GP Investments Annual Report

'07


Grupo Soma
tempo
FARMASA

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OUR MISSION:

GP INVESTMENTS' MISSION IS TO GENERATE EXCEPTIONAL LONG-TERM RETURNS FOR OUR SHAREHOLDERS AND INVESTORS BY PLAYING AN ACTIVE PART IN THE MANAGEMENT OF COMPANIES, ALWAYS WITH THE HIGHEST STANDARDS OF ETHICS AND PROFESSIONALISM.

GP INVESTMENTS IS THE LEADING PRIVATE EQUITY FIRM FOCUSED ON THE LATIN AMERICAN MARKET.

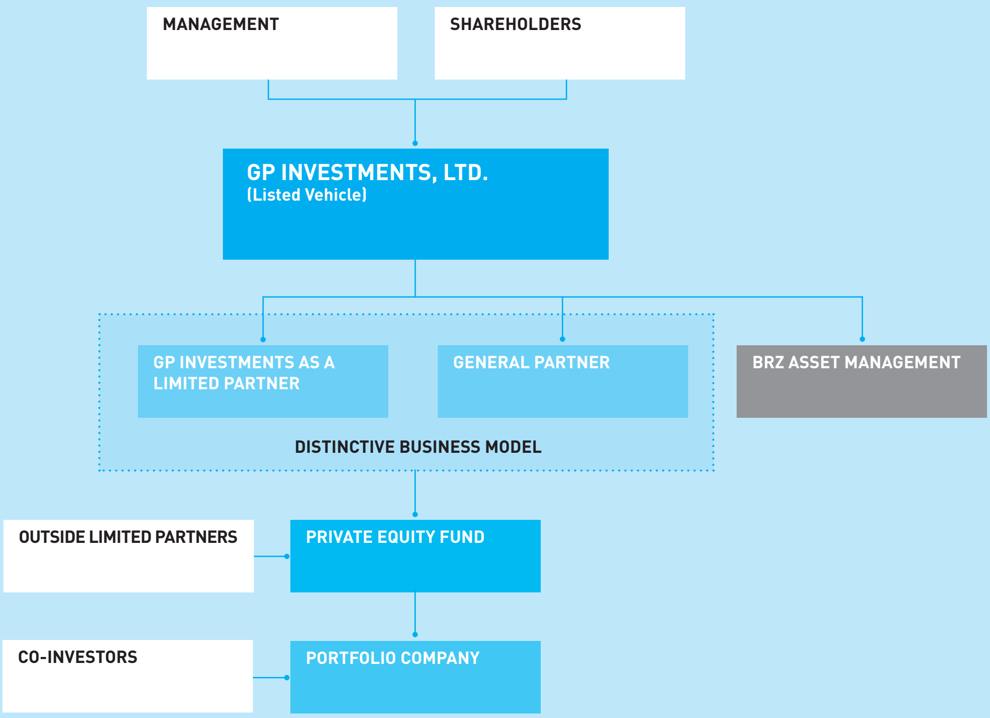
Since our founding in 1993, we have raised more than US$3 billion through 4 private equity funds and have acquired 45 companies in 14 different sectors.

In 2006, GP Investments listed its shares on the Luxembourg and Brazilian Bovespa Stock Exchanges as the first public private equity company in Latin America. Under our distinctive business model, we work not only as the general partner but also as a significant limited partner in the funds we manage. This allows us to align the interests of shareholders, management, limited partners, and co-investors.

With vast expertise and a track record of innovation, GP Investments is positioned as a leader in a region enjoying recent economic stability and market growth.

We currently manage over US$3.5 billion of private equity assets owned by GPCPIII, GPCPIV and co-investors.

ORGANIZATIONAL STRUCTURE:



FINANCIAL HIGHLIGHTS:

KEY FINANCIAL HIGHLIGHTS (US$ MM)

VALUE	FY07	FY06	Δ	Δ%
Revenues	369.3	44.3	325.0	734%
Total Expenses	47.1	24.4	22.7	93%
Net Income	185.3	26.0	159.3	613%
Cash, Cash Equivalents & Trading Securities	283.2	326.4	(43.2)	(13%)
Investments	1,165.6	173.9	991.7	570%
Total Assets	1,479.3	504.7	974.6	193%
Total Liabilities	223.1	24.9	198.2	796%
Shareholder Equity	570.6	372.4	198.2	53%

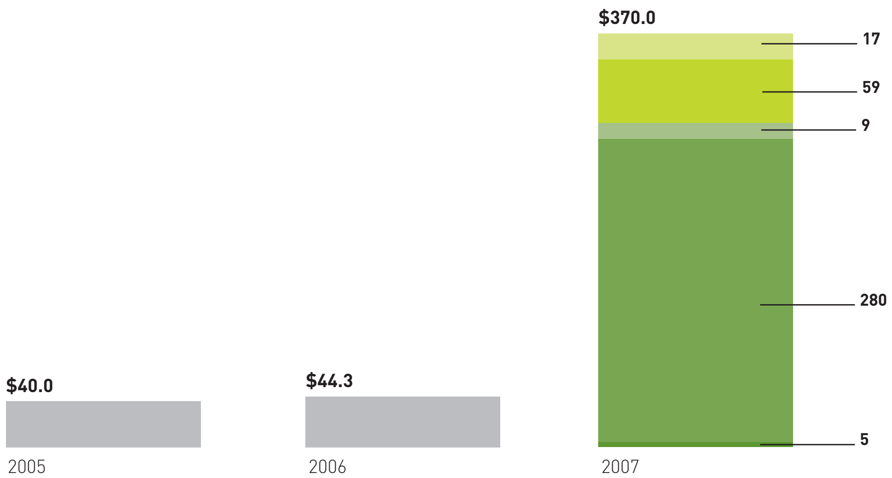
REVENUE BREAKDOWN

Total: US$370 MM[1]

- Performance Fees
- Realized Gains
- Management Fees[2]
- Appreciation in Fair Value of Investments
- Others
- Previous years

[1] In accordance with US GAAP accounting, GPCPIII and GPCPIV's management fees are booked as a reduction in minority interest and are not recorded as total revenues in the consolidated interim financial information. Management fees received from limited partners in 2007 amount to US$17 million.

[2] This figure is primarily derived from the asset management business.



TOTAL EQUITY INVESTMENT, AT COST

The year 2007 was a very active period, as equity investments tripled from the first half of the year, reaching US$1.5 billion by year's end.

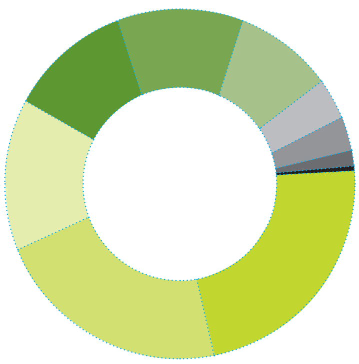
Committed capital from GP Investments, limited partners and co-investors, valued at cost (US$ MM)

CURRENT VALUE OF INVESTMENTS: TOTAL US$1,165.6 MM[1]

Portfolio Companies (US$ MM)

$266.5	BRMalls
$257.1	Magnesita
$157.9	San Antonio
$133.3	Farmasa
$128.0	Tempo Participações
$113.3	BR Properties
$55.8	Allis
$38.3	Fogo de Chão
$13.7	BRZ Investimentos
$1.7	Others

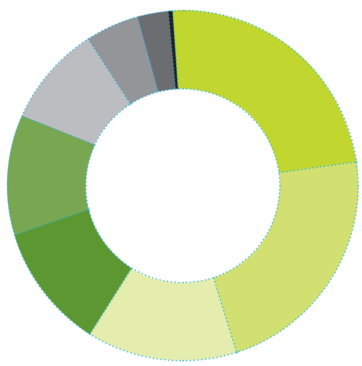
[1] As of December 31, 2007, excluding co-investors



SECTOR DISTRIBUTION: % OF TOTAL VALUE

Sector

23%	Shopping Malls
22%	Industrial
14%	Oil and Gas
11%	Pharmaceutical
11%	Insurance Services
10%	Real Estate
5%	HR Services
3%	Restaurants
1%	Asset Management



HISTORY OF SUCCESS

1993
GP Investments: GP Investments founded as an asset manager dedicated to private equity activities

1994
GPCP: First private equity fund: total commitment of US$500 million

INVESTMENTS: Kuala, Shoptime, Mcom Wireless, Mahler Brewery, Fratelli Vita, Globo Cabo

1995
INVESTMENTS: Supermar, Playcenter/ Hopi Hari

DIVESTMENTS: PMIA*, Mahler

1996
INVESTMENTS: Mandic, FCA

DIVESTMENTS: Multicanal (GloboCabo/Net)*

1997
GPCPII: Second private equity fund: total commitment of US$800 million

INVESTMENTS: Sé Supermercados, Gafisa

DIVESTMENTS: PMIA, Supermar*, Multicanal (GloboCabo/Net)*

1998
INVESTMENTS: ABC Supermercados, ALL, Telemar

DIVESTMENTS: Sé Supermercados, Multicanal (GloboCabo/Net)*, Kuala*, Mandic

1999
INVESTMENTS: Submarino, Patagon, Webmotors, Lokau/ iBest, Elefante, Officenet, Mercado Eletrônico

2000
INVESTMENTS: MaxLog, Pegasus, Despegar/Viajo, IHH, Total Express, Geodex, Autômatos

DIVESTMENTS: Multicanal (GloboCabo/Net)*, Ferrovia Centro-Atlântica, Patagon*

*partial divestment

OUR COMPETITIVE ADVANTAGES

2001

GP TECNOLOGIA: First and only local private equity fund: total commitment of R$130 million

DIVESTMENTS: Multicanal (GloboCabo/Net), Fratelli Vita, Patagon*, Elefante, MaxLog, ABC Supermercados

2002

INVESTMENTS: Pollux

DIVESTMENTS: Gafisa*, Ibest/Lokau*, ALL*, Patagon, Webmotors*

2003

MANAGEMENT CHANGE: Executive partners, led by Antonio Bonchristiano and Fersen Lambranho, take control of GP Investments as part of a natural succession plan

INVESTMENTS: Pointer, Lupatech

DIVESTMENTS: Pegasus*, Webmotors, Ibest/Lokau

2004

100% ACQUISITION: Executive partners acquire 100% of GP Investments equity

DIVESTMENTS: Lupatech*, Pointer, Pegasus*, ALL*, Officenet, IG

2005

GPCPIII: Third private equity fund: total commitment of US$250 million. This fund is already fully invested.

INVESTMENTS: Equatorial Energia

DIVESTMENTS: ALL*, Lupatech*, Pegasus, Despegar/Viajo, Submarino*, Kuala*

2006

IPO: Initial Public Offering, raising US$308 million for new investments

INVESTMENTS: Fogo de Chão, BRMALLS

DIVESTMENTS: Lupatech, ALL*, Gafisa*, Shoptime, Equatorial Energia*, Submarino, Pollux, MCOM Wireless, Autômatos, Mercado Eletrônico

2007

DEBT: Issuance of US$190 million in perpetual notes

GPCPIV: Fourth and largest GP Investments private equity fund: total commitment of US$1.3 billion

OFFICE OPENING: Announcement of opening of office in Mexico City, expanding the firm's footprint into the two largest economies in Latin America

INVESTMENTS: Tempo Participações, BRProperties, Magnesita, San Antonio International, Farmasa, Allis, LAHotels

DIVESTMENTS: Equatorial, IHH, ALL*, Gafisa, Geodex, Total Expres

GP INVESTMENTS:
LEADING PRIVATE EQUITY FIRM IN LATIN AMERICA

1: ACTIVE MANAGEMENT THAT CREATES VALUE

At GP Investments, we actively manage our portfolio companies with our own proven culture and approach. We enhance shareholder value by employing recognized management and operating techniques and by adapting international business models to the Latin American marketplace.

2: DISTINCTIVE BUSINESS MODEL

GP Investments acquires only control or joint control positions to ensure that our proven strategy is successfully implemented. We consistently function as both the general partner and as a significant limited partner in all of the funds we manage. Most of our revenues arise from capital gains, and we are extremely confident that our model provides full alignment of interests among our several stakeholders.

3: UNIQUE FUNDING APPROACH

GP Investments was the first private equity firm in Latin America to make an initial public offering at the management company level and was the first private equity firm to issue publicly traded perpetual debt. Using funds from the IPO and the perpetual notes issue, we were an early innovator of "permanent capital structure," by which we are not subject to standard periodic capital return requirements that traditional private equity funds demand. A permanent base of capital allows us to invest, along with our limited partners, in the funds we manage.

4: FOCUSED INVESTMENT STRATEGY

GP Investments targets only the Latin American market with a focus on Brazil. We believe the region's size and recent stability offers tremendous potential for value creation and future growth. We pursue controlling stakes in mature companies, and we do not limit our investments to any specific business sector. Instead, we look for attractive companies with growth potential that can achieve leading positions in their respective industries.

5: ACCESS TO DEALS

Over the years, we have developed a strong network of corporate contacts and relationships that help us identify and develop investment opportunities. We have also been able to lead and control investments in large-sized companies by raising additional funds from co-investors.

6: PROVEN TRACK RECORD

Since 1993, GP Investments' extensive transaction experience has included 45 investments and 33 exits in 14 different industries. Even in times of market uncertainty, we have successfully sponsored and raised five funds, including the recent US$1.3 Billion GPCPIV fund, one of the two largest private equity funds ever raised for the region. Since inception, GP Investments has produced an aggregate 2.7 times cash-on-cash return and a 21.9 percent realized annual internal rate of return on divestments.

7: SENIOR, EXPERIENCED TEAM

GP Investments' seasoned team of 17 investment professionals (including its partners) has sound private equity and financial industry expertise. Our partners have combined experience of more than 60 years at GP Investments. Many of our executive officers have hands-on experience in operations, having managed several companies throughout their careers.

TO OUR SHAREHOLDERS:
A Year of Achievements

THE YEAR 2007 WAS A PIVOTAL ONE FOR GP INVESTMENTS, FUELED BY A SERIES OF STRATEGIC ACQUISITIONS, RECORD-BREAKING FUNDS, AND STRONG PERFORMANCE BY GP INVESTMENTS' PORTFOLIO COMPANIES. IT ALSO MARKED THE 15TH YEAR OF OPERATION FOR GP INVESTMENTS AND THE FIRST ANNIVERSARY OF OUR WATERSHED IPO IN JUNE 2006. OUR STATUS AS THE FIRST PUBLICLY TRADED PRIVATE EQUITY COMPANY IN LATIN AMERICA ALLOWED US TO REALIZE A NUMBER OF SIGNIFICANT ACHIEVEMENTS, ALL ACCOMPLISHED AT AN ASTONISHING PACE.

Across Latin America, 2007 saw a healthy increase in private equity activity. At year's end, 29 fund closings amounted to a total of approximately $4.4 billion raised. As private equity investment once again has started to flow into Latin America's major economies after the downturn in the late 1990s, we believe that the market, buoyed by its newfound stability, is reaching a critical mass.

As a leader in the Latin American private equity industry, GP Investments played a significant role in this market during 2007. Wasting no time, we immediately began the year by funding two key investments in January through our GPCPIII fund: Tempo Participações, the leading service provider for the Brazilian healthcare and insurance industries; and BR Properties, a major player in the Brazilian commercial real estate segment.

In August, we acquired Magnesita, a leading manufacturer of refractory materials, for approximately US$650 million, marking the full investment of GPCPIII and the first investment of GPCPIV. At the same time, we acquired, through GPCPIV, the Latin American Land Drilling and E&P Services businesses of Pride International for US$1 billion. We have since re-branded the company as San Antonio International. The transactions were also notable for being two of the largest leveraged buyouts ever undertaken by GP Investments and two of the largest private equity transactions ever completed in the region. Additionally, these acquisitions showcased GP Investments' novel approach to financing with the conservative use of leverage. Despite the burgeoning credit crunch in August, GP Investments was still able to raise about US$1 billion in debt financing for San Antonio and Magnesita.

As the year progressed, we continued our brisk investment pace. We identified three exciting and strategic opportunities in the last two months of 2007 alone and completed these transactions through GPCPIV as the year ended. Each of these—Farmasa, Allis, and LAHotels—has a leading position in its respective industry. We look forward to working with them as we continue to build on their already strong growth platforms. These acquisitions allowed us to broaden our presence in three distinct industry sectors, highlighting the diverse nature of our investment approach. Our current operational presence now covers the commercial and retail real estate, insurance services, industrial, food services, shopping malls, oil and gas services, pharmaceutical, hotel and human resources services sectors. Our success to date is the result of the depth and breadth of our team of professionals who, every day, work to identify opportunities to keep our pipeline of potential deals fresh and to ensure our future growth.

