

Investment Guidelines
Exposure Limits

↓
Asset Allocation

↓
PORTFOLIO

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2000

in 1000 CHF

	Note	2000	1999
Assets			
Current assets			
– Cash and cash equivalents	1,7	60 073	67 935
– Derivative instruments		–	26
– Receivables and prepayments		6 527	38
		66 600	67 999
Long-term assets			
– Loans	2,7	4 155	3 334
– Investments			
Direct investments		32 001	5 357
Funds		129 333	22 147
Contractual agreements (Total Return Swaps)		161 514	121 011
		327 003	151 849
Total Assets		393 603	219 848
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges		3 733	1 478
Shareholders' Equity			
– Share capital	5	317 500	184 100
– Share capital premium		93 588	34 514
– Net loss		–16 688	–244
– Retained losses		–244	–
– Treasury Stock		–4 286	–
		389 870	218 370
Total Liabilities and Shareholders' Equity		393 603	219 848

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2000 AND SEPTEMBER 20 TO DECEMBER 31, 1999

in 1000 CHF

	Note	2000	1999
Income			
Interest income from current assets	7	3 243	408
Interest income, net and dividend from long-term assets		1 881	4
Unrealized gains on quoted investments		3 100	–
Net realized gains on investments	7	20 827	–
Foreign currency exchange gain, net		–	1 460
Other Income		129	–
Total Income		29 180	1 872
Expenses			
Management fees	7	7 323	1 030
Performance fees	7	1 680	–
Service fees	7	368	85
Write-down of long-term assets	6	31 030	–
Set-up costs		–	412
Listing agency fees		–	233
Other operating expenses		1 576	333
Foreign currency exchange loss, net		3 759	–
Tax expenses		132	23
Total Expenses		45 868	2 116
Net Loss		-16 688	-244
Loss per Share			
Net loss per share	5	–6.51	–0.17
Diluted net loss per share	5	–6.51	–0.17

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

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2000 AND
SEPTEMBER 20 TO DECEMBER 31, 1999**

in 1000 CHF

	2000	1999
Cash Flows from Operating Activities		
Interest income received from current assets	3 226	378
Interest income received from long-term assets	811	-
Dividends received	161	-
Net realized gains on investments	20 827	-
Operating costs	-1 024	-18
Management & Performance fees	-6 631	-
Set-up costs	-	-412
Listing agency fees	-	-233
Tax Expense	-3	-
Other Income	116	-
Changes in other current assets and liabilities	-5 836	-5
Total Cash Flows from Operating Activities	11 647	-290
Cash Flows from Investing Activities		
Increase in long term-assets	-203 938	-151 849
Total Cash Flows from Investing Activities	-203 938	-151 849
Cash Flows from Financing Activities		
Share capital received	133 400	184 100
Net premium received*	59 074	34 514
Treasury share repurchase	-4 286	-
Total Cash Flows from Financing Activities	188 188	218 614
Foreign Exchange Effect	-3 759	1 460
Increase/Decrease in Cash and Cash Equivalents	-7 862	67 935
Cash and Cash Equivalents as of January 1	67 935	-
Cash and Cash Equivalents as of December 31	60 073	67 935

* The premium was paid to AIG Private Equity Ltd., Zug net of the issuance costs of CHF 6 920 468 (1999: CHF 11 486 000)

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF DECEMBER 31

in 1000 CHF

	Share Capital	Premium paid in	Retained losses	Net loss	Treasury stock	Total
Shareholders' Equity						
Share capital as of 01.01.00	184 100					184 100
Premium as of 01.01.00		34 514				34 514
Retained losses 01.01.00			-244			-244
Capital increase as of 13.06.00	133 400					133 400
Receipt of premium as of 09.06.00		59 074				59 074
Net loss for the period January 01 to December 31, 2000				-16 688		-16 688
Treasury stock (at cost)					-4 286	-4 286
Total Shareholders' Equity as of December 31, 2000	317 500	93 588	-244	-16 688	-4 286	389 870

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

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Basis of Presentation

AIG Private Equity Ltd., Zug, Switzerland ("The Company") was established by AIG Private Bank Ltd., Zurich, on September 17, 1999, and registered on September 20, 1999. The consolidated financial statements of AIG Private Equity Ltd. and Subsidiary ("AIG Private Equity Group") are prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Committee (IASC), and employ the historical cost convention.

Basis of Consolidation

The consolidated financial statements are prepared on the basis of the acquisition accounting method and include all the assets and liabilities of the Company and the subsidiaries which it controls. Control is normally evidenced when the Company owns, either directly or indirectly, more than 50 % of the share capital of an enterprise or where there is the implicit power to govern its financial and operating policies. The scope of the consolidation includes the only subsidiary, AIG Private Equity (Bermuda) Ltd., Pembroke, Bermuda ("the Subsidiary"), which is owned 100 % by the Company.

Foreign Currencies

The Subsidiary of the Company, is considered a foreign operation integral to the operations of the parent company, as per IAS 21 "The Effects of Changes in Foreign Exchange

Rates". All transactions in foreign currencies entered into by the AIG Private Equity Group are recorded in CHF at the exchange rate prevailing on the day of the transaction. Gains and losses resulting from the settlement of transactions denominated in foreign currency are recorded in the income statement of the Company ("income statement") using the exchange rate prevailing on that date.

Monetary assets and liabilities denominated in foreign currency are translated into CHF at the exchange rates prevailing at the balance sheet date.

Non-monetary assets and liabilities (including share capital) denominated in foreign currency are translated at historical rates. Gains and losses resulting from translation of foreign currency balances are recorded in the income statement.

Loans

Loans are granted to companies (investments) only under the following circumstances: When the loan is granted together with an equity investment in the company, when an option to purchase shares in the company is part of the loan agreement, or when the loan is convertible into shares of the company. While the loans may vary in their specific terms, in general they have characteristics of an equity investment and are consequently valued under the same policy as long-term investments.

