

If indications exist that an asset is impaired, this is investigated and the value of the asset corrected accordingly.

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Intangible Assets

All intangible assets are recorded at cost. Amortization is calculated on a straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. The cost basis includes all acquisition and production costs incurred until such time as the intangible asset is brought into service. Interest expense is not capitalized. If indications exist that an immaterial asset is impaired, this is investigated and the value of the asset corrected accordingly.

Expenditures on internally generated intangible assets are capitalized when the value to the Company can be measured and the related costs clearly segregated.

The useful life of computer software is considered to be 2 to 4 years.

Financial Assets

Financial assets are carried at amortized cost.

Accrued Liabilities

Accrued liabilities serve to ensure that expenses and revenue are captured in the appropriate period. They comprise principally accruals for variable salaries, taxes owed, and other expense positions which in the course of the Company's business activities require an accrual.

Provisions

Provisions are established when an event in the past triggers a legal or actual obligation to an unrelated party in an amount that is not certain, but can be estimated.

Pension Funds

The employees of Ernst & Young Switzerland are insured for the economic consequences of age, disability, and death through the ATAG Treuhand Pension fund (following "Pension Fund"). The pension plan is a defined contribution plan, which specifies the amounts that the employee and employer must contribute. The employer contributions are expensed in the period in which the corresponding obligation is incurred.

Whether an economic benefit or economic obligation deriving from this benefit plan under Swiss GAAP FER 26 exists is investigated annually based upon the plan's financial statements as of December 31st. Significant developments between December 31st and June 30th are reflected in the financial statements if indicated. Changes in the economic benefit or economic obligation are booked to income as personnel expense.

Related Party Transactions

Related parties are the Partnerpool ATAG Ernst & Young, the members of the board of the Holding, the management committee and the Pension Fund.

Transactions with related parties are executed at arms length.

Derivative Financial Instruments

Derivative financial instruments are used to hedge currency and interest-rate risks. These instruments are recorded under the same accounting principles as are applied to the underlying transaction.

3. Fee Income (in CHF 1,000)

	2006 / 2007	2005 / 2006	Change (%)
Fee income per segment			
Audit and Assurance Services	309,311	292,288	5.8
Advisory Services	62,701	47,837	31.1
Tax and Legal Services	134,862	123,245	9.4
Accounting Services	20,163	18,688	7.9
Subtotal continued segments	527,037	482,058	9.3
Sold segments	0	10,856	
Total fee income per segment	527,037	492,914	

Fee income is earned principally in Switzerland.

4. Personnel Costs (in CHF 1,000)

	2006 / 2007	2005 / 2006
Salaries	288,172	261,537
Social contributions	49,636	46,681
Other personnel costs	20,778	15,011
Total personnel costs	358,586	323,229

5. Rental Costs (in CHF 1,000)			
	2006 / 2007	2005 / 2006	
Rental costs for premises	18,080	17,987	
Other room costs	5,217	5,775	
Total rental costs	23,297	23,762	
6. Other Operating Costs (in CHF 1,000)			
---	-------------	-------------	--
	2006 / 2007	2005 / 2006	
Administration	62,915	63,764	
Other operating costs	71,229	67,941	
Total other operating costs	134,144	131,705	

Administration comprises costs for computer and information systems, telecommunications, marketing, travel, dues to professional organizations, contributions to EY Global and expenses related to professional liability. The other operating costs include general costs and expenses and other expenditures that are billed to clients.

7. Financial Result (in CHF 1,000)		
	2006 / 2007	2005 / 2006
Financial income		
Interest	1,309	349
Other financial income	4,300	1,147
Total financial income	5,609	1,496
Financial expense		
Interest on bank loans	331	356
Other	29	80
Total financial expense	360	436
Financial result – net	5,249	1,060

8. Income Taxes (in CHF 1,000)		
	2006 / 2007	2005 / 2006
Deferred income taxes	15	0
Income taxes	938	1,188
Total Income taxes	953	1,188

There are no tax-loss carryforwards capitalized in the individual group companies.

9. Cash and Cash Equivalents (in CHF 1,000)

	30.06.2007	30.06.2006
Cash on hand, bank accounts and postal accounts	84,164	35,063
Fixed deposits	0	35,000
Total cash and cash equivalents	84,164	70,063

10. Accounts Receivable (in CHF 1,000)			
	30.06.2007	30.06.2006	
Accounts receivable	89,816	93,150	
Allowance for doubtful accounts	-2,627	-4,604	
Total accounts receivable	87,189	88,546	

11.	Other	Receivables	(in CHF	= 1,000)	

	30.06.2007	30.06.2006
Related parties	1,200	2,700
Other	24,821	14,072
Total other receivables	26,021	16,772