In April, as the investment of GPCPIII neared completion, we seized the opportunity that GP Investments' strong momentum and healthy pipeline presented and quickly began fund-raising for our private equity fund, GPCPIV. Only three months later, we completed the fund's first closing, having secured US$1 billion of capital, of which GP Investments committed US$400 million. By October 2007, the firm raised an additional US$300 million, completing the final closing of the fund. GPCPIV marked a record for GP Investments, raising a total of US$1.3 billion in just six months. To date, this remains one of the two largest such funds raised in Latin America and is further recognition of the region's growing status as an attractive market for private equity and foreign investment.

As we continued to raise new private equity funds, we also worked to strengthen our cash position to enable us to invest back into our own funds. In line with the firm's unique approach to financing, GP Investments was the first private equity firm to issue perpetual notes on the back of our IPO. During 2007, we priced two issuances of perpetual notes on the public market: $150 million in January, followed by an additional $40 million in October. With the proceeds from these notes and from our IPO, we have been able to establish a strong capital base, which we have re-invested in our funds in conjunction with our limited partners.

The year also presented tremendous growth and opportunity for many of our portfolio companies. As a result, we completed two initial public offerings. In April, BRMALLS went public only six months after it was acquired by GPCPIII. The company raised R$657 million in a primary offer to finance its expansion plan, and an additional R$600 million was raised in a second primary offer in October. In less than one year, BRMALLS became the largest shopping mall owner and manager in Brazil. The IPO price valued GP Investments' stake in BRMALLS at 2.5 times our initial investment.

The IPO of Tempo Participações in December raised R$340 million in a primary offer that valued GP Investments' stake at 3.5 times the initial investment, only 12 months after the company's inception. These two successful IPOs provided us with enhanced liquidity in these investments.

We were also able to conclude our first full divestment of GPCPIII in 2007, only 18 months after the fund's closing. The sale of our remaining stake in Equatorial Energia provided us and our investors with superior returns of 34 times cash-on-cash multiple, in one of the most remarkable turnaround cases in the region.

As we have consolidated our position as Brazil's largest private equity firm, we continually look for ways to expand our business. In 2007, we worked to grow our presence outside of Brazil into the wider Latin American region. There are a number of reasons for this. With a population of over 550 million inhabitants, the Latin American market has reached critical mass, and the overall economic environment of the region has stabilized significantly in recent years. We are seeing increasing potential for exciting investment opportunities across Latin America, particularly in Mexico, Colombia, Peru, and Chile. Our acquisition of San Antonio International capitalized on these positive trends giving us an instant presence in eight Latin American countries.

To enhance our growing presence in Latin America, we announced the opening of our Mexico City office, which became fully operational in January 2008. This gave the firm an on-the-ground presence in the two largest economies in Latin America and increased potential for cross-border deals. In pursuit of opportunities in Mexico and Central America, Marcio Trigueiro, a partner of GP Investments since 2004, now leads a team of two new professionals who have deep knowledge of the local markets. To further fuel our expansion into Latin America, Octavio Lopes, a partner of GP Investments, will lead the execution of our private equity deals in South America. Mr. Lopes was previously responsible for the phenomenal turnaround of Equatorial Energia, where he spent two-and-a-half years as CEO.

To support our firm's tremendous growth this year, we also bolstered our staff in our São Paulo office with new hires to the private equity, investor relations, and back office

As a result of the year's accomplishments, GP Investments is now supported by a strong platform for further growth.

teams. In addition, we reorganized the structure of BRZ Investimentos, our asset management business, and strengthened its team. Combined, our teams in São Paulo, Mexico and Bermuda now consist of 56 employees, of whom 17 are investment professionals. In March 2008, we were also pleased to name Allan Hadid, our Chief Financial Officer, as partner. Allan joined GP Investments in 2006, bringing with him 10 years of industry experience. We are confident that Allan's dedication, industry knowledge, and leadership skills will long continue to prove valuable for GP Investments.

GP Investments' outstanding performance in 2007 is also evident in its solid financial results – final proof of the year's successful events. Revenues totaled $369 million, a 734 percent increase compared with 2006. The firm reported a net profit of US$185 million and a net asset value of US$570 million, increases of 612 percent and 53 percent respectively compared with 2006.

As a result of the year's accomplishments, GP Investments is now supported by a strong platform for further growth. For 2008, we have a very attractive pipeline of new business, and we are optimistic about the potential of fully investing GPCPIV and continuing to raise future private equity funds throughout Latin America. We announced a follow-on offering in February 2008 in order to raise capital that will be used in future private equity commitments. We will continue to explore investment opportunities that will add further diversity and strength to our portfolio as we look to build our growing footprint throughout Latin America.

As always, we would like to extend our sincere appreciation to everyone who has helped us advance to where we are today: our partners, staff, independent board members, investors, co-investors, directors and executives, managers in each of our portfolio companies and our suppliers (banks, consultants, and attorneys, among others). We look forward to sharing more of our successes and achievements in the years to come.

Antonio Bonchristiano
Co-Chairman and Co-Chief Executive Officer

Fersen Lambranho
Co-Chairman and Co-Chief Executive Officer

GP INVESTMENTS HIGHLIGHTS '07

	INVESTMENTS	DIVESTMENTS	EVENTS
JANUARY 2007	tempo BR Properties		PERPETUAL NOTES
APRIL 2007			BRMALLS IPO
JULY 2007			GPCPIV 1ST CLOSING
AUGUST 2007	SAN ANTONIO INTERNACIONAL Magnesita S.A.		
OCTOBER 2007			PERPETUAL NOTES FOLLOW-ON GPCPIV 2ND CLOSING
NOVEMBER 2007	FARMASA	equatorial ENERGIA	ANNOUNCED MEXICO OFFICE
DECEMBER 2007	ALLIS LAHotels		tempo IPO BR Properties PRIVATE ROUND

PRIVATE EQUITY IN LATIN AMERICA: A New Phase

IN THE MID-1990s, THE PRIVATE EQUITY INDUSTRY IN LATIN AMERICA EXPERIENCED A PERIOD OF HIGH GROWTH SET AGAINST A BACKDROP OF UNDERDEVELOPED CAPITAL MARKETS. IT WAS DURING THIS PERIOD, IN 1993, THAT GP INVESTMENTS MADE ITS DEBUT, ALONG WITH MANY LARGE GLOBAL PRIVATE EQUITY PLAYERS.

The Asian and Russian crises in the late 90s brought volatility and uncertainty to all emerging market economies. This was followed by the devaluation of the Brazilian real in 1999 and the Argentine peso in 2001, affecting returns on investments for private equity firms invested in the region. As many large global private equity firms left the region, local firms—such as GP Investments—remained committed to Latin America.

The year 2007 heralded a new boom for Latin American private equity, as private equity investment in the region was expected to outpace the record levels seen in 2006. Roughly $7.4 billion was invested in 2007, compared to $4.1 billion for 2006. Private equity fundraising in Latin America also was strong in 2007, with a total of approximately $4.4 billion raised, surpassing the record $3.7 billion raised in 1998.

GP Investments was part of this trend in 2007, and the firm's activities in the past year demonstrate its continued commitment to Latin America. We invested in seven companies across a variety of sectors. We also expanded our reach to another major economy of Latin America with the establishment of an office in Mexico City. In addition, we increased our footprint in Latin America with the billion-dollar acquisition of San Antonio International.

We are optimistic about the Latin American private equity environment for several reasons. First, macroeconomic conditions in key countries such as Brazil, Mexico, Colombia, Peru, and Chile have stabilized considerably in the past few years. Recent fiscal and monetary policies in conjunction with political reforms have resulted in controlled inflation, currency appreciation, and low unemployment and interest rates. As a consequence of this economic progress, these countries—along with their private equity industries—are now in a period of sustained growth. Long-term investment risk should also decline as a result of these reforms, creating further opportunities for GP Investments in Latin America.

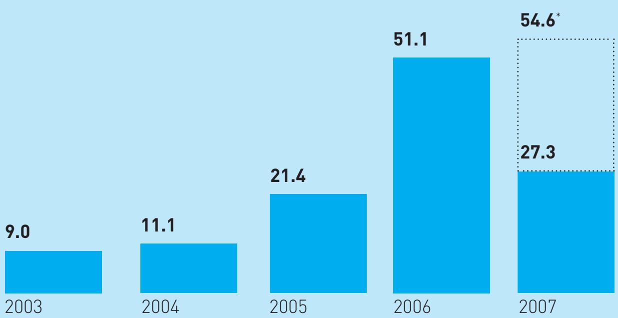
Second, the increased globalization of Latin America's economy is also likely to create continued demand for private equity services as local companies look to equity capital and professional management to increase their competitiveness.

Third, public equity markets—mainly in Brazil and Mexico—have seen a significant increase in liquidity. This burgeoning access to the initial public offering markets provides an alternative to a sale to strategic investors for private equity firms, substantially reducing the uncertainty associated with exits from private equity investments. GP Investments took two of its portfolio companies—BRMALLS and Tempo Participações—public in 2007 through primary offerings. The development of the credit markets also creates more opportunities for funding through transactions such as leveraged buy-outs, resulting in higher returns for equity investors.

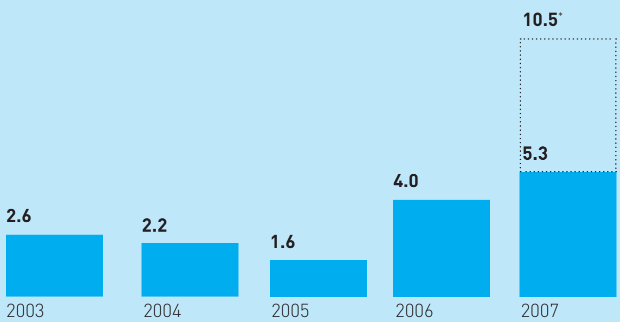
We believe that our commitment to remain in the region during the late 1990s and early 2000s has positioned us well to capitalize on current conditions. Our ability to raise two new funds by taking advantage of this favorable environment is further proof of our expertise. We expect to continue reaping the rewards of the new Latin American market environment in the coming year.

PRIVATE EQUITY FIRMS WILL INVEST MORE IN EMERGING MARKETS

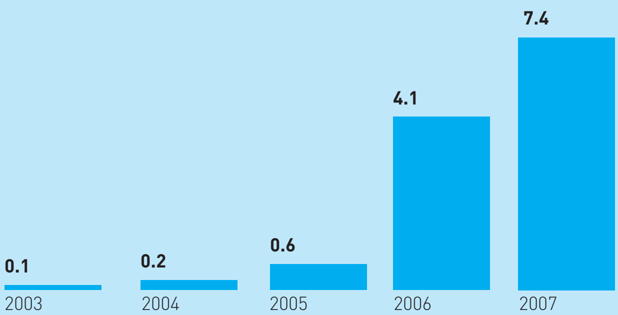
EMERGING ASIA
($Bn)



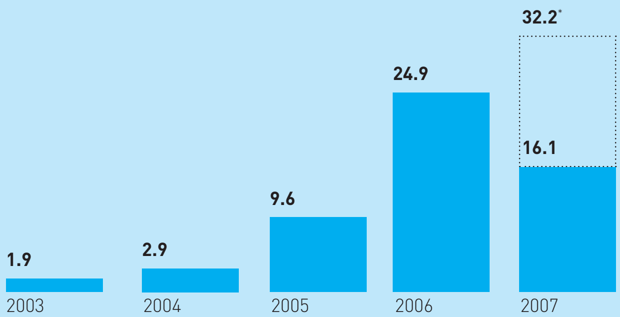
CEE/RUSSIA
($Bn)



LATIN AMERICA
($Bn)



MIDDLE EAST & AFRICA
($Bn)

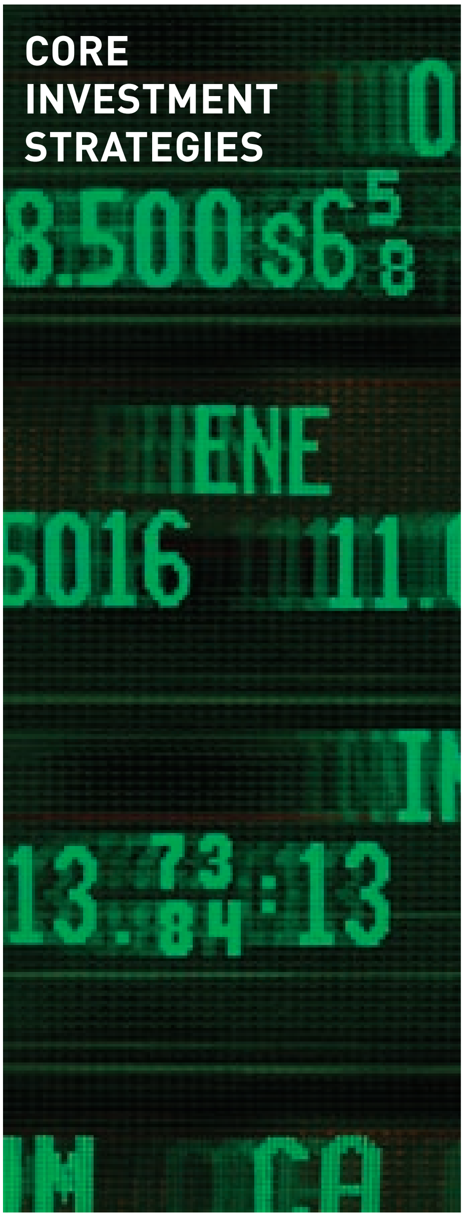


*Estimated for 2H07

Source: EMPEA

A UNIQUE INVESTMENT STRATEGY:

THE PRIMARY GOAL OF GP INVESTMENTS' PRIVATE EQUITY BUSINESS IS TO GENERATE ABOVE-AVERAGE RETURNS BY ACQUIRING AND ACTIVELY MANAGING ESTABLISHED ASSETS IN A WIDE RANGE OF INDUSTRIES THAT ARE LOCATED OR HAVE SIGNIFICANT BUSINESS ACTIVITIES IN BRAZIL AND OTHER LATIN AMERICAN COUNTRIES.



CORE INVESTMENT STRATEGIES

FOCUS ON MATURE COMPANIES

Target:
Companies with over US$60 million in revenues

Advantages:
Less competition for deals, given scarcity of capital in Latin America

Greater ability to attract management talent

Broader exit possibilities

REDUCE RISK

Target:
Companies with leading market positions and strong cash flows

Engage in extensive due diligence from long-term investment perspective

Invest at low price-to-cash-flow multiples

Acquire control or joint-control positions

Adopt low-leverage capital structures

Devise exit alternatives during investment stage

USE LEVERAGE CONSERVATIVELY

GP Investments has used leverage in only five out of 45 transactions. When we choose to leverage, the investment must have very low or zero debt, sound cash-flow, no refinancing risk, and no currency mismatch between revenues and debt incurred.

We focus on the acquisition of mature companies with high value-creation potential. We do not concentrate on any particular business sector, nor are we bound by macroeconomic considerations. We acquire only control or joint control position in companies to ensure that we can implement our proven strategy.

Over the past 15 years, we have developed a unique "operations-oriented" investment strategy in sourcing and evaluating investments, conducting due diligence and, once an acquisition has been made, actively monitoring, managing, and exiting the investment. What sets us apart is our proven ability to create value by applying our own management techniques to a wide range of situations, including restructuring, consolidation, the acquisition of family businesses, and the exit of strategic investors. Our operations-oriented approach combines local knowledge and expertise with sophisticated private equity experience.

PURSUE OPPORTUNISTIC DEALS

Target:
Varied transactions, including acquisitions, recapitalizations, and growth financings of established businesses

Consolidations in fragmented industries

Divestitures of non-core assets by larger companies

Acquisitions of family-owned businesses needing growth capital or highly skilled management

Restructuring of fundamentally sound but poorly managed companies

Recapitalization of under-capitalized companies

ACTIVELY MANAGE PORTFOLIO COMPANIES

In over 15 years of successful investing, GP Investments has refined a successful approach to managing portfolio companies. This philosophy is based on the principles of strict cost control, lean organizational structures, talent development, meritocracy, and business ethics. This powerful framework helps us maximize each acquired asset's operating performance and reduce risks.