Investments

Direct unquoted investments are recorded in the consolidated balance sheet of the AIG Private Equity Group at cost. A provision for diminution in value of investments is made

when the value of a direct unquoted investment has declined and the decline is not temporary. Upon sale of a direct investment, the difference between sale price and book value is recorded in the income statement. Direct quoted investments are recorded at market value as reported by the stock exchange.

Investments in unquoted funds are also stated at cost, although the fair value (i.e., the value reported by the funds) may fall below cost early in the life of the fund due to start-up costs and management fees. A valuation adjustment is booked only when a non-temporary decline in value occurs, usually evidenced by the fund writing down one or more of its investments. Investments in quoted funds are stated at market value as reported by the stock exchange.

When distributions from funds are received upon divestment of certain positions, the book value of the investment in the funds is reduced by the percentage of book value represented by the divested position. Any resulting gains are then recorded in the income statement.

The investment in contractual agreements (Total Return Swaps) are valued applying the same accounting principles as for investments in funds.

Taxes

Tax provisions are based on reported income and include taxes on capital, as well as non-recoverable tax withheld on interest and dividends. The activities of the Subsidiary are currently not subject to any income, withholding or capital gains taxes in Bermuda. Provisions for taxes payable on profits earned in the AIG Private Equity Group companies are

calculated and recorded based on the applicable tax rate in Switzerland.

Taxes payable as a result of consolidation are dealt with in accordance with IAS 12.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, overnight deposits and short term placements with banks, with a maturity of three months and less and are recorded at nominal value.

Recognition of Dividends

Dividends from investee companies or funds are recorded as income on the day the AIG Private Equity Group obtains the rights to the dividends.

Financial Instruments

The majority of the AIG Private Equity Group's balance sheet positions qualify as financial instruments. Their accounting treatment and valuation principles are discussed before. In addition, the AIG Private Equity Group may enter into foreign currency contracts in order to hedge the risk of material foreign currency movements between the date of receipt of a capital call from an investee company and the date of payment. Gains and losses on foreign currency contracts entered into for hedging purposes are accounted for in accordance with IAS 32.

Fair Values

Although loans and investments are carried in the balance sheet at cost (see accounting policy for investments), the following shall reflect the fair value method of disclosure in Note 2:

It is the nature of the AIG Private Equity Group to possess investments, which have only limited marketability. Generally, no third party valuation of these investments has taken place.

The valuation of these investments is the exclusive responsibility of the Board of Directors. Consequently, it must be noted that the significance of the intrinsic value (fair value) arrived is only limited.

Loans

As previously noted, all loans granted have characteristics of equity investments. Therefore, the fair value of loans is determined consistent with the method applied to direct investments.

Fund Investments and Contractual Agreements (Total Return Swaps)

In determining the fair values of its investments in private equity investment vehicles, the AIG Private Equity Group uses the most recent reported net asset values of the individual

vehicles. These reported net asset values may be unaudited. Where necessary, the AIG Private Equity Group converts its reported pro rata share of each investee vehicles' net asset value from the vehicles' stated currency into Swiss francs at the exchange rate prevailing on the day the AIG Private Equity Group values its investments. In certain cases (typically where a vehicle is in its early stages) an investee vehicle may not yet have reported its net asset value to its investors by the time the AIG Private Equity Group performs a valuation of its various investments. In such cases, the AIG Private Equity Group values its investment in such vehicles at cost, converted (as necessary) from the fund currency to Swiss francs on the day of valuation. In cases where the net asset value has been reported but such reports are not current (typically, where the AIG Private Equity Group has paid in a portion of its total commitment in addition to that most recently reported), the fair value will be the net asset value published in the investee vehicles' most recent report plus any amounts paid in and out since the last issued report date.

Direct Investments

The fair value of direct unquoted investments is deemed to be equivalent to the book value, adjusted for movements in exchange rates and any non-temporary reductions in value. The fair value may be adjusted if sufficient evidence exists to support the adjustment, in accordance with the guidelines of the EVCA.

The fair value of investments in quoted companies is the market value as reported by the stock exchange.

Segment Reporting

AIG Private Equity Group's sole business segment is investing in private equity markets, resulting in no segment disclosure reporting as per IAS 14.

IAS 39

In March 1999, the International Accounting Standards Committee issued IAS 39 "Financial Instruments: Recognition and Measurement". This standard establishes principles for recognizing, measuring, and disclosing information about financial assets and liabilities. IAS 39 is effective for fiscal years beginning on or after January 1, 2001.

AIG Private Equity Group is in the process of evaluating the potential impact on its accounts of this new accounting standard.