12. Work-in-progress (i	n CHF 1	1,000)
-------------------------	---------	--------

	30. 06. 2007	30.06.2006
-in-progress	32,900	30,215
wance for unbillable fees	-2,255	-813
	30,645	29,402
ices from clients	-18,241	-18,546
vork-in-progress	12,404	10,856

13. Property, Plant and Equipment (in CHF 1,000)

			Information	
	Furniture	Fixtures	Systems Hardware	Total
Historical cost				
At July 1, 2006	10,487	21,486	12,369	44,342
Additions	233	525	3,697	4,455
Disposals ¹⁾	-173	-585	-3,808	-4,566
At June 30, 2007	10,547	21,426	12,258	44,231
Accumulated Depreciation				
At July 1 2006		-10 838	-8 204	-26 664
At July 1, 2006 Additions	-7,622	-10,838	-8,204	-26,664
	-7,622 -1,090 173	-10,838 -2,407 585	-8,204 -3,629 3,808	-26,664 -7,126 4,566
Additions	-1,090	-2,407	-3,629	-7,126
Additions Disposals ¹⁾	-1,090 173	-2,407 585	-3,629 3,808	-7,126 4,566
Additions Disposals ¹⁾ At June 30, 2007	-1,090 173	-2,407 585	-3,629 3,808	-7,126 4,566

¹⁾ of which CHF 4,566 million (prior year CHF 6,419 million) relate to fully written off fixed assets no longer used.

The fire insurance value amounts to approximately CHF 60.3 million at June 30, 2007 (prior year CHF 62.7 million).

14. Intangible Assets (in CHF 1,000)

Software

Historical cost	
At July 1, 2006	1,991
Additions	1,151
Disposals ¹⁾	-1,420
At June 30, 2007	1,722

Accumulated Depreciation

At July 1, 2006	-1,824
Additions	-150
Disposals ¹⁾	1,420
At June 30, 2007	-554

Net book value

At July 1, 2006	167
At June 30, 2007	1,168

 v of which CHF 1,420 million (prior year CHF 5,995 million) relate to fully written off intangible assets that are no longer used and which have been removed from the books.

		(in CHF 1.000)	

	30.06.2007	30.06.2006
Loans	5,000	7,695
Allowances	-5,000	-5,000
Total Financial assets	0	2,695

This subordinated loan, which has been fully written down, has existed since fiscal year 2002/2003.

LG. Fixed Borrowings (in CHF 1,000)		
	30.06.2007	30.06.2006
ixed borrowings	7,000	8,000

The fixed borrowings in the total amount CHF 10 million consists of four tranches of CHF 1 million each and one tranche of CHF 6 million. At each calender year end from 2005 through 2008 CHF 1 million and at the end of 2009 CHF 6 million become due (at interest rates between 1.82 % and 3.4 % fixed for the whole term).

17. Provisions (in CHF 1,000

	Deferred taxes	Other provisions	Provision for Pension Benefits	Total
At July 1, 2006	0	16,270	1,700	17,970
Additional provision	15	3,216	288	3,519
Utilized during year	0	-2,256	-388	-2,644
Reversal	0	-1,005	0	-1,005
At June 30, 2007	15	16,225	1,600	17,840
of which short-term				
At July 1, 2006	0	1,127	388	1,515
At June 30, 2007	0	852	224	1,076

The Other Provisions comprise obligations arising from the early dissolution of rental contracts, accruals for service jubilees, and coverage for ordinary business and professional risks. The cash outflows relating to these provisions are expected to take place over 10 years and are discounted at 4 %.

The Provision for Pension Benefits covers the obligations to employees with long years of service as of 31.12.2001 in accordance with the employment contract that was in effect until then. The provision is recalculated annually using a discount rate of 4 %.

18. Employee Benefit Plans (in CHF 1,000)							
	Surplus	Economic benefit		Pension expense included in personnel			
	30.06.2007	30.06.2007	30.06.2006	2006 / 2007	2005 / 2006		
Pension Fund	42,450	0	0	33,941	33,390		

Since the pension fund had no freely disposable funds as defined in Swiss GAAP FER 26 at either balance sheet date, the company enjoyed no economic benefit from the surplus which in itself represented the fluctuation reserve.

19. Off-balance-sheet Long-term Rental Obligations (in CHF 1,000)

	Due in 1 year	Due in 2-5 years	Due in over 5 years	Total
Rental contracts buildings	20,444	51,800	10,019	82,263
Rental contracts print systems	3,136	12,544	0	15,680
Car leasing contracts	805	964	0	1,769
At June 30, 2006	24,385	65,308	10,019	99,712
Rental contracts buildings	20,260	48,308	6,408	74,976
Rental contracts print systems	3,136	9,408	0	12,544
Car leasing contracts	658	688	0	1,346
At June 30, 2007	24,054	58,404	6,408	88,866

The Company has commitments from car leasing contracts for partners and principals with initial terms of 3 to maximum 5 years. These operating lease contracts are entered into by Ernst & Young. The obligations are presented net of the amounts recharged to participating partners and principals.