SEEK RETURN OVER INVESTED CAPITAL ON EXITS

As a public company, GP Investments can manage its businesses without the requirement to sell them within a specified time period. However, we retain the flexibility to pursue refinancing and dispositions when we believe these actions will maximize returns. GP Investments' focus is expanding EBITDA by adding value to acquired companies, through revenue and margin expansion. We do not count on multiple expansion when analyzing an investment opportunity.

INVEST WITH DISCIPLINE

Invest only in companies with control or shared control

Do not pursue start-up or greenfield projects

Do not pursue opportunities in technology or biotech industries—GP Investments management expertise is not fully applicable

Decline any investment opportunity related to weapons, tobacco or other industries with negative social or environmental implications

Ensure that no single company or sector represents more than 20 percent or 35 percent of GP Investments' fund assets, respectively. GPCPIV is an example of this strategy.

CURRENT PORTFOLIO:

SINCE 1994, GP INVESTMENTS HAS INVESTED $2.9 BILLION OF CAPITAL IN 45 COMPANIES, GENERATING ABOVE-AVERAGE RETURNS FOR PRIVATE EQUITY IN LATIN AMERICA. WE HAVE A SUCCESSFUL TRACK RECORD OF INVESTING ACROSS SEVERAL DIFFERENT INDUSTRIES.

GPCPIII WAS FULLY INVESTED IN SIX COMPANIES, WITH ONE COMPLETED DIVESTMENT

- US$250 million in total committed capital
  - US$117 million in committed capital from GP Investments
  - US$133 million in committed capital from outside limited partners
- US$250 million additional capital raised from co-investors

COMPANY	DATE	EQUITY INVESTMENT AT COST	SECTOR	STATUS	LISTED
equatorial ENERGIA	June 2005	US$3 MM	Utilities	100% Divested	√
FOGO DE CHÃO CHURRASCARIA BRAZILIAN STEAKHOUSE	August 2006	US$32 MM	Food Services	Unrealized	—
BRMALLS	November 2006	US$63 MM	Shopping Malls	Unrealized	√
tempo	January 2007	US$40 MM	Insurance Services	Unrealized	√
BRProperties	January 2007	US$45 MM	Real Estate	Unrealized	—
Magnesita S.A.	August 2007	US$53 MM	Industrial	Unrealized	√

Our investments have primarily centered on the Brazilian market. As we consolidate our leadership in the Brazilian market, we aim to expand our strategy and replicate our business model in other selected countries in the region.

We have successfully raised capital to set up funds and have also invested in them to grow the business. We have confidence in our current investments and expect to grow these portfolio companies to further improve their returns.

GPCPIV IS MORE THAN 50% INVESTED (AS OF DECEMBER 2007)

- Final Closing Date – October 2007
- US$1.3 billion in total committed capital
    - US$400 million in committed capital from GP Investments
    - US$900 million in committed capital from outside limited partners
- Latin American expansion
- US$612 million additional capital raised from co-investors

COMPANY	DATE	EQUITY INVESTMENT AT COST	SECTOR	STATUS	LISTED
Magnesita S.A.	August 2007	US$204 MM	Industrial	Unrealized	√
SAN ANTONIO INTERNACIONAL	August 2007	US$140 MM	Oil Services	Unrealized	—
FARMASA	November 2007	US$140 MM	Pharmaceutical	Unrealized	—
ALLIS	December 2007	US$55 MM	Human Resources	Unrealized	—
LAHotels	December 2007	US$135 MM	Hotels	Unrealized	—

GP INVESTMENTS' DIRECT STAKE

COMPANY	DATE	EQUITY INVESTMENT AT COST	SECTOR	STATUS	LISTED
BRZ INVESTIMENTOS	—	US$14 MM	Asset Management	Unrealized	—

FOGO DE CHÃO:

FOGO DE CHÃO IS A "CHURRASCARIA" (BRAZILIAN STEAKHOUSE) OPERATOR THAT PROVIDES A DISTINCTIVE DINING EXPERIENCE, OFFERING AUTHENTIC BRAZILIAN DÉCOR AND CUISINE IN A HIGH-ENERGY ATMOSPHERE WITH SUPERIOR CUSTOMER SERVICE.

US$ MILLION	2007	2006
NET REVENUES	128.8	98.8
EBITDA	37.5	31.1
MARGIN	29.1%	31.4%
NET DEBT	0.9	13.7

CURRENT EQUITY VALUE: $191.4 MM[1]

OWNERSHIP: 40.0%[2]

INITIAL INVESTMENT: $64.0 MM
(GPCPIII: $32.0 MM, CO-INVESTORS: $32.0 MM)

DATE OF INVESTMENT: AUGUST 2006

(1) Acquisition multiple applied to LTM EBITDA
(2) Including co-investors

The restaurants specialize in Brazilian-style churrasco, a traditional way of slow-roasting meat. Founded in Brazil in 1979 by two brothers, the company opened its first store in the United States in 1997 in Dallas, Texas.

Fogo de Chão currently operates 15 restaurants, 10 in the United States (Dallas, Houston, Chicago, Atlanta, Baltimore, Minneapolis, Austin, Beverly Hills, Washington and Philadelphia), and five in Brazil (three in São Paulo, one in Belo Horizonte and one in Brasilia). The company has already begun building five new outlets in Indianapolis, Miami, Scottsdale, Kansas City and Salvador (Brazil) scheduled to open in the spring, summer and fall of 2008, respectively.

In August 2006, GP Investments, through GPCPIII, announced the acquisition of 40 percent of the total capital of Fogo de Chão Churrascarias. GP Investments acquired joint control by investing US$64 million, of which US$32 million was contributed by GPCPIII and the remainder by the co-investors.

GP Investments expects to grow the business organically and foresees tremendous growth potential in the United States and Brazil. The founders of Fogo de Chão are still actively involved in the business, combining their sector knowledge with GP Investments' brand of management skills and technology to help further Fogo de Chão's growth.

BRMALLS:

BRMALLS IS BRAZIL'S LARGEST INTEGRATED SHOPPING MALL COMPANY. FOUNDED IN 1971, THE COMPANY CURRENTLY OWNS 30 MALLS.

CURRENT EQUITY VALUE: $2,275.7 MM[1]

OWNERSHIP: 35.4%[2] [3]

INITIAL INVESTMENT: $172.3 MM
(GPCPIII: $62.5 MM, CO-INVESTORS: $87.5 MM, DEBT: $22.3 MM)

DATE OF INVESTMENT: NOVEMBER 2006

(1) Market cap as of December 31, 2007
(2) Including co-investors
(3) Including co-investors' participation in the Oct. 07 follow-on

In November 2006, GP Investments, through its private equity fund GPCPIII, acquired Ecisa, which was the fifth largest shopping mall company in Brazil.

In April 2007, the company went public, just six months after it was acquired by GP Investments. The company raised R$657 million in a primary offer to finance its expansion plan and an additional R$600 million was raised in a second primary offer in October. Throughout 2007, GP Investments provided leadership for the consolidation project.

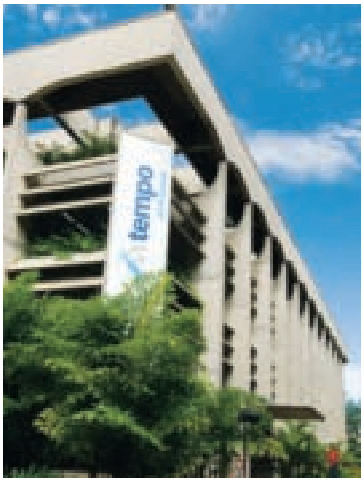
During 2007, the company invested more than US$500 million, increasing ownership from seven to 30 malls and administration from 24 to 29 malls. In less than one year, BRMALLS has become the largest shopping mall owner and manager in Brazil. The IPO valuation marked GP Investments' stake in BRMALLS at 2.5 times the initial investment.

BRMALLS trades under the ticker BRML3 on the Bovespa stock exchange in São Paulo.

R$ MILLION	2007	2006
NET REVENUES	207.0	91.1
EBITDA	125.2	57.7
ADJUSTED EBITDA	140.6	57.7
MARGIN	68%	63%
NET INCOME	-70.4	32.1
NET DEBT	269.2	-47.7
NOI	171.6	73.9

TEMPO PARTICIPAÇÕES:

TEMPO PARTICIPAÇÕES IS THE LEADING SERVICE PROVIDER FOR THE BRAZILIAN HEALTHCARE AND INSURANCE INDUSTRIES.



R$ MILLION	2007	2006
NET REVENUES	572.6	490.0
EBITDA*	55.0	37.6
MARGIN*	10%	8%
NET INCOME*	38.6	23.5
NET DEBT	-347.2	2.0

* Adjusted

CURRENT EQUITY VALUE: $684.4 MM[1]

OWNERSHIP: 27.2%[2]

INITIAL INVESTMENT: $53.1 MM
(GPCPIII: $39.6 MM, CO-INVESTORS: $13.5 MM)

DATE OF INVESTMENT: JANUARY 2007

(1) Market cap as of December 31, 2007
(2) Including co-investors

To create Tempo Participações, GP Investments initiated and structured the merger of IHH and USS at the end of 2006 and is now playing an active role in the integration process.

Tempo Participações offers an extremely innovative concept of providing consolidated healthcare and insurance services in what is still a nascent industry in Brazil. Tempo Participações is comprised of four business units: Gama Saúde, Gama Odonto, USS, and Medlar. Gama Saúde is the current leader in the Brazilian healthcare administration sector. Gama Odonto is a significant player in the dental insurance industry. USS is the leading assistance services provider in Brazil, with offerings for the auto, home and personal segments.

The company went public on December 18, 2007, raising R$420 million (US$234 million) as primary proceeds.

Tempo Participações is using the proceeds to grow the company both organically and through acquisitions. The goal is to enable the company to continue on its path of growth while leveraging the optimistic outlook for the insurance and healthcare industries in Brazil.

Tempo Participações trades under the ticker TEMP3 on the Bovespa stock exchange in São Paulo.

BR PROPERTIES:

BR PROPERTIES INVESTS IN COMMERCIAL REAL ESTATE ASSETS IN BRAZIL, WITH A PRIMARY FOCUS ON EXISTING OFFICE BUILDINGS, WAREHOUSES, AND RETAIL STORES, EXCLUDING SHOPPING MALLS.

CURRENT EQUITY VALUE: $420.0 MM[1]

OWNERSHIP: 79.04%[2]

INITIAL INVESTMENT: $153.0 MM
(GPCPIII: $45.0 MM,
CO-INVESTORS: $108.0 MM)

DATE OF INVESTMENT: JANUARY 2007

(1) Valued after private round of investments
(2) Including co-investors

GPCPIII effected its fifth investment in January 2007 when GP Investments set up BR Properties in association with seven co-investors.

After investing R$800 million in the acquisition of 36 commercial real estate assets, BR Properties executed a private round of investments in December 2007, raising an additional US$149 million to fund expansion plans. The pre-money valuation of US$262 million implied a 12-month, 1.6 times cash-on-cash multiple from GP Investments' initial investment.

GP Investments believes that BR Properties stands to gain from commercial real estate investments in Brazil. Over the last 18 months, BR Properties has successfully acquired multiple commercial assets, making it one of the largest companies of its kind in the country.

R$ MILLION	2007
NET REVENUES	21.9
EBITDA	12.7
MARGIN	57.8%
FFO	-8.5
NET INCOME	-10.5
NET DEBT	226.2
# OF PROPERTIES	36

MAGNESITA:

MAGNESITA IS THE LARGEST PRODUCER OF REFRACTORY MATERIAL IN LATIN AMERICA, SUPPLYING ITS PRODUCTS AND RELATED SERVICES TO THE STEELMAKING, CEMENT AND GLASS INDUSTRIES FROM SIX PLANTS IN BRAZIL AND ONE IN ARGENTINA.

R$ MILLION	2007	2006
NET REVENUES	1,198.6	1,116.6
EBITDA	220.2	228.3
MARGIN	18%	20%
NET INCOME	108.5	140.0
NET DEBT	-148.0	-29.4

CURRENT EQUITY VALUE: US$964.0 MM[1]

OWNERSHIP: 59.5%[2]

INITIAL INVESTMENT: $1,019.6 MM
(GPCPIII: $53.0 MM, GPCPIV: $204.0 MM, CO-INVESTORS: $316.7 MM, DEBT: $445.9 MM)

DATE OF INVESTMENT: AUGUST 2007

(1) Valued at cost considering 1.8840 R$/US$ as average exchange rate for the transaction
(2) Including co-investors

The company has a total production capacity of 617,000 tons of refractory materials per year and the supply of its main raw material, magnesite ore, is fully integrated. The company is backed by 250 years of mining reserves production.

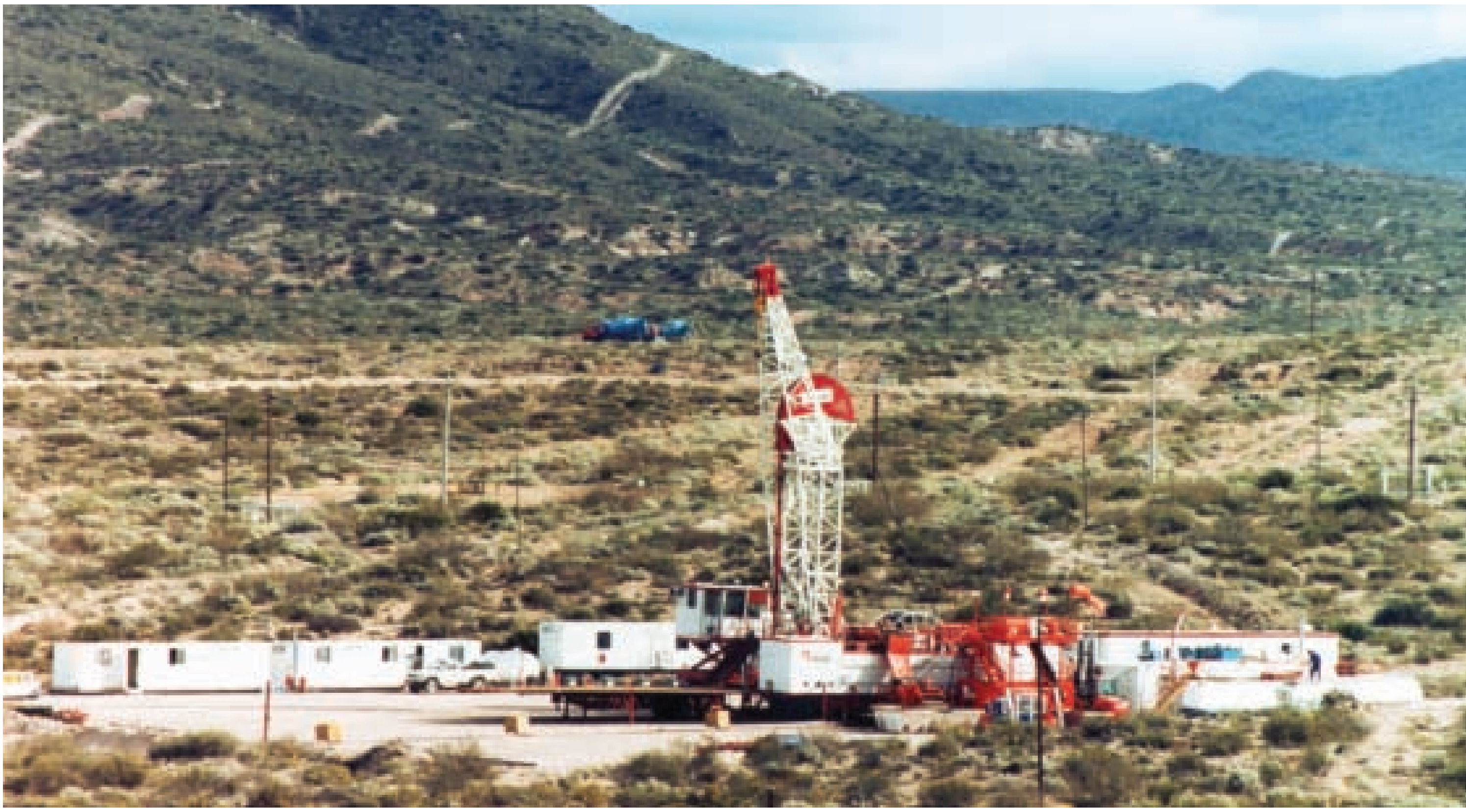
Magnesita owns and explores magnesite reserves in Bahia, Ceará and Minas Gerais. In 2007, the company reported net revenues of R$1.2 Billion and EBITDA of R$220.2 million, achieving an 18 percent margin.