INVESTMENT SCHEDULE AS OF DECEMBER 31, 2000

	Opening Balance in 1000 CHF	Paid in Capital in 1000 CHF	Returned Capital in 1000 CHF	Write-down/write- up of investments in 1000 CHF	Book Value 31.12.00 in 1000 CHF	Fair Value 31.12.00 in 1000 CHF	Original Currency	Total commitment in 1000 CHF
AIG Fund Portfolio								
AIG Asian Opportunity Fund L.P.	7 935	13 947	(2 338)	(7 675)	11 869	11 587	USD	23 720
AIG Blue Voyage Fund L.P.	-	1 912	-	-	1 912	1 588	USD	8 160
AIG Brazil Special Situations Fund L.P.	-	2 828	-	-	2 828	2 329	USD	16 320
AIG Horizon Partners Fund, L.P.	22 147	30 238	(1 729)	(11 425)	39 231	36 496	USD	120 210
AIG Global Sports & Entertainment Fund, L.P.	-	3 246	-	-	3 246	2 561	USD	8 160
AIG Highstar Capital, L.P.	-	462	-	-	462	261	USD	11 950
AIG Orion Fund L.P.	133	2 405	(23)	-	2 515	2 057	USD	9 340
CapVest Equity Partners L.P.	-	33 088	-	(5 662)	27 426	26 535	Euro	60 010
Subtotal Affiliate Funds	30 215	88 126	(4 090)	(24 762)	89 489	83 414		257 870
Third Party Fund Portfolio								
International Funds								
A & A Venture	-	3 000	-	-	3 000	2 755	CHF	2 750
AEA Scandinavia I	8 961	-	(4 899)	-	4 062	4 798	USD	8 340
AEA Scandinavia II	3 214	4 425	(530)	-	7 109	6 395	USD	8 340
Baring Communications Equity Limited	4 285	768	(2 255)	-	2 798	3 659	Euro	4 170
Carlyle Internet Partners Europe, L.P.	-	976	-	-	976	801	Euro	4 670
Carlyle Europe Partners L.P.	4 748	5 250	(25)	-	9 973	9 457	Euro	20 870
Doughty Hanson & Co. III	3 983	5 849	(1 381)	-	8 451	7 714	USD	14 190
Excel Capital Partners III, L.P.	2 925	1 620	(863)	-	3 682	3 128	ESP	8 340
GMT Communications Partners II, L.P.	-	361	-	-	361	302	Euro	3 730
Klesch Capital Partners L.P.	2 446	29	(984)	-	1 491	1 317	USD	2 500
Palamon European Equity Fund L.P.	347	1 722	(212)	-	1 857	2 021	USD	8 340
Schroder German LBO	2 841	759	(340)	-	3 260	3 793	DM	4 340
Schroder Venture International Trust Plc	4 113	3 099	(356)	3 100	9 956	10 127	GBP	4 270
Schroder Venture Italian Fund II	834	276	-	-	1 110	1 135	Lira	830
TH Lee.Putnam Internet Partners, L.P.	-	2 130	-	-	2 130	1 852	USD	4 120
The Cinven Fund I	6 933	94	(4 052)	-	2 975	4 845	GBP	8 340
The Cinven Fund II	7 615	8 605	-	-	16 220	16 138	GBP	23 790
Subtotal International Funds	53 245	38 963	(15 897)	3 100	79 411	80 237		131 930
Third Party Fund Portfolio								
US Funds								
Advanced Technology Ventures VI, L.P.	-	1 954	-	-	1 954	1 817	USD	4 120
AEA Investors, Inc. I	613	-	(510)	-	103	113	USD	2 480
AEA Investors, Inc. II	1 868	2 142	(85)	-	3 925	3 956	USD	5 970
American Industrial Partners Capital Fund II, L.P.	1 602	154	-	-	1 756	1 748	USD	1 990
Apollo Investment Fund III, L.P.	1 214	99	(428)	-	885	1 182	USD	1 990
Apollo Investment Fund IV, L.P.	5 545	1 880	(99)	-	7 326	6 417	USD	7 460
Bain Capital Fund VI, L.P.	254	149	(3)	-	400	560	USD	490
Bain Capital VI Coinvestment Fund, L.P.	192	106	-	-	298	298	USD	490
Baker Communications Fund II, L.P.	-	1 804	-	-	1 804	1 512	USD	4 950
Berkshire Fund II, L.P.	266	2	(17)	-	251	255	USD	990
Berkshire Fund III, L.P.	1 181	221	(34)	-	1 368	1 544	USD	1 490
Berkshire Fund IV, L.P.	2 066	710	(253)	-	2 523	2 378	USD	2 090
Berkshire Fund V, L.P.	364	4 229	(481)	-	4 112	3 878	USD	11 570
Blackstone Capital Partners II	2 179	68	(1 396)	-	851	1 188	USD	1 990
Blackstone Capital Partners III	3 232	2 902	(427)	-	5 707	5 116	USD	7 460
Blackstone Mezzanine Partners, L.P.	-	1 040	-	-	1 040	957	USD	4 620
Boston Millennia Partners II, L.P.	-	1 315	-	-	1 315	1 176	USD	4 120
Carlyle Partners II, L.P.	2 604	277	(179)	-	2 702	2 619	USD	2 980
Carlyle Partners III, L.P.	-	1 764	-	-	1 764	1 566	USD	6 600
Charter Growth Capital II, L.P.	-	832	-	-	832	816	USD	1 650
Charterhouse Equity Partners II, L.P.	964	39	(220)	-	783	602	USD	1 490
Clayton & Dubilier Private Equity Fund IV, L.P.	344	2	-	-	346	350	USD	960