20. Other Disclosures (in CHF 1,000)		
	30. 06. 2007	30.06.2006
Guarantees and commitments in favor of third parties		
Bank guarantee	9,192	9,348
Guarantee in favor of a bank to secure loans to partners	1,542	2,127
Guarantee in favor of a bank to secure a loan	0	3,000
	10,734	14,475

Joint and Several Liability

Ernst & Young AG has entered into a partnership (einfache Gesellschaft) for whose activities it is jointly and severally liable.

21. Derivative Financial Instruments (in CHF 1,000)		
	30.06.2007	30.06.2006
Contract value at July 17, 2006 (basis US\$ 10 million)	0	12,407
Unrealized exchange gains	0	57

22. Subsidiaries and Investments

		Total nominal capital	Amount of ownership (%)	Voting rights (%)
		30.06.2007	30.06.2007	30.06.2006
Group Holdings (fully consolidated)				
ATAG Ernst & Young Holding AG, Basel		6,000	-	_
- Ernst & Young AG, Basel	0	8,000	100	100
- EY Accounting Services AG, Basel	0	500	100	100
- Ernst & Young Aktiengesellschaft AG, Vaduz	0	200	49	49
- Société Fiduciaire Lémano SA, Lausanne	0	500	100	100
- SRC Revisionsgesellschaft AG, Bern	0	100	100	100
- ATAG Technische Organisationen AG, Bern	i	100	100	100
- ATAG Allgemeine Treuhand AG, Zürich	i	100	100	100
- ATAG Treuhand AG, Basel	i	100	100	100
- Invag AG in Liquidation, Zürich	i	100	100	100
- EY Law AG, Zürich	i	200	100	100

o = operating company

i = inactive company

23. Subsequent Events

Between the balance sheet date and the date that the financial statements were approved by the board of directors, there were no significant developments, that have an impact on the financial statements.

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enreva

Steuerberatung Wirtschaftsprüfung Auditing Treuhand

Tax Consulting Accounting

Report of the Group Auditors to the General Meeting of

ATAG Ernst & Young Holding Ltd Basel

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, cash flow statement, statement of changes in equity and notes / pages 60 to 75) of Ernst & Young Switzerland for the year ended June 30, 2007.

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

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

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

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

Zurich, August 29, 2007

TREUREVA Ltd

4 Polyer,

Maryann Rohner Swiss Certified Accountant Auditor in Charge

Philippe Keller Swiss Certified Accountant



Services

Audit Services

- Financial Statement Audit
- Regulatory Audit
- Independent Verification / Third Party Reporting
- IT Security
- Comfort Letters
- SPPS Certification
- Implementation of Accounting Standards (IFRS, Swiss GAAP FER, US GAAP)
- Actuarial Services
- Special Audits / Investigations
- IT Audits
- Expert Opinions
- Compliance Services
- Qualified Intermediary
- Education Accounting Standards

Tax Services

- Business Tax Advisory
- International Tax Services
- Transfer Pricing & Tax Effective Supply Chain Management
- Financial Services Taxation
- Indirect Tax (VAT & Customs)
- Personal Tax Services
- Human Capital
- Business Tax Compliance
- Tax Accounting & Risk Advisory Services
- Transaction Tax
- Real Estate Taxation
- Tax Litigation

Legal Services

- Corporate Law
- Contract Law
- Banking and Capital Markets Law
- Insolvency / Recovery
- Competition Law and Intellectual Property
- IT and Data Protection Law
- Labor Law, Work and Residence Permits
- Pension Plans
- Business Succession
- Legal Compliance
- Transaction Law

Accounting Services

- Accounting / Reporting
- Bookkeeping
- Payroll Services
- Task Force

Advisory Services

Risk

- Fraud Prevention, Investigation and Dispute Services
- Enterprise Risk Management
- Process & Controls
- Regulatory & Compliance Risk Management
- Financial & Quantitative Risk Management
- Capital Management
- Corporate Treasury Services
- Operational Risk Management, Internal Control Framework & Risk Convergence
- Insurance Risk Management
- Technology & Security Risk Services
- Contract Risk Services
- Internal Audit
- Risk Remediation
- Actuarial Services

Performance

- Finance Transformation
- Performance Management
- Operational Effectiveness

Transaction

- Valuation & Financial Modeling
- Transaction Support (Sell & Buy Side Due Diligence)
- Capital Markets
- Real Estate Advisory Services
- Mergers & Acquisitions
- Restructuring
- Purchase Price Allocations / Impairment Tests
- Transaction Integration

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