GP Investments intends to sustain Magnesita's current market share position by building on the company's competitive advantage in the industry, sound business model, and solid experience. The goal is to convert Magnesita into one of the world's leading refractory material suppliers. In turn, the investment will allow Magnesita to explore growth opportunities in local and international markets while employing the solid technological know-how of GP Investments' management team.

We implemented an ownership restructuring in order to allow us to increase our stake in the company and collapse the acquisition debt down into the operating entity. This restructuring was comprised of two tender offers, stock acquisitions in the public market, and negotiations with the remaining minority shareholders, which resulted in the merger of the acquisition vehicle, Rpar, and Magnesita. With that, GP Investments' and co-investors' stake in Magnesita increased from 38.6 percent to 59.5 percent.

Additionally, the acquisition of Magnesita showcased GP Investments' approach to financing with the conservative use of leverage.

Magnesita trades under the ticker MAGG3 on the Bovespa stock exchange in São Paulo.



SAN ANTONIO INTERNATIONAL:

SAN ANTONIO INTERNATIONAL IS THE FORMER LATIN AMERICAN LAND DRILLING AND E&P SERVICES SUBSIDIARY OF PRIDE INTERNATIONAL.

CURRENT EQUITY VALUE: $1,020.0 MM[1]

OWNERSHIP: 100.0%[2]

INITIAL INVESTMENT: $1,020.0 MM
(GPCPIV: $140.0 MM, CO-INVESTORS: $280.0 MM, DEBT: $600.0 MM)

DATE OF INVESTMENT: AUGUST 2007

(1) Valued at cost
(2) Including co-investors

San Antonio International's business extends across eight countries in Latin America and achieved combined 2007 revenues of $1,033 million and an EBITDA margin of approximately 23 percent.

GPCPIV's US$1 billion acquisition of San Antonio International in August 2007 was one of its largest deals to date. The acquisition signaled the firm's entry into the wider Latin American region and gained a presence in eight countries: Argentina, Chile, Colombia, Peru, Ecuador, Venezuela, Mexico, and Brazil.

The transaction also facilitates the firm's entry into the attractive oil and gas services industry. Mindful of current fluctuations in oil pricing, GP Investments expects to benefit from attractive trends in the oil and gas sector. Given the strong demand for energy in the region, growing E&P activity, and positive industry-wide dynamics, the oil and gas drilling services business is expected to post strong growth over the coming years. GP Investments' objective is to strengthen the business by expanding its operations organically and through acquisitions.

GP Investments' acquisition of San Antonio International also demonstrated the firm's innovative use of leverage in obtaining financing. In the face of the burgeoning global credit crunch in August, GP Investments was nonetheless able to raise US$600 million in debt to finance the acquisition, making the San Antonio deal the single largest leveraged buyout ever undertaken by GP Investments and one of the largest LBO transactions ever completed in the region.

US$ MILLION	2007	2006
NET REVENUES	1,033.4	824.0
EBITDA	252.6	206.0
MARGIN	24%	25%
NET INCOME	123.2	101.0
NET DEBT	525.0	-25.0
# OF RIGS	209	210

FARMASA:

FARMASA IS A HIGH-GROWTH TRADITIONAL PHARMACEUTICAL COMPANY THAT DEVELOPS, MANUFACTURES, MARKETS, AND SELLS OVER-THE-COUNTER AND PRESCRIPTION DRUGS.

R$ MILLION	2007	2006
NET REVENUES	258.9	170.9
EBITDA	31.8	26.7
MARGIN	12%	16%
NET INCOME	11.1	7.3
NET DEBT	44.8	70.9

CURRENT EQUITY VALUE: $280.0 MM[1]

OWNERSHIP: 50.0%

INITIAL INVESTMENT: $140.0 MM
(GPCPIV: $140.0 MM)

DATE OF INVESTMENT: NOVEMBER 2007

(1) Valued at cost

Farmasa has a diversified portfolio of 80 brands and 150 products focused on the ear, nose and throat, pediatrics, orthopedics, gastroenterology, gynecology, and dermatology therapeutic classes. Farmasa's landmark brands include #1 nasal decongestant Rinosoro, #1 laxative Tamarine, #2 feminine soap Lucretin, and #5 analgesic Lisador.

Farmasa was founded in 1953 by a group of doctors and subsequently acquired by the Samaja family in 1960. Over the last 54 years, the company has successfully fostered a strong relationship with the medical community, which it cultivates through its highly experienced sales force of more than 400 representatives.

In November 2007, GP Investments invested R$240 million for a 50 percent stake in Farmasa, via GPCPIV. In 2007, Farmasa posted net sales of R$258.9 million which was a 51 percent increase when compared with the previous year. EBITDA for 2007 was R$ 31.8 million, a 19 percent increase compared with 2006.

GP Investments views the Brazilian pharmaceutical industry as a very attractive segment that has experienced and should continue to see double-digit growth rates (CAGR of 12 percent in Reais from 2000 to 2006). Positive macroeconomic trends are giving a larger share of the population access to medications.

Like those of Fogo de Chão, Farmasa's founders are partnering with GP Investments to grow the company. GP Investments expects to combine their valuable sector knowledge with GP's proven management skills to attain a leading position in Brazil's pharmaceutical industry.

ALLIS:

ALLIS, ONE OF THE LARGEST PLAYERS IN BRAZIL'S HUMAN RESOURCES SECTOR, OFFERS TEMPORARY STAFFING, OUTSOURCING, PERMANENT RECRUITMENT, AND TRAINING.

CURRENT EQUITY VALUE: $71.0 MM[1]

OWNERSHIP: 77.5%

INITIAL INVESTMENT: $55.0 MM
(GPCPIV: $55.0 MM)

DATE OF INVESTMENT: DECEMBER 2007

(1) Valued at cost

In December 2007, GP Investments acquired, for R$100 million, three human resources companies from different geographic regions of Brazil—Grupo Soma, Top Service and People Domus—merging them to create Allis. The transaction was fully funded through our GPCPIV private equity fund. The company's pro-forma revenues for 2007 are R$161.2 million, with an EBITDA of $19.3 million.

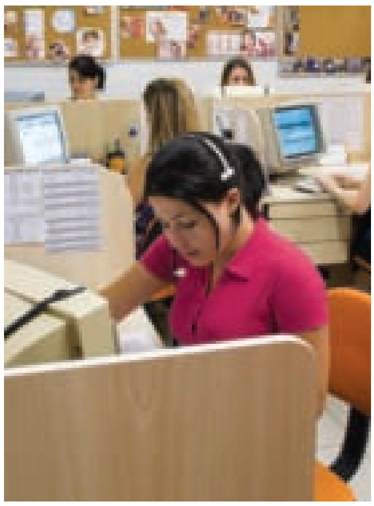
Grupo Soma supplies labor solutions to retail stores and credit providers, focusing on growing its operations in the Southeast region of Brazil. Soma provides outsourced workforce solutions and recruiting services with a focus on temporary workforce provisions.

Top Service concentrates its activities in southern Brazil and provides outsourcing solutions with full-service delivery to large and medium-size companies. The company has a strong reputation and brand name locally, which GP Investments expects to expand to other regions of the country.

People Domus is one of the leading providers of temporary employees and outsourced solutions related to sales promotion and merchandising in Brazil. It also focuses on providing employment opportunities in the retail industry, market and sales research, and recruiting.

Traditionally, the Brazilian human resources industry has been a highly fragmented market in which HR outsourcing companies have had only regional footprints. Meanwhile, the industry has experienced double-digit growth rates over the past few years. GP Investments expects that the continuing outsourcing trend should keep the growth rates of the Brazilian HR industry at high levels. GP Investments expects to participate in this growth and to create one company with a nationwide footprint for human resources services.

R$ MILLION	2007
NET REVENUES	161.2
EBITDA	19.3
MARGIN	12%
NET INCOME	13.2
NET DEBT	0.1



LAHOTELS:

LAHOTELS ACQUIRES AND MANAGES HOTELS IN BRAZIL AND OTHER LATIN AMERICAN COUNTRIES, FOCUSING ON INVESTMENT IN THREE-TO FOUR-STAR HOTELS IN URBAN AREAS.

HOTELS	
CONTINENTAL	275 rooms
REGENTE	236 rooms
COPACABANA	112 rooms
TOTAL	623 rooms

CURRENT EQUITY VALUE: $150.0 MM[1,2]

OWNERSHIP: 100.0%[3]

INITIAL INVESTMENT: $150.0 MM
(GPCPIV: $135.0 MM;
CO-INVESTORS: $15.0 MM)

DATE OF INVESTMENT: DECEMBER 2007

(1) Valued at cost
(2) Total capital to be deployed
(3) Including co-investors

In late December 2007, GP Investments entered the prosperous Latin American hotel sector by commiting to invest US$135 million in LAHotels through its fund GPCPIV.

In an agreement with Hoteis Luxor, LAHotels in January 2008 acquired a 100 percent stake in two hotels, Luxor Regente and Luxor Continental, and a 25 percent stake in the Luxor Copacabana. All three hotels are located in Rio de Janeiro and will be managed by LAHotels.

GP Investments views LAHotels as an opportunity to enter the Brazilian and Latin American hotel market and expects to benefit from the Latin American business travel and tourism sectors, which show strong demand. In addition to the favorable macroeconomic environment, the properties' potential for operational efficiency gains is a key driver for a long-term high return on the investment.

BRZ INVESTIMENTOS:

PREVIOUSLY A BUSINESS UNIT OF GP INVESTMENTS, GP ASSET MANAGEMENT WAS SPUN OFF IN DECEMBER 2005 AND THEN RE-BRANDED AS BRZ INVESTIMENTOS IN 2007.

CURRENT EQUITY VALUE: $22.7 MM [1]

OWNERSHIP: 60.0%
(DIRECT STAKE BY GP INVESTMENTS)

INITIAL INVESTMENT: $22.7 MM
(GP INVESTMENTS: $13.6 MM,
BRZ MANAGERS: $8.1 MM)

(1) Valued at cost

GP Investments' asset management business provides investment management and advisory services to institutional clients, financial intermediaries, private clients, and investment vehicles. With BRZ Investimentos, GP Investments aims to produce superior risk-adjusted investment returns and provide diverse investment solutions for its clients.

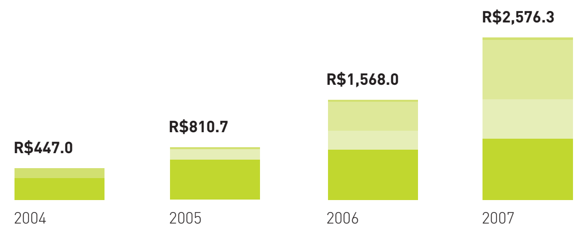
Upon re-branding, BRZ Investimentos hired a new CEO and new portfolio managers to implement an ambitious expansion strategy centering around the four segments of the company: Multi-strategy, Equity, Long-Term and Structured Credit Funds. The company currently has a team of 18 dedicated investment professionals, including four portfolio managers who run 16 different funds.

Asset management is a relatively new industry in Brazil, and recent economic developments have generated higher demand. Lower interest rates have created a need for asset management services in Brazil, as people are looking for new ways to diversify their investments. GP Investments believes that BRZ Investimentos can respond to and benefit from this new trend in the market.

R$ MILLION	2007	2006
TOTAL REVENUES	19.7	12.6
NET INCOME	1.0	3.1
AUM	2,576.3	1,568.0

ASSETS UNDER MANAGEMENT (R$ MM)

	2004	2005	2006	2007
Structured Credit	0	16.3	6.4	15.5
Hedge Funds (Multi-strategy)	0	0	477.0	961.6
Equity Funds – Long Term	139.0	170.8	293.0	632.7
Equity Funds – Short Term	308.0	623.6	791.6	966.5



FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR REPORT:

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Shareholders
GP Investments, Ltd.

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, of cash flows and of changes in shareholders' equity present fairly, in all material respects, the financial position of GP Investments, Ltd. and its subsidiaries as of December 31, 2007, 2006 and 2005, and the results of their operations and their cash flows for each of the three years then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2(b) to the consolidated financial statements, in the year ended December 31, 2006, GP Investments III (Cayman), Ltd., a subsidiary of the Company, changed the manner in which it accounts for its investments in GP Capital Partners III, LP.

São Paulo, January 30, 2008

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5

Eduardo Rogatto Luque
Contador CRC 1SP166259/O-4

CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31

In thousands of U.S. dollars, except per share value

	2007	2006	2005
ASSETS			
Current assets			
Cash and cash equivalents	199,590	312,665	30,403
Financial investments—trading securities	83,602	13,765	27,171
Receivable related to derivative instruments	1,617	–	–
Management and performance fees	1,345	1,519	–
Deferred costs	1,287	–	–
Other assets	3,908	1,366	450
	291,349	329,315	58,024
Non-current assets			
Investments	1,165,562	173,884	17,193
Other invested assets	8,181	–	–
Deferred costs	3,153	–	–
Other receivables	7,806	–	–
Investment in properties	–	–	6,025
Furniture and equipment	2,983	579	562
Other assets	283	937	6
TOTAL ASSETS	1,479,317	504,715	81,810
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	1,778	1,986	328
Taxes payable	4,411	455	302
Payroll accruals and related charges	10,361	2,836	7,285
Loans and financings	–	–	6,454
Accrued interest on perpetual notes	3,536	–	–
Asset-backed securities	–	–	1,588
Deferred management fee income	–	–	1,062
Dividends declared and payable	–	808	8,009
Payable to a related party for acquisition of investment	–	11,500	–
Other	2,643	154	–
	22,729	17,739	25,028
Non-current liabilities			
Loans and financings	9,556	7,184	–
Perpetual notes	190,800	–	–
Asset-backed securities	–	–	22,244
	200,356	7,184	22,244
Minority interest	685,619	107,427	767
Shareholders' equity			
Share capital (2007—22,180,208 Class A shares with par value of US$0.01 and 7,534,900 Class B shares with par value of US$0.005) (2006—22,129,246 Class A shares with par value of US$0.01 and 7,534,900 Class B shares with par value of US$0.005) (2005 (*)—7,534,900 Single Class shares with par value of US$0.005)	260	260	38
Share premium	328,894	315,194	6,248
Retained earnings	237,311	58,503	29,015
Receivables from shareholders	(1,030)	(1,857)	(1,758)
Accumulated other comprehensive income	5,178	265	228
	570,613	372,365	33,771
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,479,317	504,715	81,810

(*) Adjusted retrospectively to conform to the split of Class B shares on March 31, 2006.
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31

In thousands of U.S. dollars, except number of shares and per share information

	2007	2006	2005
REVENUES			
Appreciation in fair value of investments	279,827	17,424	–
Realized gains	59,186	4,385	12,908
Management and performance fees	26,210	15,519	1,565
Dividends	4,025	–	–
Equity in results of affiliated company	60	146	10,314
Advisory fees and other services	–	487	1,453
Appreciation in fair value of financial investments—trading securities	–	6,314	13,808
Total revenues	369,308	44,275	40,048
EXPENSES			
General and administrative	(38,084)	(18,999)	(2,720)
Bonuses	(9,187)	(5,175)	(5,440)
Other, net	208	(181)	–
Total expenses	(47,063)	(24,355)	(8,160)
Financial income	55,931	23,732	858
Financial expenses	(19,014)	(456)	(105)
Foreign exchange loss, net	(281)	(1,321)	(2,280)
Financial income (expense), net	36,636	21,955	(1,527)
Gain on sale of real estate	–	2,546	–
Minority interest	(169,763)	(16,778)	–
Income from continuing operations before taxation	189,118	27,643	30,361
Income tax and social contribution	(3,805)	(1,168)	–
Net income from continuing operations	185,313	26,475	30,361
Net income (loss) from discontinued operations (Notes 2(u) and (v))	–	(457)	5,723
NET INCOME	185,313	26,018	36,084
Weighted average number of shares—basic	29,680,482	20,625,523	7,494,076(*)
BASIC EARNINGS (LOSS) PER SHARE—BASIC			
Continuing operations	6.24	1.28	4.05(*)
Discontinued operations	–	(0.02)	0.76(*)
TOTAL NET INCOME	6.24	1.26	4.81(*)
Weighted average number of shares—diluted	33,229,456	20,625,523	7,494,076(*)
BASIC EARNINGS (LOSS) PER SHARE—DILUTED			
Continuing operations	5.58	1.28	4.05(*)
Discontinued operations	–	(0.02)	0.76(*)
TOTAL NET INCOME	5.58	1.26	4.81(*)