INVESTMENT SCHEDULE AS OF DECEMBER 31, 2000

	Opening Balance in 1000 CHF	Paid in Capital in 1000 CHF	Returned Capital in 1000 CHF	Write-down/write- up of investments in 1000 CHF	Book Value 31.12.00 in 1000 CHF	Fair Value 31.12.00 in 1000 CHF	Original Currency	Total commitment in 1000 CHF
Third Party Fund Portfolio								
US Funds								
Clayton, Dubilier & Rice Fund V, L.P.	1 515	746	(7)		1 657	1 675	USD	1 990
Clayton, Dubilier & Rice Fund VI, L.P.	5	2	(227)		717	844	USD	2 480
Corporate Partners	354	329	(299)	(130)	-	-	USD	2 480
DLJ Merchant Banking Partners II, L.P.	1 327	94	(2)		1 347	1 550	USD	1 990
Dubilier CRM Fund I, L.P.	187	3 407			275	269	USD	490
E Trade e Commerce Fund, LLC	-	52	(62)		3 340	3 289	USD	4 120
Evercore Capital Partners, L.P.	474	881	(135)		462	514	USD	990
Fenway Capital Partners Fund II, L.P.	585	42	(544)		1 309	1 403	USD	2 980
Fenway Partners Capital Fund, L.P.	2 800	143	(233)		2 284	2 344	USD	2 980
GKH Investments, L.P.	1 984	235	(94)		1 911	3 139	USD	2 480
Greenwich Street Capital Partners, L.P.	1 707	503	(5)		1 856	1 619	USD	2 480
Hoak Communications Partners, L.P.	218	2 699			726	693	USD	390
JK&B Capital III, L.P.	-	4 984	(382)		2 646	3 295	USD	4 950
Kelso Investment Associates V, L.P.	1 485	4 984	(382)	(3 187)	2 900	3 039	USD	2 480
Kelso Investment Associates VI, L.P.	811	300	(43)		1 068	1 178	USD	2 980
KRG Capital Fund I, L.P.	244	4 177	(452)		3 969	3 812	USD	6 940
LJM2 Co-investment Fund, L.P.	-	1 545			1 545	1 515	USD	3 760
Meritage Private Equity Fund, L.P.	-	893			893	1 018	USD	1 650
Merrill Lynch Capital Appreciation Fund I	225	0	(51)	(173)	-	2	USD	990
Merrill Lynch Capital Appreciation Fund II	1 230	3	(786)		447	216	USD	2 480
MLGA, Fund II (Morgan Lewis Githens & Ahn)	407	-	(179)	(228)	-	-	USD	1 990
Morgan Stanley Capital Partners III, L.P.	894	1 216	(73)		2 037	1 505	USD	1 990
Morgan Stanley Leveraged Equity Fund II, L.P.	473	8	(3)		478	251	USD	2 480
North Castle Capital Partners II, L.P.	587	4 869	(623)		4 833	4 680	USD	5 780
Odyssey Investment Partners Fund L.P.	137	418	(114)		441	413	USD	990
Questor Partners Fund II, L.P.	37	980	(98)		919	874	USD	12 570
Questor Partners Fund, L.P.	2 871	1 428	(1 676)	(1 463)	1 160	1 293	USD	3 730
RCBA Strategic Partners, L.P.	2 050	5 753	(1 170)		6 633	7 533	USD	7 440
Sandler Mezzanine Partners	729	114	(190)		653	640	USD	1 990
Sankaty High Yield Partners	1 156	175	(270)		1 061	475	USD	790
Silver Lake Partners, L.P.	88	5 865	(546)		5 407	5 480	USD	11 110
Stonington Capital Appreciation 1994 Fund, L.P.	1 964	330	-		2 294	3 236	USD	2 980
TCV IV, L.P.	-	5 902			5 902	5 623	USD	14 260
Thayer Equity Investors Fund IV, L.P.	889	4 111	(549)		4 451	4 550	USD	7 440
Thayer Equity Investors III, L.P.	2 375	123	(99)		2 399	2 539	USD	1 990
Thomas Weisal Capital Partners, L.P.	-	2 853			2 853	2 900	USD	5 280
Tullis-Dickerson Capital Focus, L.P.	83	2	(40)		45	36	USD	510
Warbug Pincus Equity Partners, L.P.	4 133	4 252	(1 166)		7 219	7 375	USD	9 950
WPG Corporate Development Associates IV, L.P.	347	41	(63)		325	315	USD	990
WPG Corporate Development Associates V, L.P.	839	428	-		1 267	1 225	USD	1 990
Subtotal US Funds	59 698	81 785	(14 355)	(5 181)	121 947	122 405	-	230 400
Direct Investments Portfolio								
Advanced Medicine Inc.	-	4 514	-	-	4 514	4 338	USD	4 330
Fresenius Medical Care	-	4 330	-	-	4 330	4 178	USD	4 170
Magnetic Data Technologies, LLC	-	1 690	-	-	1 690	1 633	USD	1 630
UTI Corp.	-	5 601	-	-	5 601	5 454	USD	5 130
Personics Software, Inc.	1 580	137	-	(1 087)	630	1 757	USD	1 750
Punch Group Ltd	7 111	1 052	-	-	8 163	7 790	GBP	8 520
Atlantech International, Inc. (*Tensar*)	-	4 133	-	-	4 133	3 992	USD	3 990
Universal Studio Escape	-	7 095	-	-	7 095	7 007	USD	7 000
Subtotal Direct Investments	8 691	28 552	-	(1 087)	36 156	36 149	-	36 520
Total of all Investments	151 849	237 426	(34 342)	(27 930)	327 003	322 205	-	656 720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Components of Cash and Cash Equivalents

in 1000 CHF

	31.12.00	31.12.99
Current Account	4 613	31
Fiduciary Deposit	55 460	67 904
Total	60 073	67 935

Note 2: Loans and Investments (see pages 26/29 for complete list of loans and investments)

in 1000 CHF

The investment schedule on pages 26/29 reflects AIG Private Equity Group's economic interest in funds and direct investments rather than its legal interest. As a consequence, the investments held through the Total Return Swaps and AIG Private Equity Partnership L.P. (see Note 7) are disclosed on this table as if they were held directly.

As of December 31, 2000, the following amount has been called in connection with capital commitments made to investees.

As this amount is due and payable after the balance sheet date, it is not reflected in the Balance Sheet.

	Original Currency	Original Amount	Due Date
AIG Global Sports & Entertainment Fund, L.P.	USD	168	10.01.01

Note 3: Credit Risk

The assets which expose the AIG Private Equity Group to credit risk consist principally of cash, deposits, loans, investments and other receivables. The maximum credit risk to which the AIG Private Equity Group is exposed is therefore the sum of these positions and the commitments to invest, and amounted to CHF 723 million as of December 31, 2000.

Note 4: Market Risk**Interest Rate Risk**

Various economic factors including interest rate fluctuations and market competition may significantly influence price and volume of the AIG Private Equity Group's investments.

Foreign Exchange Risk

The net asset value per share is calculated in CHF. The AIG Private Equity Group's investments are mostly denominated in USD, resulting in a certain degree of currency exposure risk, which may adversely affect net asset value.

Liquidity Risk

Net Capital Commitments as of year-end exceeded cash and cash equivalents available to the Company. If the Company's capital cannot cover the aggregate amount of commitments, the Company would typically cover any shortfall through debt financing. There is no guarantee that sufficient credit will always be available to the Company.

Other Market Risks

Investments in private equity funds are generally illiquid and may not be transferable without the consent of other parties. Generally there is no liquid secondary market. Various factors

(including economy, interest rates, competition), independent of the AIG Private Equity Group's performance, may have a significant influence on the price and volume fluctuations of the investments.