(*) Adjusted retrospectively to conform to the split of Class B shares on March 31, 2006.
The accompanying notes are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

In thousands of U.S. dollars

	Share capital	Treasury shares	Share premium	Retained earnings	Receivables from shareholders	Accumulated other comprehensive income	Total
AT DECEMBER 31, 2004	50	(1,030)	15,178	6,101	(1,493)	103	18,909
Distribution of cash dividends	–	–	–	(1,755)	–	–	(1,755)
Changes in receivables from shareholders	–	–	–	–	(265)	–	(265)
Dividends distributed	–	–	(10,154)	(11,415)	–	–	(21,569)
Contributions of net assets from GP Holdings in GP	–	–	1,593	–	–	–	1,593
Acquisition of shares for treasury offsetting loans receivables	–	(3,297)	–	–	–	–	(3,297)
Sale of treasury shares offsetting loans receivables	–	1,036	–	–	–	–	1,036
Contributions of BRZ and GPRE net assets	–	–	2,910	–	–	–	2,910
Cancellation of treasury shares	(12)	3,291	(3,279)	–	–	–	
Net income for the year	–	–	–	36,084	–	–	36,084
Cumulative translation adjustment	–	–	–	–	–	125	125
Comprehensive income	–	–	–	–	–	–	36,209
AT DECEMBER 31, 2005	38	–	6,248	29,015	(1,758)	228	33,771
Reversal of distribution of cash dividends	–	–	–	3,470	–	–	3,470
Capital subscription—IPO	222	–	327,572	–	–	–	327,794
IPO expenses	–	–	(20,563)	–	–	–	(20,563)
Changes in receivables from shareholders	–	–	–	–	(99)	–	(99)
Share-based compensation recognized during the year	–	–	1,937	–	–	–	1,937
Net income for the year	–	–	–	26,018	–	–	26,018
Cumulative translation adjustment	–	–	–	–	–	(374)	(374)
Unrealized gain on financial investments (available-for-sale securities)	–	–	–	–	–	411	411
Comprehensive income	–	–	–	–	–	–	26,055
AT DECEMBER 31, 2006	260	–	315,194	58,503	(1,857)	265	372,365
Changes in receivables from shareholders	–	–	–	–	827	–	827
Dividends paid related to 2006	–	–	–	(6,505)	–	–	(6,505)
Contributions	–	–	750	–	–	–	750
Gain on dilution of participation	–	–	262	–	–	–	262
Share-based compensation recognized during the year	–	–	11,936	–	–	–	11,936
Shares issued—share-based compensation	–	–	752	–	–	–	752
Net income for the year	–	–	–	185,313	–	–	185,313
Cumulative translation adjustment	–	–	–	–	–	3,767	3,767
Unrealized gain on financial investments (available-for-sale securities)	–	–	–	–	–	1,146	1,146
Comprehensive income							190,226
AT DECEMBER 31, 2007	260	–	328,894	237,311	(1,030)	5,178	570,613

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

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31

In thousands of dollars and shares

	2007	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES			
Continuing operations			
Net income from continuing operations	185,313	26,475	30,361
Reconciliation of net income to cash from operating activities			
Appreciation in fair value of investments	(279,827)	(17,424)	–
Minority interest	169,763	16,778	–
Appreciation in fair value of financial investments—trading securities	–	(6,314)	(13,808)
Gain on sale of real estate	–	(2,546)	–
Realized gains	(59,186)	(4,385)	–
Stock-based compensation	11,936	1,937	–
Interests on perpetual notes	3,536	–	–
Interests on loans and financings	1,022	138	–
Premiums on issuance of perpetual notes	850	–	–
Amortization of deferred debt issuance costs	753	–	–
Interests on other invested assets	(199)	–	–
Depreciation	262	121	–
Equity in results of affiliated company	(60)	(146)	(10,314)
Loss on sale of investments	–	319	–
Amortization of premiums on issuance of perpetual notes	(50)	–	–
Changes in assets/liabilities			
Financial investments—trading securities	(50,862)	3,491	(9,610)
Management and performance fees	374	(1,297)	–
Payroll accruals and related charges	7,009	(3,614)	6,500
Accounts payable and taxes payable	3,369	1,302	736
Deferred management fee income	–	(1,062)	3,871
Other	(1,215)	(3,063)	–
Net operating cash provided by (used in) continuing operations	(7,212)	10,710	7,736
Discontinued operations			
Net income (loss) from discontinued operations	–	(457)	5,723
Reconciliation of net income (loss) to cash from operating activities			
Depreciation	–	171	–
Changes in assets/liabilities			
Financial investments—trading securities	–	15,894	–
Accrued performance bonuses	–	–	(308)
Accounts payable, accruals and others	–	(261)	(3)
Receivable from related parties	–	(22)	(3,199)
Net operating cash provided by discontinued operations	–	15,325	2,213
Net cash provided by (used in) operating activities	(7,212)	26,035	9,949
CASH FLOWS FROM INVESTING ACTIVITIES			
Continuing operations			
Acquisition of investments	(765,613)	(106,422)	(693)
Proceeds from sale of investment by limited partnerships	60,477	6,959	–
Proceeds from sale of investments by GPPE	48,990	–	–
Reimbursement of the contributions of the Company in GPCP4	18,095	–	–
Disbursement to related party for acquisition of an investment	(11,500)	–	–
Acquisition of other invested assets	(7,869)	–	–
Other receivables	(7,527)	–	–
Acquisition of furniture and equipment	(1,642)	(73)	–
Proceeds from sale of financial investments	1,246	7,283	2,240
Proceeds on placement of debentures	–	265	–

	2007	2006	2005
Capital contribution in investees	–	–	(130)
Redemption of capital in investment at cost	–	417	–
Cash from acquisition of an investment	–	1,061	–
Dividends received	–	5,971	422
Net cash provided by (used in) continuing investing activities	(665,343)	(84,539)	1,839
Discontinued operations			
Investments in properties	–	(14,914)	–
Investments in other companies	–	(346)	–
Initial balance of cash and cash equivalents	–	(261)	–
Net cash used in discontinued investing activities	–	(15,521)	–
Net cash provided by (used in) investing activities	(665,343)	(100,060)	1,839
CASH FLOWS FROM FINANCING ACTIVITIES			
Continuing operations			
Capital contribution in GPCP3 and GPCP4 by limited partners and minorities	427,058	50,245	–
Proceeds from issuance of perpetual notes	190,000	–	–
Debt issuance costs—perpetual notes	(3,934)	–	–
Distribution to Limited Partners	(55,134)	–	–
Capital contribution from minority holders	8,836	–	–
Proceeds from loans and financings raised and given	–	11,440	5,965
Payment of cash dividends	(6,505)	(3,755)	(1,755)
Payment of cash dividends—BRZ Investimentos	(1,037)	–	–
Stock options exercised	752	–	–
Repayments of loans and financings	(217)	(10,062)	(361)
Capital subscription, net of expenses	–	307,231	–
Acquisition of treasury shares	–	–	(680)
Payment of loans with related party, net	–	–	(3,057)
Cash acquired as a result of the corporate reorganization	–	–	16,861
Other	21	1,329	–
Net cash provided by continuing operations from financing activities	559,840	356,428	16,973
Discontinued operations			
Payments of loans to related party, net	–	–	(700)
Proceeds from loans and financing raised	–	867	–
Net cash provided by (used in) discontinued operations from financing activities	–	867	(700)
Net cash provided by financing activities	559,840	357,295	16,273
Effects of exchange rate changes on cash and cash equivalents	(360)	(1,008)	(47)
Net increase (decrease) in cash and cash equivalents	(113,075)	282,262	28,014
Cash and cash equivalents at beginning of the year	312,665	30,403	2,389
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	199,590	312,665	30,403
Supplemental information			
Interest paid	11,450	167	127
Income taxes paid	1,926	1,119	–
Non-cash transactions			
Payable to a related party for acquisition of investment	–	11,500	–
Dividends distributed in kind	–	–	(12,847)
Acquisition of shares for treasury offsetting loans receivable	–	–	(3,297)
Sale of treasury shares offsetting loans receivables	–	–	1,036
Contribution of BRZ and GPRE net assets	–	–	2,910
Net assets contributed from GP Holdings to increase participation in GP	–	–	1,593

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

1 Business

(a) Operations and structure

The operations of GP Investments, Ltd. ("Company" or "GP") comprise its private equity business, including the management of Limited Partnerships, and its asset management activities, which are conducted directly or indirectly through its subsidiaries GP Investments III (Cayman), Ltd. ("GP3"), GP Investments IV (Cayman), Ltd. ("GP4"), GP Holdings, Inc., ("GP Holdings"), GP Investimentos S.A. ("GP Inv"), BRZ Asset Management Inc. ("BRZ Asset") (previously denominated GP Asset Management, Inc. ("GPAM")), BRZ Administração de Recursos S.A. ("BRZ") (previously denominated GP Administração de Recursos S.A. ("GP Asset")), BRZ Investimentos S.A. ("BRZ Investimentos") (previously denominated GP Participações S.A. ("GP Part")), GP Private Equity Ltd. ("GPPE"), GP Cash Management, Ltd. ("GPCM") and GP Capitales Privados de Mexico S de R L de C V. ("GP Mexico").

On January 7, 2005, the Company repurchased for treasury 1,047,900 Class A shares for US$3,297 from a shareholder who withdrew from the Company. This repurchase was made in conformity with the provisions of a certain share purchase agreement entered into between and among the Company, the shareholder and other parties, named therein.

On December 30, 2005, the Company entered into a corporate reorganization and as part of the various transactions contemplated therein, the Board of Directors consented to and adopted the following resolutions: (i) the declaration of a dividend in kind of all the shares of GP Investments I, Ltd. ("GP1") and GP Investments II, Ltd. ("GP2") held by the Company, in the total amount of US$12,847, separating, in consequence, the management of GP Capital Partners, L.P. which was succeeded by New GP Capital Partners A, L.P. ("GPCP A") and New GP Capital Partners B, L.P. ("GPCP B"), International Textile Capital Partners, L.P. ("ITCP") and International Rail Capital Partners, L.P. ("IRCP") (being collectively "GPCP1") and GP Capital Partners II L.P. ("GPCP2") from the Company; (ii) the cancellation of 1,222,550 shares held in treasury; (iii) the re-designation of the share capital of the Company as 3,767,450 shares consisting of a single class; (iv) the contribution of the entire issued capital of the Company to Partners Holdings, Inc. ("Partners Holdings"), which became the sole shareholder of the Company; and (v) the declaration of a dividend in the amount of US$8,722 to Partners Holdings.

On December 30, 2005, the Company received net assets of US$2,910 which comprised the asset management and real estate businesses of BRZ and GP Investimentos Imobiliários S.A. ("GPRE") recorded at fair value. GPRE was sold on April 20, 2006.

On March 9, 2006, the Board of Directors agreed to change the Company's domicile from British Virgin Islands ("BVI") to the Islands of Bermuda ("Bermuda"), which was effected on March 15, 2006, upon registration of the Company with the Registrar of Companies (Bermuda Islands) under the name GP Investments, Ltd.

On May 30, 2006, the Company concluded its Initial Public Offering—IPO process by issuing 20,338,983 Class A shares. The shares are listed on The Luxembourg Stock Exchange and traded on the Euro MTF market. In addition, the shares in the form of Brazilian Depositary Shares are listed and traded on the São Paulo Stock Exchange (Bovespa). On June 30, 2006, Banco de Investimento Credit Suisse (Brasil) S.A. partly exercised the option to place up to 3,050,847 shares (the "Green Shoe Option"), subscribing 1,790,263 Class A shares, in the form of BDS. The net proceeds of the offer, including the "Green Shoe Option," amounted to US$307,231.

On December 8, 2006, the Company incorporated a wholly-owned subsidiary, GPPE, with the sole purpose of concentrating the investments made by its private equity business.

On December 18, 2006, GPCM was incorporated to be the entity responsible for managing the Company and its subsidiaries' cash and cash equivalents.

On January 23, 2007, the Company issued US$150,000 Secured Perpetual Notes with no fixed final maturity, non-callable for five years and with an interest rate of 10% per year, payable quarterly. The Perpetual Notes were initially secured by a first priority pledge of the shares representing 100% of GPPE's issued and outstanding shares. In accordance with the agreements which regulate the offering of the Perpetual Notes, the pledge was released on June 21, 2007.

On October 5, 2007, the Company issued US$40,000 Perpetual Notes with no fixed final maturity, non-callable for five years and with an interest rate of 10% per year, payable quarterly.

(b) Private equity business

The Company conducts private equity primarily in the Brazilian market, through GPPE, either directly or through private equity funds that the Company manages such as GP Capital Partners III, LP ("GPCP3") and GP Capital Partners IV, LP ("GPCP4").

GP3 is the General Partner responsible for investment and divesture decisions of the GPCP3. The rights and obligations of the General Partner and the Limited Partners of GPCP3 are described in its Partnership Agreement. The investment period will end on June 7, 2010 and the activities of GPCP3 will terminate on June 7, 2015, but may be extended at the discretion of GP3's Advisory Committee.

In June 2006, GPCP3 closed with US$250,000 of committed capital. During the same period, the Company increased its committed capital contribution in GPCP3 from US$45,000 to US$117,150, which has been fulfilled as of December 31, 2007.

On July 6, 2007, the Company announced a new private equity fund, GPCP4 with US$1,025,000 of committed capital of which US$400,000 of commitment from GP and US$625,000 from the Limited Partners of GPCP4. On October 22, 2007, the Company announced the committed capital of GPCP4 had been increased to US$1,300,000, of which US$400,000 of commitment from GP and US$900,000 from the Limited Partners of GPCP4. GP4 is the General Partner responsible for investment and divesture decisions of the GPCP4. The rights and obligations of the General Partner and the Limited Partners of GPCP4 are described in its Partnership Agreement. The activities of GPCP4 will terminate on July 1, 2017, but may be extended at the discretion of GP4's Advisory Committee.

GP Inv is the local advisor of the Company, GPCP3 and GPCP4 with respect to the acquisition, management and disposition of investments, in accordance with certain advisory agreements entered into by GP Inv, GP3, GPCP3, GP4 and GPCP4.

BRZ Asset is a company regulated by Panamanian laws which serves as investment advisor and portfolio manager of a Cayman Islands based third party mutual fund.

GP Mexico is GP's private equity subsidiary based in Mexico and will be its local advisor in Mexico.

(c) Asset management business
The Company conducts asset management primarily in the Brazilian market, through its majority-owned subsidiaries and BRZ.

The current products offered by BRZ include fixed income funds, equity funds and hedge funds, all of which focus on different risk profiles and investor bases.

The Company entered into a corporate reorganization of its asset management business in 2007. As a result of the reorganization, the 64.5% capital of BRZ Investimentos, previously owned by GP Inv, was transferred to GP Holdings. The Company, as a consequence of such transfer of shares, recorded an adjustment to the share premium account in the amount of US$750. Subsequently, such participation was reduced to 60%, generating a gain on dilution of participation of US$262.

During the year 2007, the direct participation in BRZ Asset was transferred to BRZ. No gain or loss was recognized as a result of this transaction.

(d) Subsidiaries as of December 31
At December 31, 2007, 2006 and 2005, the Company was the owner of 100% of GP Holdings, a Cayman Islands entity, which, in turn, held 99.99% of the share capital of GP Inv, a Brazilian corporation.

At December 31, 2007, GP is the owner of 60% of BRZ (2006 – 64.5%; 2005 – 65%).

At December 31, 2007, the Company was the owner of 100% of GPPE (2006 –100%) and GPCM (2006 –100%).

At December 31, 2007, the Company was the owner of 100% of GP3 and GP4.

At December 31, 2007, the Company was the owner of 100% of GP Mexico, a Mexican corporation.

2 Summary of Significant Accounting Policies

(a) Basis of presentation
The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures in the financial statements. Actual results could differ from those estimates. Such estimates include but are not limited to the valuation of the investments made by GPCP3 and GPCP4.

(b) Consolidation
The consolidated financial statements as of December 31, 2007 include the accounts of the Company and its wholly-owned subsidiaries GP Holdings, GP3, GP4, GPPE, GPCM, GP Mexico and its subsidiary BRZ.

The corporate reorganization which was effected on December 30, 2005 resulted in the consolidation of the assets and liabilities of GP Inv, BRZ and GPRE. Because the contribution to GP occurred on December 30, 2005, the statement of income for the year ended December 31, 2005 does not include the revenues and expenses of GP Inv, BRZ and GPRE. The statement of income for the year ended December 31, 2005 includes the revenues and expenses of GP1 and GP2 classified as net income from discontinued operations. The balance sheets as of December 31, 2007, 2006 and 2005 exclude the assets and liabilities of GP1 and GP2, which were distributed to shareholders on December 30, 2005.

On April 20, 2006, GP's subsidiary GPRE, which comprised its real estate business, was sold. The balance sheets as of December 31, 2007 and 2006 exclude the assets and liabilities of GPRE. The statement of income for the year ended December 31, 2006 includes the revenues and expenses of GPRE classified as net loss from discontinued operations.

All intercompany accounts and transactions are eliminated on consolidation.

The Company applies the consolidation principles determined by AICPA Accounting Research Bulletin no. 51, "Consolidated Financial Statements" and Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") no. 94, "Consolidation of All Majority-owned Subsidiaries."

On June 29, 2005, the Emerging Issues Task Force ("EITF") reached consensus and published EITF 04-5: "Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights." The EITF states that the general partners in a limited partnership are presumed to control that limited partnership regardless of the extent of the general partners' ownership interest in the limited partnership. The assessment of whether the rights of the limited partners should overcome the presumption of control by the general partners is a matter of judgment that depends on facts and circumstances. If the limited partners have either (i) the substantive ability to dissolve (liquidate) the limited partnership or otherwise remove the general partners without cause or (ii) substantive participating rights, the general partners do not control the limited partnership.

Pursuant to the Partnership Agreements of the GPCP3 and GPCP4, the General Partners may be removed without cause with the consent of 75% of the partners, which is above the simple majority required by the EITF 04-5; therefore the Limited Partners of GPCP3 and GPCP4 do not have substantive dissolution rights. The Company has determined that the Limited Partners had no other substantive participating rights and that the General Partner controls GPCP3 and GPCP4.

The EITF 04-5 came into effect January 1, 2006 in the case of the Company. The EITF 04-5 has resulted in the consolidation of the accounts of GPCP3 by GP3 and GPCP4 by GP4, which in turn are consolidated by the Company. Accordingly, all assets and liabilities and revenues and expenses of GPCP3 and GPCP4 are reflected on the consolidated balance sheet and statement of income of the Company and the proportion of assets and liabilities not owned by the Company and the corresponding revenues and expenses are presented as minority interest in a single line item.

As of December 31, 2007, and for the year then ended, the interests of 53.14% (2006 – 53.14%) in GPCP3 and 68.44% in GPCP4 (2006 – nil) owned by the Limited Partners are classified as minority interest.

During the year ended December 31, 2007, the Limited Partners of GPCP3, excluding GP3, paid management fees to GP3 in the amount of US$2,657 (2006 – US$1,656). During the year ended December 31, 2007, the Limited Partners of GPCP4, excluding GP4, paid management fees to GP4 in the amount of US$7,844 (2006 – nil). In the consolidated statement of income for the years ended December 31, 2007 and 2006, the amounts are presented as a reduction of minority interest.

GPCP3 and GPCP4 do not consolidate investments. Investments of GPCP3 and GPCP4 are accounted for as investments and carried at fair value.

For the year ended December 31, 2005, GP3 accounted for GPCP3 using the equity method.

(c) Basis of translation of foreign subsidiaries
The U.S. dollar is the functional and the reporting currency of the Company, since the Company transacts the majority of its business in U.S. dollars.

The Brazilian entities use the real as their functional currency. The financial statements of foreign subsidiaries are remeasured in accordance with SFAS no. 52 "Foreign Currency Translation." Accordingly, all assets and liabilities of the subsidiaries which do not use the U.S. dollar as their functional currency are translated into U.S. dollars at balance sheet exchange rates and statements of income and of cash flow accounts at the average rates of exchange in effect during the periods. The related translation adjustments are recorded directly to the cumulative translation adjustment account in shareholders' equity.

(d) Recognition of asset management, performance and other fees
Management fees from the Company's private equity business are generally received semi-annually or quarterly in advance and are deferred and recognized as income over the period in which the related services are performed.

Management fees from the Company's asset management business are determined over the net asset values of the funds under management. Such management fees are recorded on an accrual basis as services are performed and received monthly.

Performance fees are recorded as revenues upon their irrevocable payment or are recorded on an accrual basis when payment is assured. Other fees, principally advisory fees are recorded on an accrual basis as services are performed.

(e) Cash and cash equivalents
Cash and cash equivalents are stated at fair value. The Company considers all highly liquid and temporary cash investments, including money market funds, having a ready market and an original maturity of 90 days or less, to be cash equivalents.

(f) Financial investments—trading securities
Securities that are bought and held principally for the purpose of resale in the near term are classified as financial investments (trading securities) and are stated at fair value.

Fair value is generally based on quoted market prices. If quoted market prices are not available, fair values are estimated based on dealer quotes, pricing models or quoted pricing models or quoted prices for instruments with similar characteristics. Realized and unrealized gains and losses are recognized in revenues when such securities are held for trading as part of GP's private equity business and in financial income when securities are held for trading as part of its treasury operations.

(g) Financial investments—available for sale
Securities are classified at the date of purchase as financial investments (available for sale) when, in management's judgment, they may be sold in response to or in anticipation of changes in market conditions, being carried at fair value with net unrealized gains and losses included in shareholders' equity. Securities are classified based on management's intention. Upon sale or maturity, the gain or loss is transferred to the revenues in the statement of income.

(h) Investments
Equity investees and other investments, where the Company owns between 20% and 50% of voting capital, are accounted for using the equity method of accounting. Under this method the Company's share of results of the investee, as reported under US GAAP, is recognized in the statement of income as "Equity in results of affiliated company" and dividends are credited when declared to "Investments" in the balance sheet.

Interests of less than 20% in companies with no readily determinable market value are recorded at cost (unless the Company has the ability to exercise significant influence over the operations of the investee, in which case the Company uses the equity method). Dividends are recognized in income when received. Significant influence over the operating and financial policies of affiliated companies is achieved by the Company taking into account the common interest of related parties participating jointly in the affiliated companies.

None of GP's investments in unconsolidated companies, analyzed on an individual or aggregated basis, are considered significant for additional disclosures in its consolidated financial statements.

The Company has no Special Purpose Financing Entities ("SPEs") or Variable Interest Entities ("VIEs") which would have required consolidation in the periods presented according to FIN 46 (R)— Consolidation of Variable Interest Entities, as an interpretation of ARB No. 51 ("FIN 46R").

Private equity investments consist of investments made by GPCP3 and GPCP4. For US GAAP purposes, the investments are recorded at their estimated fair values with unrealized and realized gains or losses resulting from changes in fair value reflected as a component of "Appreciation of fair value in investments." Fair value is the amount at which the investments could be exchanged in a current transaction with willing parties, other than in a forced or liquidation sale. Private equity investments that have readily observable market prices (such as those traded on a securities exchange) are generally based on quoted market prices, net of estimated exit costs when applicable. The fair value of the private equity investments that do not have readily observable market prices are generally based on the value that the investments could be exchanged in a current transaction with willing parties, other than in a forced or liquidation sale.

(i) Other than temporary impairment
Since November 2003, the Company has followed the policies issued by EITF 03-01, "The Meaning of Other Than Temporary Impairment and Its Application to Certain Investments," as it relates to disclosures for SFAS no. 115 securities. In addition to the disclosures already required by SFAS no. 115, EITF 03-01 requires complementary quantitative and qualitative disclosures of marketable equity and debt securities for fiscal years ending after December 15, 2003.

Management concluded that no impairments were needed for the periods presented.

(j) Furniture and equipment
Furniture and equipment are stated at cost and are depreciated using the straight-line method over their estimated useful lives.

(k) Current and non-current liabilities
These are stated at known or estimated amounts including accrued charges, when applicable.

The liability for future compensation for employee vacations is fully accrued as earned. General and administrative expenses include compensation expense paid to certain of the Company's executives who render services to the Company and who are also ultimate shareholders of the Company. Such amounts are paid to the individuals in their capacity as executives rather than as shareholders of the Company.

The calculation of the provision for variable compensation is based on metrics determined by the Nomination and Compensation Committee of the Company.

(l) Comprehensive income
Comprehensive income is presented in the Statement of Changes in Shareholders' Equity and consists of net income, unrealized gains and losses from available for sale investments and translation adjustments of foreign subsidiaries.

(m) Earnings per share
The Company computes the basic earnings per share by dividing the net income by the weighted-average number of shares outstanding during the period. The Company computes the diluted earning per share by dividing the net income by the weighted-average number of shares outstanding inclusive of the impacts of the options granted under SFAS no. 123R revised 2004, "Shared-Based Payment." The 2005 earnings per share were adjusted retrospectively to conform to the split of Class B shares on March 31, 2006.

(n) Income taxes
BVI and Bermuda currently levy no income, corporation or capital gains taxes. Accordingly, no provision for income taxes is included in the consolidated financial statements with respect to the Company, GPPE and GPCM.

GP1, GP2, GP3 and GP4 and GP Holdings are entities registered in the Cayman Islands and are tax-exempt. BRZ Asset, a Panamanian registered company, does not have any income from Panamanian sources and therefore, no provision for current income taxes is required.

GP Inv, BRZ and GPRE, as Brazilian entities, are subject to Brazilian income tax. Brazilian income taxes consist of federal income and social contribution taxes.

GP Mexico, as a Mexican entity, is subject to Mexican income tax.

For the purposes of these consolidated financial statements, the Company has applied SFAS no. 109 "Accounting for Income Taxes," for all periods presented. Brazilian deferred tax assets arising from net operating losses have no expiration dates, though offset is restricted to 30% of annual income before tax.

In the event deferred tax assets are not considered more-likely-than-not to be recovered, a valuation allowance is recorded.

(o) Fair value of financial instruments
Management estimates in good faith the fair value of financial instruments.

The carrying value of the Company's financial instruments, at each balance sheet date, approximates fair value, reflecting the short-term maturity or frequent repricing of these instruments.

Fair value estimates are made at a specific date, based on relevant market information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

(p) Segment reporting
The Company has adopted SFAS no. 131, "Disclosure about Segments of an Enterprise and Related Information." The Company operates principally in two segments, its private equity business, including the management of Limited Partnerships and its asset management business.

(q) Treasury shares
GP acquires its own shares to be held in treasury and records them using the cost method, as a deduction from shareholders' equity. Treasury shares are cancelled against share capital or the share premium account.

(r) Stock options
The Company has adopted SFAS no. 123R revised 2004, "Shared-Based Payment." SFAS no. 123R requires all share-based payments to employees, including grants of employee stock option, to be recognized in the financial statements based on their fair value.

(s) Presentation of interest earning assets and interest bearing liabilities
Interest earning assets and interest bearing liabilities are presented in the consolidated balance sheet at the principal amount outstanding plus accrued interest and contractual monetary indexation and foreign exchange variations.

(t) Debt issuance costs
Debt issuance costs represent costs incurred for the issuance of debts and are recorded at cost less accumulated amortization. Amortization is calculated using the straight-line method over the debts' minimum estimated lives (five years for the perpetual notes).

(u) Discontinued operations—GP1 and GP2
On December 30, 2005, the Company distributed to its shareholders, in the form of a dividend, its holdings in GP1 and GP2 at their agreed fair values. No gain or loss was recognized as a result of this transaction.

As GP1 and GP2 were components of the Company, which comprised operations and cash flows that could be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company, the Company has separately presented the revenues and expenses and cash flows of these subsidiaries as discontinued operations. Costs and expenses that are expected to continue subsequent to the disposal date are not allocated to discontinued operations but included in results of continuing operations.

The following table summarizes financial information for results of discontinued operations related to GP1 and GP2:

	2005
Revenues	
Management and performance fees	8,603
Expenses	
General and administrative	(1,058)
Bonuses	(2,115)
	(3,173)
Financial incomwe, net	293
Net income from	
discontinued operations	5,723

The following table summarizes financial information for discontinued cash flows related to GP1 and GP2:

	2005
Cash flows provided by	
operating activities	2,213
Cash flows used in financing activities	(700)
Cash flows provided by	
discontinued operations	1,513

(v) Discontinued operations—GPRE
On April 20, 2006, GP's subsidiary GPRE, which comprised its real estate business, was sold to its former joint venture partners generating a gain of US$2,546.

As GPRE was a component of the Company, which comprised operations and cash flows that could be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company, the Company has separately presented the revenues and expenses and cash flows of GPRE as discontinued operations. Costs and expenses that are expected to continue subsequent to the disposal date are not allocated to discontinued operations but included in results of continuing operations.

The following summarizes financial information for results of discontinued operations related to GPRE:

	2006
Revenues	
Management and performance fees	125
Advisory fees and others services	61
	186
Expenses	
General and administrative	(620)
Bonuses	(182)
	(802)
Financial income, trading securities	159
Loss from discontinued operations	(457)

The following is a summary of the assets and liabilities of GPRE as of December 31, 2005:

	Amount
Cash and cash equivalents	15,928
Investment properties	6,025
Asset-backed securities	23,832

The following table summarizes financial information for discontinued cash flows related to GPRE:

	2006
Cash flows provided by operating activities	15,325
Cash flows used in investing activities	(15,521)
Cash flows provided by financing activities	867
Cash flows provided by discontinued operations	671

In August 2005, Calaari, a subsidiary of GPRE, signed an asset-backed securitization agreement through which its anticipated cash flows from the property rental generating proceeds of US$24,331. Annual interest accrues at a fixed rate of 9.0% and the loan falls due in equal annual installments of US$1,589 between July 2006 and July 2021. As of December 31, 2005, Calaari owes US$23,832 to Altere Securitizadora S.A., a related party real estate securitization company, which in turn had issued CRI asset-backed securities in the market which are secured by the market value of the property. The timing of the rental receipts are matched to the payments to the Certificados de Recebíveis Imobiliários—CRI holders, who will receive the first installment on July 12, 2006. These asset-backed securities were also transferred to its former joint venture partners together with the investment properties.

(w) Recently issued accounting pronouncements
The FASB recently issued a number of Statements of Financial Accounting Standards ("SFAS") and interpretations; neither of the standards or interpretations described below had or are expected to have a material impact on the financial position and results of operations of the Company.

In September 2006, the FASB issued SFAS no. 157, "Fair Value Measurements." SFAS no. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS no. 157 applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. SFAS no. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of this statement on its consolidated financial statements.

In February 2007, the FASB released SFAS no. 159, The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of SFAS no. 115. The new Statement allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value in situations in which they are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. SFAS no. 159 is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted subject to specific requirements. The Company is currently assessing the impact of this statement on its consolidated financial statements.

In June 2007, the American Institute of Certified Public Accountants ("AICPA") issued Statement of Position 07-1, Clarification of the Scope of the Audit and Accounting Guide Investment Companies and Accounting by Parent Companies and Equity Method Investors for Investments in Investment Companies, ("SOP 07-1''). The new guidance clarifies which entities are within the scope of the AICPA Audit and Accounting Guide, Investment Companies (the "Guide"). Prior to the release of SOP 07-1, the definition of an investment company was unclear, which led to inconsistent application of the Guide. SOP 07-1 also addresses whether companies that own or have significant stakes in an investment company should retain the specialized financial-statement accounting that the Guide prescribes for the investment company industry. On October 17, 2007, the FASB postponed indefinitely the effective date of the SOP 07-1.

In December 2007, the FASB issued SFAS no. 141 (revised 2007), "Business Combinations, and SFAS no. 160, Noncontrolling Interests in Consolidated Financial Statements." Effective for fiscal years beginning after December 15, 2008, the standard will improve, simplify and converge with international standards for the accounting for business combinations and the reporting of noncontrolling interests in consolidated financial statements. The Company is currently assessing the impact of this standard on its consolidated financial statements.

(x) Reclassification
Certain amounts presented in the previous years have been reclassified in order to be consistent with the presentation format adopted in the current year.

3 Cash and Cash Equivalents

	Currency	Domicile	2007	2006	2005
Cash and cash equivalents	US$	Various	196,535	311,610	28,523
Cash and cash equivalents	R$	Brazil	3,055	1,055	1,880
			199,590	312,665	30,403

The Company holds practically all of its cash position in high-grade liquid U.S. dollar assets.