Note 5: Shareholders' Equity and Earnings per Share

in CHF

Share capital is broken down as follows:	31.12.2000	31.12.1999
Number of shares authorized and issued	3 175 000	1 841 000
Number of shares outstanding	3 146 617	1 841 000
Par value per share	100.00	100.00
Issuance price per share (1 000 shares on September 20, 1999)	100.00	100.00
Issuance price per share (1 840 000 shares on October 11, 1999)	125.00	125.00
Share premium per share (1 840 000 shares on October 11, 1999)	25.00	25.00
Issuance price per share (1 334 000 shares on June 13, 2000)	150.00	-
Share premium per share (1 334 000 shares on June 13, 2000)	50.00	-
Book value per share outstanding	123.90	118.61
Value per share outstanding, applying fair values	122.38	119.01

Loss per Share

Net loss for the period (in 1000 CHF)	-16 688	-244
Weighted average of total number of shares outstanding (in 1000 CHF)	2 564	1 422
Net loss per share outstanding	-6.51	-0.17

Shareholders holding stakes and voting rights of 5% and more	Number of Shares 31.12.2000	Participation in % 31.12.2000
Ernst Göhner Stiftung	267 000	8.41 %
MIGROSBANK	216 192	6.81 %
AIG Private Bank (ref. Note 8)	198 857	6.26 %
American International Underwriters Overseas Ltd. (ref. Note 8)	317 400	10.00 %
SUVA, Schweiz. Unfallversicherungsanstalt	170 000	5.35 %
Winterthur Leben	167 000	5.26 %

Note 6: Write-downs and Provisions

For the period January 1st to December 31, 2000 and September 20 to December 31, 1999
in 1000 CHF

	31.12.2000	31.12.1999
Loans	–	–
Direct investments	1 087	–
Funds	17 807	–
Contractual agreements	12 856	–
Total	31 030	–

Note 7: Related Party Transactions

The AIG Private Equity Group has entered into several agreements with various companies within the American International Group, Inc., New York (“AIG”). AIG is a global provider of insurance and financial services, the largest underwriter of commercial and industrial risk in the USA, and is rated “AAA” by Standard & Poor’s and “Aaa” by Moody’s.

CONTRACTUAL RELATIONS**Service Agreement I**

American International Company Ltd., Pembroke, Bermuda, an indirect wholly owned subsidiary of AIG, provides several administrative and accounting services for the Subsidiary. For its services provided, the Service Company is entitled to receive a fee of USD 150 000 per annum. In 2000, Service Agreement I resulted in American International Company Ltd. earning CHF 248 344 (1999: CHF 59 900).

Service Agreement II

AIG Private Bank Ltd., Zurich, a wholly owned subsidiary of AIG, provides administrative and accounting services for the AIG Private Equity Group.

For its services provided, the Service Company is entitled to receive a fee of CHF 120 000 per annum.

In 2000, Service Agreement II resulted in AIG Private Bank Ltd., Zurich, earning CHF 120 000 (1999: CHF 25 000).

Management and Advisory Agreement

The AIG Private Equity Group has entered into a Management Agreement with AIG Private Equity Management Ltd., Bermuda (“the Manager”), a wholly owned subsidiary of AIG Private Bank Ltd., Zurich. For services rendered, the Manager is entitled to receive a management fee at an annual rate equal to 2% of the Net Asset Value of AIG Private Equity (Bermuda) Ltd. on the last business day of each quarter before deductions or accrual of the management fee and/or performance fees.

In addition to the management fee, the Manager will receive quarterly performance fee from the AIG Private Equity Group. The performance fees with respect to the Third Party Funds Portfolio is fifteen per cent (15%) of the increase in the net asset value of the Third Party Funds Portfolio for each quarter in excess of any baseline return for such quarter of five per cent (5%) (on an annual basis). The performance fee with respect to the Direct Investment Portfolio is twenty per cent (20%) of the increase in the net asset value of the Direct Investment Portfolio for each calendar quarter.

Furthermore, both performance fees are subject to a “high-water mark”, so that no performance fee will be paid with respect to a particular portfolio unless the net asset value for that portfolio is greater than the previous high net asset value for the portfolio (increased, in the case of the Third Party Funds Portfolio at the baseline return of 5% annually).

The Manager has entered into an advisory agreement with AIG Global Investment Corp., New York, a wholly owned subsidiary of AIG, to act as Investment Advisor with respect to the Third Party Funds Portfolio and Direct Investments Portfolio. For its services provided under the Management agreement, the Advisor shall be entitled to receive from the Manager an advisory fee. The fees of such an advisor shall be borne by the Manager.

All expenses incurred directly in connection with transactions effected or positions held on behalf of Private Equity Group pursuant to the Investment Advisor’s exercise of his duties (including, without limitation, custodial fees, clearing fees, brokerage commissions, interest and commitment fees on loans and debit balances, and withholding or transfer taxes) shall be paid or reimbursed by the Subsidiary. The Investment Advisor shall bear its own overheads and other internal operating costs.

In 2000 the Management and Advisory Agreement resulted in AIG receiving CHF 9.1 million (1999: CHF 1.0 million) from the AIG Private Equity Group.

The AIG Private Equity Group shall pay all other expenses attributable to its own activities, including but not limited to fees, costs and expenses related to Fund Investments, custodian, third party consultants, outside counsels’ and accountants’ fees and expenses, insurance or litigation expenses (including the cost of directors and officers insurance for persons serving on boards of directors on behalf of Investments), and taxes fees or other governmental or regulatory charges.

MATERIAL TRANSACTIONS**Cash and Cash Equivalents**

As of December 31, 2000, the AIG Private Equity Group has cash and cash equivalents totalling CHF 60.1 million on a fiduciary basis with AIG Private Bank Ltd., Zurich and Bank of Bermuda Ltd. In 2000, the AIG Private Equity Group earned CHF 3.2 million in interest from fiduciary deposits placed through AIG Private Bank Ltd., Zurich.