4 Financial Investments —Trading Securities (at Fair Value)

	Currency	Domicile	2007	2006	2005
Marketable Securities	R$	Brazil	24,271	–	13,833
Investment in Funds	R$	Brazil	23,888	5,704	3,158
Investment in Funds	US$	Various	21,252	8,061	10,180
Corporate Bonds	Various	Various	4,661	–	–
			74,072	13,765	27,171
Other investments (at fair value)	R$	Brazil	9,530	–	–
			83,602	13,765	27,171

The Company's cash management strategy is mainly focused on the preservation of capital and on providing the level of liquidity compatible with the needs of the private equity business. The investments funds denominated in Reais refer to investments held by BRZ. Some funds are managed by the Company or by its subsidiaries BRZ Asset and BRZ.

Some financial investments owned by the Company are given as guarantee of a loan (Note 9).

5 Receivables from (Payable to) Related Parties

(a) Management and performance fees receivable

As of December 31, 2007 the Company had US$1,345 (2006 – US$1,519; 2005 – nil) of management and performance fees receivable from funds under the management of the asset management activities.

(b) Amounts deducted from shareholders' equity

EITF 85-1 "Classifying Notes Received for Capital Stock" requires that when a company receives a note, rather than cash, as a contribution to its equity, the company should report the note receivable as a reduction of shareholders' equity. In accordance with this EITF, the changes in the receivables from related parties resulting from capital transactions have been presented as a reduction to shareholders' equity.

	Currency	Annual interest rate	2007	2006	2005
Shareholders of GP Investments, Ltd.	US$	LIBOR + 3% and IGP-M + 12%	1,030	1,857	1,595
Shareholders of GP Investments, Ltd.	US$	3.5% to LIBOR 6 months + 3%	–	–	163
			1,030	1,857	1,758

LIBOR—London Interbank Offered Rate.
IGP-M—Índice Geral dos Preços ao Mercado.

The receivables from related parties refer to a deferred purchase price agreement, in which shareholders of the Company owe amounts relating to their acquisition of shares in GP's subsidiary BRZ Asset. There are no specified maturity dates.

(c) Accrued performance bonuses

The accrued performance bonuses payable to employees and to related parties, classified as Payroll and related charges, as of December 31, 2007, amounted to US$7,092 (2006 – US$2,234; 2005 – US$6,501).

(d) Other receivables

As of December 31, 2007, the Company had receivables from employees and shareholders of US$7,806 (2006 – nil; 2005 – nil). The amounts fall due within 10 years and are remunerated based on the IGP-M + 9% p.a. The employees and the shareholders will have the right to invest jointly with the Company. This amount includes US$6,369 (2006 – nil; 2005 – US$nil) receivable from related parties.

6 Investments

	2007 interest – %	2007	2006	2005
Investments in Limited Partnership (2005: at equity method— GPCP3: 13.96%) (i)		–	–	10,998
Investments in Funds—financial investments (available for sale) (ii)		14,929	10,422	4,785
Investments at fair value				
BRMALLS Participações S.A. (iii)	13.4	266,535	62,500	–
Magnesita S.A. (iv)	24.8	257,100	–	–
San Antonio (v)	37.6	157,924	–	–
Farmasa (vi)	48.8	133,314	–	–
Tempo Participações S.A. (vii)	20.8	127,985	11,500	–
BR Properties S.A. (viii)	26.9	113,260	–	–
HR Services Company (ix)	75.3	55,735	–	–
Fogo de Chão Churrascarias (Holdings), LLC (x)	20.0	38,290	32,004	–
Equatorial Energia S.A. (xi)	–	–	57,152	–
		1,150,143	163,156	
Investments		490	306	1,410
		1,165,562	173,884	17,193

(i) EITF 04-5 came into effect on January 1, 2006 and resulted in the consolidation of the accounts of GPCP3 by GP3, which is in turn consolidated by the Company.

(ii) Investments in Funds available-for-sale represent primarily closed funds invested in various assets.

(iii) On December 20, 2006, the Company concluded a transaction whereby GPCP3 through an investment vehicle, together with a co-investor acquired 55% of the total capital of BRMALLS Participações S.A. ("BRMALLS"), a Brazilian corporation which owns and operates shopping malls, for US$171,000. The shares of BRMALLS owned by the investment vehicle and future dividends, interest on capital, profits and premiums to be paid by BRMALLS to the investment vehicle are used as collateral of a loan agreement signed by the investment vehicle. On April 4, 2007, BRMALLS completed its Initial Public Offering—IPO. As of December 31, 2007, the investment in BRMALLS is presented at fair value taking into consideration public market indicators.

(iv) On August 12, 2007, the Company jointly with co-investors acquired 70.7% of the voting capital and 38.6% of the total capital of Magnesita S.A. ("Magnesita"), a Brazilian corporation which is engaged in the production of refractories, for the equivalent of US$639,000 (R$1.24 billion) at the payment date. Of the total investment, 55% was contributed in equity capital to RPAR Holding S.A. ("RPar"), a special purpose vehicle. The remaining 45% was financed by RPar through debt. As of December 31, 2007, the investment in Magnesita is presented at fair value using available information.

(v) On August 31, 2007, the Company with co-investors acquired 100% of the Latin American Land Drilling and E&P Services businesses ("San Antonio"), companies incorporated in various Latin American jurisdictions engaged in onshore oil and gas services, from Pride International Inc. for an amount of US$1,000,000 in cash. The Company, directly and indirectly, through GPCP4 and other co-investors, provided US$400,000 in equity for the transaction. The balance of the investment was financed through the issuance of a long-term debt by an investment vehicle used to purchase the investment. On November 2, 2007, a portion of participation in San Antonio owned by the Company was transferred to co-investors. No gains or losses resulted from this transaction. As of December 31, 2007, the investment in San Antonio is presented at fair value using available information.

(vi) On November 14, 2007, the Company through GPCP4 signed an agreement to acquire for US$133,314 (R$241.6 million at the payment dates) a 50% stake in Laboratório Americano de Farmacoterapia S.A. ("Farmasa"), a Brazilian pharmaceutical corporation. As of December 31, 2007, the investment in Farmasa is presented at fair value using available information.

(vii) The Company, through an investment vehicle of GPCP3, entered into agreements with the shareholders of Integrated Health Holdings Incorporated ("IHH") and USS Soluções Gerenciadas Ltda. ("USS") to acquire an interest in Tempo Participações S.A. ("Tempo") which owns IHH and USS. In December 2006, GPCP3 purchased from GPCP2 356,229 shares of IHH and in January 2007, GPCP3 completed a second acquisition of an additional interest of 23.2% in Tempo (for a consideration of US$28,052). GPCP2 is a limited partnership whose general partner is GP2, which is a related party of the Company. As a result of this transaction, the Company owed US$11,500 payable to GPCP2 as of December 31, 2006 which was paid in January 2007. On December 18, 2007 Tempo, a Brazilian corporation which provides healthcare administration services, dental and assistance services, completed its Initial Public Offering—IPO. As of December 31, 2007, the investment in Tempo is presented at fair value taking into consideration public market indicators.

(viii) On January 2, 2007, the Company, through GPCP3, entered into agreements with co-investors to create BR Properties S.A. ("BR Properties") for the purpose of investing in commercial real estate assets in Brazil. As of December 31, 2007, the investment in BR Properties includes the additional investments made by the Company (directly and indirectly) and is presented at fair value using available information.

(ix) On November 16, 2007, the Company through GPCP4 entered into an agreement to acquire 75.3% of Sagi Participações S.A. ("HR Services Company"), a Brazilian corporation which owns Soma Gestão de Serviços e Desenvolvimento de Recursos Humanos S.A., Soma Staffing Trabalho Temporário S.A. and Top Service Serviços e Sistemas Ltda. and People Domus Assessoria em Recursos Humanos Ltda., to provide human resources services including temporary staffing, outsourcing, permanent recruitment and training, in exchange of a capital contribution of US$55,735 (R$98.1 million at the payment date) in HR Services Company. As of December 31, 2007, the investment in HR Services Company is presented at fair value using available information.

(x) On August 23, 2006, the Company signed an agreement through which the Company jointly with co-investors acquired 40% of Fogo de Chão Churrascarias (Holdings), LLC ("Fogo de Chão"), a US corporation which operates restaurants in various countries, for US$64,000. GPCP3 provided 50% of the investment and co-investors the remainder. As of December 31, 2007, the investment in Fogo de Chão is presented at fair value using available information.

(xi) On November 5, 2007, GPCP3 entered into an agreement to sell its investment in Equatorial Energia S.A. ("Equatorial"), a Brazilian electric energy generator. The transaction was approved by the Brazilian Electricity Regulatory Agency ("ANEEL") on December 18, 2007 and closed on December 24, 2007. For the year ended December 31, 2007, a realized gain amounting to US$59,186 was recorded by GPCP3 as a result of the sale of its participation in Equatorial.

On December 19, 2007, the Company through GPCP4 entered into an agreement with LA Hotels S.A. ("LAHotels"), a Brazilian corporation formed with the purpose of acquiring and managing hotels in Brazil and Latin American countries. The transaction is expected to close in 2008. No capital investment has been made as of December 31, 2007.

7 Other Invested Assets

In accordance with the terms of the Partnerships agreement, GPCP3, the Limited Partnership, transferred cash to an escrow account, the balance of which was US$8,181 (2006 – nil; 2005 – nil) at December 31, 2007. The amount will be released from escrow upon distribution to GP3 and recorded as performance fees when payment is assured and considered to be irrevocable.

8 Taxes

As of December 31, 2007, the Company has interest in Brazilian tax losses available for offset against future taxable income of US$11,250 for income tax and US$15,668 for social contribution (2006 – US$9,435 and US$13,853; 2005 – US$3,867 and US$8,284). Accordingly, the tax effect of net operating losses carryforward totaled US$4,223 as of December 31, 2007 (2006 – US$3,605; 2005 – US$1,712). A full valuation allowance has been provided for by the Company.

Income tax and social contribution amounts for the years ended December 31, 2007, 2006 and 2005, presented in the statements of income are reconciled as follows to their nominal rates:

	2007	2006	2005
Net income from continuing operations before income taxes	187,354	27,643	30,361
Brazilian income tax and social contribution at nominal rates—34%	(63,700)	(9,399)	(10,323)
Adjustments to obtain the effective rate			
Nontaxable income	63,124	8,894	10,323
Net effect of the presumed profits tax regime in Brazil	(1,784)	(818)	–
Other adjustments	(1,445)	155	–
Income tax expense	(3,805)	(1,168)	–

9 Loans and Financings

	Currency	Annual interest rate – %	2007	2006	2005
Third parties					
Banco Itaú BBA S.A.	R$	CDI + 0.85	9,556	7,184	–
Banco Itaú BBA S.A.	US$	6.9	–	–	5,371
Banco ABC Brasil S.A.	US$	6.9	–	–	1,003
			9,556	7,184	6,374
Related parties					
Shareholders of GP Investments, Ltd.	US$	LIBOR + 3%	–	–	80
			–	–	80
			9,556	7,184	6,454

CDI—Interbank Deposit Rate
LIBOR—London Interbank Offered Rate

As of December 31, 2007, the Company, through a subsidiary, BRZ, had a five-year loan due in 2011 to Banco Itaú BBA S.A. (principal amount of US$8,630) The loan was raised on December 15, 2006, and the Company has pledged certain investments as guarantees. The amounts recorded as of December 31, 2007 and 2006 include accrued interests.

The amounts due to Banco Itaú BBA S.A. at December 31, 2005 relate to revolving lines of credit which fell due on March 27, 2006 (principal amount of US$4,665) and June 14, 2006 (principal amount of US$700). The ABC Banking Corporation loan was raised on December 13, 2005 and was settled on June 12, 2006.

10 Perpetual Notes

	Currency	Annual interest rate – %	December 31 2007	2006	2005
Premium received			800	–	–
Perpetual notes	US$	10	190,000	–	–
			190,800	–	–

On January 23, 2007, the Company issued US$150,000 Perpetual Notes with no fixed final maturity date, non-callable for five years and with an interest rate of 10% per year, payable quarterly, beginning on April 23, 2007. On October 5, 2007, the Company issued an additional amount of US$40,000 of Perpetual Notes with the same characteristics as the January 2007 issue. The October Perpetual Notes were issued at a premium of US$850, which is being amortized over the remaining minimum estimated lives of the Perpetual Notes.

11 Commitments and Contingencies

The Company's subsidiaries are party to certain legal proceedings arising in the normal course of business, and have made provisions when they believe that they can reasonably estimate probable losses.

Certain lawsuits, claims and proceedings have been or may be instituted or asserted against GP's subsidiaries. While the amounts claimed may be substantial, the ultimate liability cannot presently be determined because of the considerable uncertainties that exist. Therefore, it is possible that revenues and expenses or liquidity in a particular period could be materially affected by certain contingencies. However, based on currently available facts, management believes that the disposition of matters that are pending or asserted will not have a materially adverse effect on the financial position of the Company.

Some of the subsidiaries of the Company are subject to the income tax and to the labor laws of the jurisdictions where the subsidiaries are domiciled and operate. These laws are complex and subject to different interpretations by the taxpayers and the relevant governmental taxing authorities. In establishing a provision for income tax expense, the subsidiaries of the Company must make judgments and interpretations about the application of these inherently complex tax laws. The subsidiaries of the Company must also make estimates about when in the future certain items will affect taxable income in the various tax jurisdictions, both domestic and foreign. Disputes over interpretations of the tax laws may be subject to review. Based on currently available facts, management believes that sufficient provisions are recorded for uncertain tax items.

As of December 31, 2007, the Company has fulfilled its outstanding commitment to fund GPCP3 (2006 – US$70,501; 2005 – US$33,957). As of December 31, 2007, the Company has an existing US$225,771 (2006 – nil; 2005 – nil) outstanding commitment to fund GPCP4.

12 Fair Value of Financial Instruments

SFAS no. 107 "Disclosures About Fair Value of Financial Instruments" requires disclosure of the estimated fair values of financial instruments. The fair value of a financial instrument is the amount at which instrument could be exchanged in a current transaction between willing parties other than in a forced or liquidation sale. Quoted market prices, if available, are utilized as estimates of the fair value of financial instruments.

The market values of financial instruments approximated their book values and were substantially represented by financial investments, loans and financings.

(a) Cash and cash equivalents

Cash and cash equivalents approximate their fair values. Cash equivalents include: interest-earning deposits with banks and money market.

(b) Financial investments

Trading securities and financial investments—available for sale—these assets are reported in the consolidated balance sheet at fair value estimated principally based on quoted market prices, when available, or quoted market prices for similar instruments.

(c) Loans and financings

The carrying amounts of the loans and financings approximate fair value as determined by discounting estimated cash flows using interest rates approximating the current origination rates for similar loans.

13 Risks and Risk Management

The main risks related to financial instruments are: credit risk, market risk, liquidity risk and currency risk. Management of these risks is a process that involves different levels of the Company and covers several policies and strategies. Other than the investments in shares and the interests in GPCP3 and GPCP4, at December 31, 2007, there was no significant concentration of credit or market risks related to banks and financial investment funds.

(a) Credit risk

Credit risk is the risk arising from the possibility of loss resulting from the nonreceipt from counterparties or creditors of the amounts they have contracted with the Company to pay. The Company mitigates credit risks related to banks and financial investment funds by investing in short-term securities with highly rated financial institutions and funds managed by investment managers.

(b) Market risk

Market risk is linked to the possibility of loss due to rate fluctuations relating to unhedged terms, currencies and indices in the Company's portfolio. The Company acquires interests in nonpublic entities; the sale of these entities may require a lead time and the values realized may be unfavorable in relation to the valuation. The Company has only a limited number of investments and, as a consequence, the revenues may be affected by unfavorable performance.

(c) Liquidity risk

Liquidity risk management is designed to control risk relating to mismatched settlement terms of the Company's rights and obligations. Knowledge and monitoring of this risk are crucial to enable the Company to settle transactions in a timely and secure manner. Liquidity risk management involves a set of controls, principally relating to the establishment of technical limits, and the positions assumed are constantly evaluated.

(d) Currency risk

As a significant portion of the underlying assets and the basis for management fees, performance fees are denominated in reais, the Company is exposed to foreign exchange risks. Although part of its cash, cash equivalents and trading securities are denominated in U.S. dollars the Company generally does not hedge against such risks.