Investments**• Contractual Agreements (“Total Return Swaps”)**

On December 29, 1999, the AIG Private Equity Group entered into three contractual agreements with AIG that entitle the AIG Private Equity Group to receive payments equal to a pro rata share of all distributions from a specified list of funds, while obligating the AIG Private Equity Group to make payments equal to a pro rata share of all draw-downs of committed capital to the same list of funds (the “Total Return Swaps”).

The Total Return Swaps were charged to the AIG Private Equity Group at an estimated fair value of the underlying Fund Investments, which was subject to an independent fairness opinion. According to the contractual agreements, the AIG Private Equity Group and AIG obtained on July 13, 2000, a report addressed to the AIG Private Equity Group from an independent accounting firm stating that the values of the reference funds were calculated reasonably and in accordance with the terms of the Total Return Swap agreements.

The so determined value based on agreed procedures set out in the report was higher than the estimated fair value as of December 31, 1999 by an amount of USD 4.91 million. AIG

Private Equity Group paid the difference (including the 1% transaction fee of the difference stated above) to AIG in September 2000.

The Private Equity Group paid a one-time transaction fee of 1% of the initial investment price of the Total Return Swaps. Distributions from the underlying Fund Investments, which are over the amount of its initial investment plus subsequent payments are split 90% to the company and 10% to AIG. The profit sharing is intended to compensate AIG for the management fees it paid with respect to the underlying fund investments prior to the Total Return Swaps, which are not taken into consideration when calculating the fair value of the underlying fund investments.

As of December 31, 2000, the Total Return Swaps were transacted and valued at CHF 162 million (USD 100 million). The corresponding transaction fees totalled CHF 1.3 million (USD 0.81 million) and are included in the cost of the investment.

• Fund Investments

In 2000 an additional CHF 30.3 million (USD 16.4 million) was invested by AIG Private Equity (Bermuda) Ltd. in the AIG Horizon Fund. There were no fees associated with any of these transactions.

AIG Private Equity (Bermuda) Ltd. invested CHF 2.8 million (USD 1.7 million) in the AIG Brazil Special Situations Fund L.P., CHF 2.2 million (USD 1.4 million) in the AIG Orion Fund L.P., CHF 1.9 million (USD 1.1 million) in the AIG Blue Voyage Fund L.P., CHF 3.3 million (USD 1.9 million) in the AIG Global Sports & Entertainment Fund, L.P., CHF 0.3 million (USD 0.2 million) in the AIG Highstar Capital LP and CHF 62.5 million (USD 37.6 million) in the AIG Private Equity Portfolio L.P. There were no fees associated with any of the above transactions.

Capital Increase

The capital increase dated June 13, 2000, resulted in AIG Private Bank Ltd., Zurich, receiving CHF 5.0 million in selling concessions. As of December 31, 2000, AIG Private Bank Ltd., Zurich, held 198 857 shares, representing 6.26% of ownership.

American International Underwriters Overseas Ltd., a wholly owned subsidiary of AIG, was a significant shareholder as of December 31, 2000. Details of the number of shares held and percentage ownership can be found in Note 5.

Personal Relations

Two members of the Board of Directors of AIG Private Equity Ltd. are employees of other companies with AIG. AIG executives serving on the Board of Directors and the Investment Committee of AIG Private Equity Group companies do not receive remuneration from AIG Private Equity Group for their services.

Note 8: Subsequent Events

New Commitments

The following commitments to invest were made after the balance sheet date

	Currency	in 000
EQT Northern Europe	EUR	12 500
Electra European Fund L.P.	EUR	15 000

Subject to approval by the annual ordinary Shareholders' meeting, the Company intends to:

- cancel the current authorized capital of CHF 92 million
- creating an authorized share capital of CHF 158.75 million.

The issue price shall be determined by the board of Directors.

REPORT OF THE GROUP AUDITORS

As auditors of the group, we have audited the consolidated financial statements (balance sheet, statement of changes in shareholders' equity, income statement, statement of cash flows and notes/pages 18 to 34) of AIG Private Equity Ltd. for the year ended December 31, 2000.

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

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

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

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements. As indicated in Note 2, the consolidated financial statements include loans

and investments (funds, direct investments and contractual agreements) valued at historical cost of CHF 327 million. Because of the inherent uncertainty of valuation of such investments and because a liquid market for such investments does not always exist, these carrying values may differ from their fair values, and the differences could be material. The fair values of the loans and investments have been determined by the Board of Directors and have been disclosed in Note 2. We have reviewed the procedures applied by the Board of Directors in valuing such investments and have sighted underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgement which is not capable of independent verification.

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

Zurich, April 20, 2001

PricewaterhouseCoopers AG

Rolf Schönauer Thomas Romer

BALANCE SHEET AS OF DECEMBER 31, 2000

in 1000 CHF

	Note	2000	1999
Assets			
Current Assets			
– Cash and cash equivalents		56 420	67 917
– Derivative Instruments		–	26
– Receivables and prepayments		106	37
– Own Shares	3	4 286	–
		60 812	67 980
Long-term Assets			
– Participation	1	334 158	150 368
Total Assets		394 970	218 348
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges		757	449
Shareholders' Equity			
– Share capital	2	317 500	184 100
– Share capital premium	4	89 302	34 514
– Reserve for own shares	4	4 286	–
– Net loss for the period		–16 160	–715
– Retained Loss		–715	–
		394 213	217 899
Total Liabilities and Shareholders' Equity		394 970	218 348

**INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2000
AND SEPTEMBER 20 TO DECEMBER 31, 1999**

in 1000 CHF

	2000	1999
Income		
Interest Income, net	3 243	408
Other Income	176	–
Total Income	3 419	408
Expenses		
Service fees	120	85
Set-up costs	–	412
Listing agency fees	–	233
Write-down of participation	16 935	–
Other operating expenses	1 289	333
Foreign currency exchange loss, net	1 103	37
Tax Expenses	132	23
Total Expenses	19 579	1 123
Net Loss	–16 160	–715

NOTES TO FINANCIAL STATEMENTS

in 1000

	Location	Capital held in %	Nominal Value in USD	Paid in USD	Book value in CHF 31.12.00	Book value in CHF 31.12.99
1. Participation						
AIG Private Equity (Bermuda) Ltd.	Pembroke, Bermuda	100	270 000	213 619	334 158	150 368

2. Share capital and share capital premium

As at January 1, 2000, the company's share capital consisted of 1 841 000 fully paid-in shares with a nominal value of CHF 100 each.