14 Shareholders' Equity

(a) Capital

On March 31, 2006, the authorized capital was increased by US$271 to US$321 represented by 28,345,576 Class A shares with a nominal value of US$0.01 each. Concurrently, the 7,534,900 Single Class shares (number of shares retrospectively adjusted to reflect the split of Class B shares on March 31, 2006) with a nominal value of US$0.01, which had been in issue through March 30, 2005 were designated Class B shares with a nominal value of US$0.005 each. A stock split of the Class B shares was completed on March 31, 2006 based on a ratio of one existing share for two new shares increasing the number of shares from 3,767,450 Class B shares to 7,534,900 Class B shares.

On May 26, 2006 the authorized capital was increased by US$116 to US$437 with the issuance of 11,673,743 new Class A shares with a nominal value of US$0.01 each.

At December 31, 2007, the authorized capital comprises 40,019,319 Class A shares and 7,534,900 Class B shares. At December 31, 2006, authorized capital comprises 40,019,319 Class A shares and 7,534,900 Class B shares. At December 31, 2005 authorized capital comprised 7,534,900 shares of a Single Class (number of shares retrospectively adjusted to reflect the split of Class B shares on March 31, 2006). All Class A shares have a par value of US$0.01 each and all Class B shares have a par value of US$0.005 each.

Class A shareholders have limited participative and voting rights as defined in the By-laws and Class B shareholders will have one vote on all matters brought before the shareholder meetings. Class A shareholders and Class B shareholders are entitled receive a 25% dividend on the annual net income of the Company when approved by the Board of Directors of the Company.

The changes in the number of shares for the years presented are summarized as follows:

	2007	2006	2005 (*)
Class A—at the beginning of the year	22,129,246	–	6,786,400
Issuance of shares	50,962	22,129,246	–
Cancellation of shares	–	–	(2,095,800)
Conversion to Single Class	–	–	(4,690,600)
Class A—at the end of the year	22,180,208	22,129,246	–
Class B—at the beginning of the year	7,534,900	–	3,193,600
Conversion Single Class to Class B	–	7,534,900	–
Cancellation of shares	–	–	(349,300)
Conversion to Single Class	–	–	(2,844,300)
Class B—at the end of the year	7,534,900	7,534,900	–
Single Class—at the beginning of the year	–	7,534,900	–
Issuance of shares	–	–	7,534,900
Conversion Single Class to Class B	–	(7,534,900)	–
Single Class—at the end of the year	–	–	7,534,900
Total—at the end of the year	29,715,108	29,664,146	7,534,900

(*) Adjusted retrospectively to conform to the split of Class B shares on March 31, 2006.

(b) Dividends

As of December 31, 2007 there were no dividends declared and payable. The dividends declared and payable as of December 31, 2006 amounting to US$808 refers to the dividends declared by GP Participações S.A. which are due to the minority shareholders.

The dividends declared and payable as of December 31, 2005 amounted to US$8,009 including US$3,470 which was subsequently cancelled and reversed to retained earnings as approved by the shareholders in a meeting on May 8, 2006. The dividends paid of US$6,505 in 2007 refer to the 25% dividend on the annual net income of the Company for the year ended December 31, 2006.

Distributions of cash dividends, dividends declared and distributions in kind through asset dispositions to shareholders withdrawing from the Company for the year ended December 31, 2005 are summarized below:

	Share premium	Retained earnings	Total
Distribution of dividends	–	1,755	1,755
Dividends declared upon corporate reorganization	–	8,722	8,722
Dividends in kind			
Divestment of GP1 and GP2			
Trading securities	7,824	2,693	10,517
Loans and receivables from related parties, net	2,330	–	2,330
Dividends distributed	10,154	11,415	21,569

(c) Additional paid-in capital (share premium) reserve

Additional paid-in capital reserve arose from allocation of subscriptions to the share premium reserve. Contributions in kind made by the shareholders to the Company for the year ended December 31, 2005 are summarized below:

Net assets contributed from GP Holdings to increase participation in GP	1,593
Net assets from BRZ Asset and GPRE transactions	
Cash and cash equivalents	16,861
Trading securities	3,157
Available-for-sale investments	4,784
Investment in properties	6,025
Furniture and equipment	527
Other assets	386
Asset-backed securities	(23,832)
Other liabilities	(4,998)
Total net assets	2,910
Total contributions	4,503

(d) Treasury shares

The changes in the number of the treasury shares for the years presented for the year ended December 31, 2005 are summarized as follows:

Number of shares

Class A—at the beginning of the year	–
Acquisition of shares for treasury	2,095,800
Conversion Class A to Single Class	(2,095,800)
Class A—at the end of the year	–
Class B—at the beginning of the year	698,600
Sale of shares from treasury	(349,300)
Conversion to Single Class	(349,300)
Class B—at the end of the year	–
Total—at the end of the year	–

(*) Adjusted retrospectively to conform to the split of Class B shares on March 31, 2006.

(e) Earnings per shares

Net income (loss) per share for the years ended December 31, 2007, 2006 and 2005 have been computed in the following table based upon the weighted-average number of shares (in thousands, except shares amounts), as follows:

	2007	2006	2005
Net income from continuing operations available to shareholders	185,313	26,475	30,361
Net income (loss) from discontinuing operations available to shareholders	–	(457)	5,723
Net income	185,313	26,018	36,084
Weighted-average common shares outstanding—basic	29,680,482	20,625,523	7,494,076
Stock options	3,548,974	–	–
Weighted-average common shares outstanding—diluted	33,229,456	20,625,523	7,494,076
Net earnings per shares			
Basic—continuing operations	6.24	1.28	4.05(*)
Basic—discontinuing operations	–	(0.02)	0.76(*)
Basic—net income	6.24	1.26	4.81(*)
Net earnings per shares			
Diluted—continuing operations	5.58	1.28	4.05(*)
Diluted—discontinuing operations	–	(0.02)	0.76(*)
Diluted—net income	5.58	1.26	4.81(*)

(*) Adjusted retrospectively to conform to the split of Class B shares on March 31, 2006.

At December 31, 2007, 3,816,101 options (2006 – 6,525,000 options; 2005 – nil) are not considered in the calculation of the diluted earnings per share due to their anti-dilutive effects.

15 Stock Options

On August 18, 2006, the Board of Directors approved and adopted, with the concurrence of the Nomination and Compensation Committee, the Stock Purchase Option Plan (the "Plan") and the form of agreements to be entered into between the Company and each beneficiary. An aggregate of 7,416,037 shares of the Company's Class A shares may be granted under the Plan.

The 6,525,000 options were granted on October 16, 2006 and will expire after 10 years with a vesting period of five years based on an exercise price of US$14.75. The Plan allows for the issuance of shares through newly issued shares.

	Percentage of options vested
June 1, 2007	20
June 1, 2008	20
June 1, 2009	20
June 1, 2010	20
June 1, 2011	20

Pursuant to the Black & Scholes options pricing method, the fair value of the options granted under this plan, at the grant date, is US$8.05. For calculation purposes, the following assumptions were used: dividend yield of 1.15%; expected average annual volatility of 22.59%; free risk rate of 4.76% and expected term of 6.5 years. The interest rate is based on the U.S. Treasury Bills rate for a period similar to the expected term of the options. The expected stock price volatility assumption was determined using the volatility of the Company's Class A shares.

On December 7, 2006, the Board of Directors approved and adopted, with the concurrence of the Nomination and the Compensation Committee, an agreement with GP Investments Share Option Trust ("GP Trust"), a trust formed for the benefit of the Company's directors, officers and employees, exclusively to acquire options under the Plan. On February 26, 2007, a number of 891,037 options were granted to the GP Trust under the same terms and conditions as the options granted directly to the other beneficiaries under the Plan. The GP Trust can grant the options to acquire the Company's shares that it receives to the Company's employees based on recommendations of the Nomination and Compensation Committee or to exercise options for its own account. Options to acquire the Company's shares, acquired by the GP Trust, which may be granted by the GP Trust to the Company's employees, may have different terms and conditions when compared to the terms and conditions of the options granted on October 16, 2006.

The changes in the stock options are as follows:

	Total number of options granted	Number of options granted to employees	Number of options granted to GP Trust	Average weighted exercise price—US$
At December 31, 2006	6,525,000	6,525,000	–	14.75
Options granted during the year	891,037	–	891,037	–
Options granted by the GP Trust to employees during the year	–	550,000	(550,000)	14.75
Options forfeited during the year and transferred to the GP Trust	–	(220,000)	220,000	14.75
Options exercised during the year	(50,962)	(50,962)	–	14.75
At December 31, 2007	7,365,075	6,804,038	561,037	14.75

At December 31, 2007, 1,432,245 options (2006 – nil; 2005 – nil) with an exercise price of US$14.75 are vested but not exercised by the holders, the fair value of such options is US$21,877. For the year ended December 31, 2007, the Company received US$752 (2006 – nil; 2005 – nil), in cash from employees upon the exercise of the 50,962 stock options.

As of December 31, 2007 no options had expired.

For the year ended December 31, 2007, an expense of US$11,936 (2006 – US$1,937; 2005 – nil) related to the Plan was recorded and is presented as General and administrative expense.

As of December 31, 2007, unrecognized compensation expense related to non-vested options which is expected to be recognized over a weighted-average period of four years was US$45,804.

The intrinsic values of the options are as follows as of December 31, 2007:

Awards	Number of shares	Intrinsic value—US$
Options outstanding at December 31, 2007	7,365,075	223,604
Options exercised in 2007	50,962	1,547

16 Segment Reporting

The Company's operations are managed through two operating segments: the private equity business and the asset management business (Note 1).

The segment information is presented using the same accounting policies as those used in preparing the internal financial reports used by management. The accounting policies for management purposes are the same as those described in the summary of significant accounting policies.

The financial details for the segments as at and for the year ended December 31, 2007 are as follows:

	Private equity business	Asset management business	Total
Total assets	1,443,155	36,162	1,479,317
Total revenues	359,230	10,078	369,308
Total expenses	(40,908)	(10,218)	(51,126)
Financial income, net	36,782	2,153	38,935
Minority interest	(168,348)	(1,415)	(169,763)
Income taxes	(1,915)	(126)	(2,041)
Net income	184,841	472	185,313

The financial details for the segments as at and for the year ended December 31, 2006 are as follows:

	Private equity business	Asset management business	Real Estate business (*)	Total
Total assets	489,393	15,322	–	504,715
Total revenues	38,393	5,882	–	44,275
Total expenses	(19,282)	(5,073)	–	(24,355)
Financial income, net	21,107	848	–	21,955
Gain on sale of real estate	–	–	2,546	2,546
Minority interest	(16,527)	(251)	–	(16,778)
Loss from discontinued operations	–	–	(457)	(457)
Income taxes	(1,168)	–	–	(1,168)
Net income	22,523	1,406	2,089	26,018

(*) On April 20, 2006, the Company sold GPRE, which comprised the real estate business (Note 2(v)).

The financial details for the segments as at and for the year ended December 31, 2005 are as follows:

	Private equity business	Asset management business	Real Estate business (*)	Total
Total assets	49,892	9,965	21,953	81,810
Total revenues	38,106	1,942	–	40,048
Total expenses	(7,779)	(381)	–	(8,160)
Financial income, net	(1,508)	(19)	–	(1,527)
Gain from discontinued operations	5,723	–	–	5,723
Net income	34,542	1,542	–	36,084

(*) On April 20, 2006, the Company sold GPRE, which comprised the real estate business (Note 2(v)).

17 Derivative Instruments

The Company, as part of its cash management activities, entered into swap agreements through its subsidiary GPCM. These agreements expose the Company to variability in the market value of certain specific investments (notional amount of US$27,500) versus the variability in certain market interest rates.

These derivatives are held for purposes of trading activities and have not being designated as "hedges" by the Company and accordingly gains and losses are recorded through the statement of income. As a result, a gain of US$1,617 has been recorded in the results of the Company for the year ended December 31, 2007 (2006 – nil: 2005 – nil).

BOARD OF DIRECTORS:

ANTONIO BONCHRISTIANO
Co-Chairman

FERSEN LAMBRANHO
Co-Chairman

CARLOS MEDEIROS
Member

OCTAVIO PEREIRA LOPES
Member

ALFRED M. VINTON
Independent Director

JOSÉ ROBERTO MENDONÇA DE BARROS
Independent Director

ROBERTO THOMPSON MOTTA
Independent Director

AUDIT AND COMPLIANCE COMMITTEE:

JOSÉ ROBERTO MENDONÇA DE BARROS
Chairman

ALFRED M. VINTON
Member

ROBERTO THOMPSON MOTTA
Member

COMPENSATION COMMITTEE:

ROBERTO THOMPSON MOTTA
Chairman

ALFRED M. VINTON
Member

JOSÉ ROBERTO MENDONÇA DE BARROS
Member

COMPANY OFFICERS:

ANTONIO BONCHRISTIANO
Co-Chief Executive Officer

FERSEN LAMBRANHO
Co-Chief Executive Officer

ALLAN HADID
Chief Financial Officer

CARLOS MEDEIROS
Officer

DANILO GAMBOA
Officer

EDUARDO ALCALAY
Officer

MÁRCIO TRIGUEIRO
Officer

OCTAVIO PEREIRA LOPES
Officer

Design: Edelman Design Communications   Primary Photography: Fernando Bueno

STRONG VALUES GUIDE US:

MERITOCRACY

Radical and applied to all levels, forming the basis for our people management and compensation policy.

TRUST

We delegate full authority and responsibility so that our team members properly perform their duties.

TEAMWORK

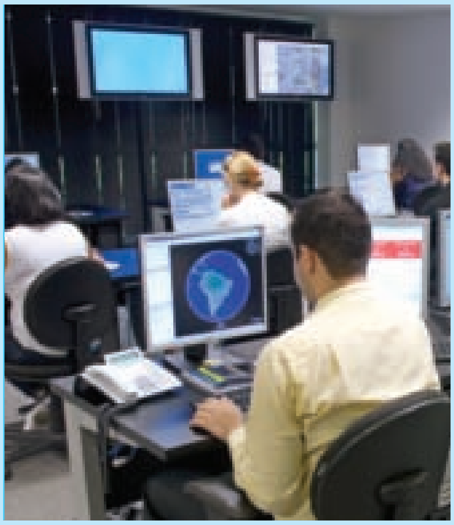
We put the highest value on teamwork grounded on optimism, open-mindedness and humility. Attitudes or behavior centered on the individual, rather than the team, are unacceptable.

QUALITY

We pursue global standards of excellence in everything we do.

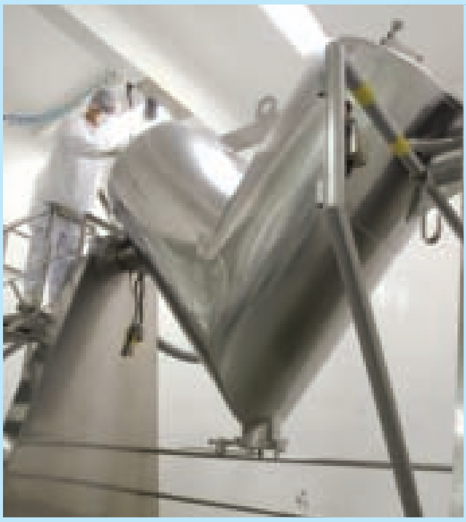
SHARING SUCCESS

We share the Company's value creation among our entire team to ensure a perfect alignment of interests.



SHARING KNOWLEDGE

We encourage the transparent dissemination of information and the standardization of processes and procedures to store and share our knowledge.



ETHICS
Our actions are governed by the highest ethical and professional standards and any deviation from these standards, no matter how small, is utterly unacceptable.

SIMPLICITY
We believe in keeping things simple. Simplicity breeds agility and agility breeds success.

TEAM EXCELLENCE
We recruit our people for their excellence and enthusiasm. We offer them challenges, encouraging them to be bold and take risks. This is the only way to perpetuate our Company.

COMMITTED TO RESULTS
We are entirely profit-driven, which is the only way to ensure continuity and long-term growth.

SPREADING THE CULTURE
We are all equally responsible for spreading our values to our portfolio companies through our attitudes and by setting an example, in order to create world-class companies and generate value in the long-term.

NOTHING IS IMPOSSIBLE
Our business is nourished by perseverance, creativity, optimism and working on the road.

GP Investments

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Brazilian Bovespa Stock Exchange
GPIV11 (Exchange Ticker)
GPIV11 BZ (Bloomberg Code)

Luxembourg Exchange
GPIX (Exchange Ticker)
GPIX LX (Bloomberg Code)