The premium amounted to CHF 46 000 000 from which issuance costs in the amount of CHF 11 486 000 were deducted.

In the spring of 2000 an offering of 1 334 000 new registered shares with a nominal value of CHF 100 were offered by the Company to existing shareholders by way of a rights offering with redistribution of any such Offered Shares not taken up in the Rights Offering to new investors. Holders of existing shares as of May 12, 2000 were allotted one pre-emptive right for every share held, thus being entitled to subscribe to one Offered share for every share held. Holders of

Rights were entitled to subscribe to the Offered Shares at the Issue Price determined on June 6, 2000 during the Subscription Period; May 15 to June 2, 2000. The Rights were not traded and thus not listed for trading on the SWX Swiss Exchange. A Share Offering to new investors followed the Rights Offering. Shares in the Share Offering were allocated on June 7, 2000.

On June 13, 2000 the Company increased its share capital from CHF 184 100 000 to CHF 317 500 000 by issuing 1 334 000 fully paid-in shares with a nominal value of CHF 100 at a price of CHF 150 per share.

The premium amount to CHF 65 995 768. The issuance costs in the amount of CHF 6 920 468 including bank commissions and stamp duties were deducted from the premium.

3. Own Shares

Own Shares	Number	Amount CHF
Balance at January 1, 2000	0	0
Additions (purchased at CHF 151)	28 383	4 286 105
Disposals	0	0
Balance at December 31, 2000	28 383	4 286 105

4. Reserve for Own Shares

A Reserve for Own Shares in the amount of CHF 4 286 105 (the acquisition value of the Own Shares held) was created against Share capital premium.

5. Subsequent Events

Subject to approval by the annual ordinary Shareholders' meeting, the Company intends to:

- cancel the current authorized capital of CHF 92 million
- create an authorized share capital of CHF 158.75 million.

The issue price shall be determined by the board of Directors.

REPORT OF THE STATUTORY AUDITORS

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes/pages 37 to 38) of AIG Private Equity Ltd. for the year ended December 31, 2000.

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

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

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

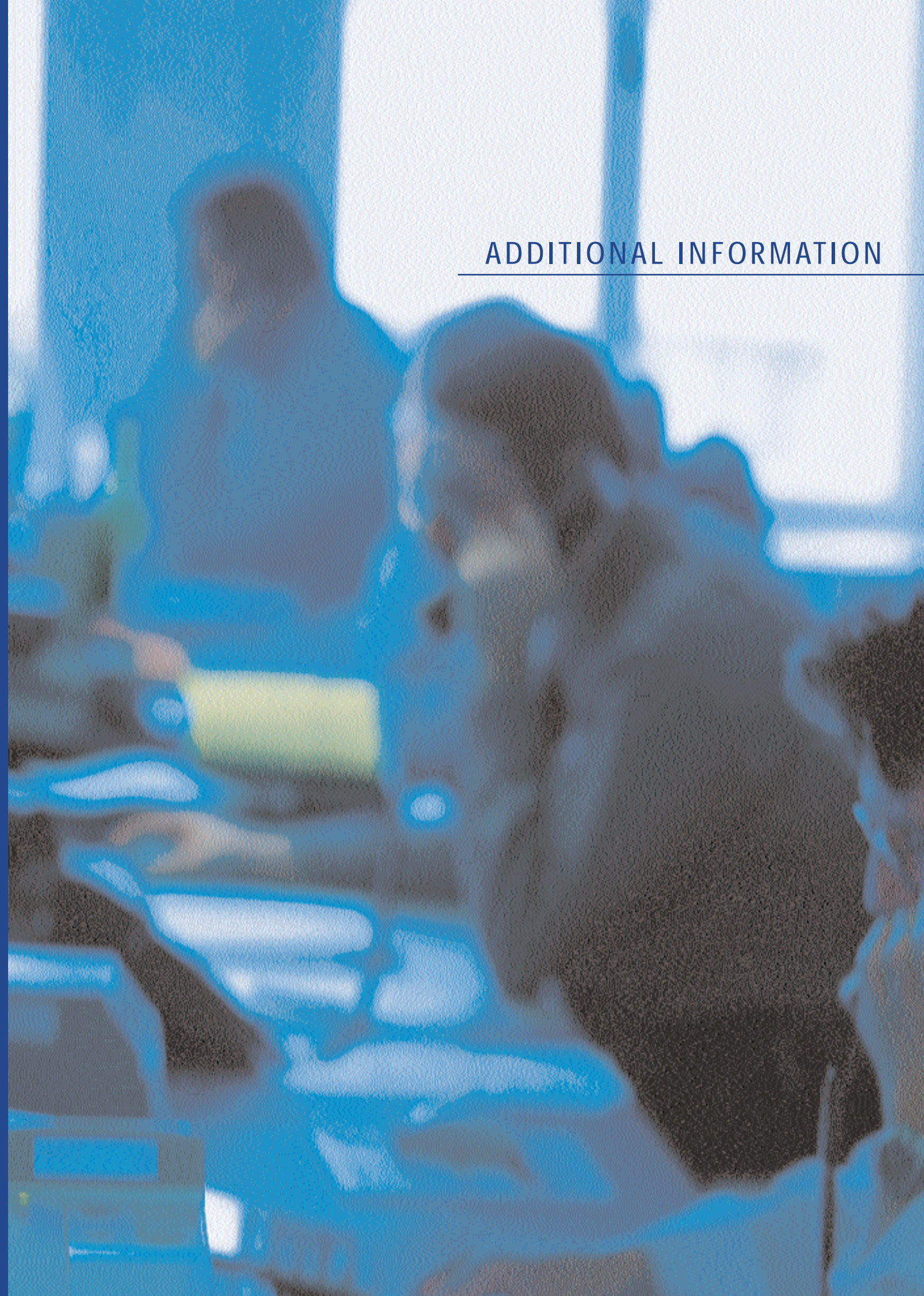
We recommend that the financial statements submitted to you be approved.

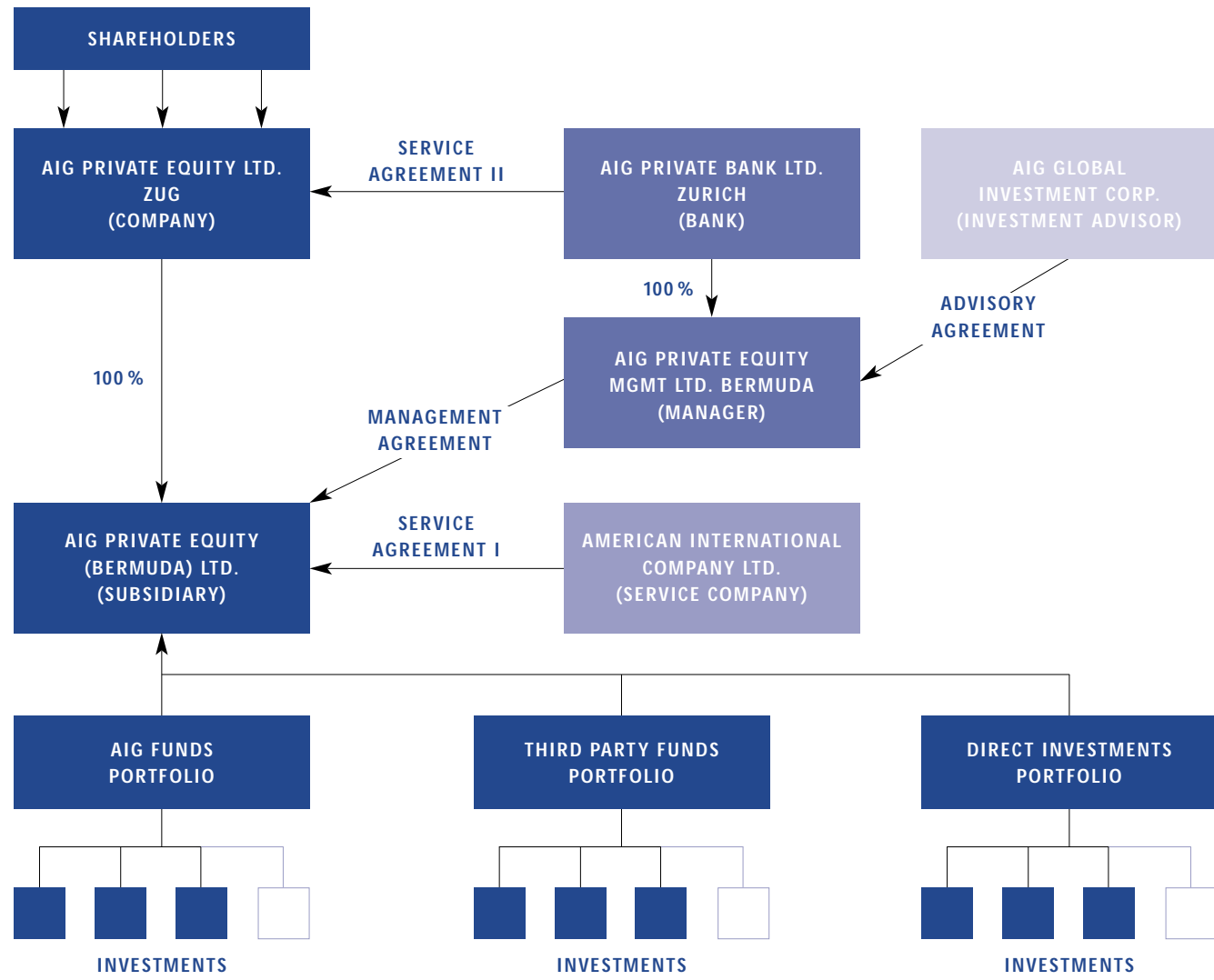
Zurich, April 20, 2001

PricewaterhouseCoopers AG

Rolf Schönauer Thomas Romer

ADDITIONAL INFORMATION





BOARD OF DIRECTORS

Eduardo Leemann, Chairman
 Erich Hort
 Ernst Mäder
 Edward E. Matthews
 Roger Schmid

AUDITORS

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 Stampfenbachstrasse 73
 8035 Zürich

INVESTMENT COMMITTEE

Thomas Lips, Chairman
 William Dooley
 Win Neuger
 Cesar Zalamea

MANAGEMENT COMMITTEE

Rocco Sgobbo, Chairman
 Andrew Fletcher
 Conradin Schneider

INVESTOR RELATIONS

Carine Landis-Oesterle

**SENIOR REPRESENTATIVE
 SOUTHEAST ASIA**

Allen Chan

Glossary

Distressed financing

In distressed or turnaround financing, new capital is made available to companies that are undergoing operational and financial restructuring.

Exit

The means by which a private equity fund realizes a return on its investment. This typically comes when a portfolio company goes public, or when it merges with or is acquired by another company.

Fund of funds

A fund with an investment portfolio consisting chiefly of interests in private equity funds that in turn make direct investments in operating companies.

Initial public offering (IPO)

An offering of shares to the public by a privately held company.

Late-stage financing

Investment in privately held companies that have established products and need financing to expand their business.

Leveraged buyout

The purchase of a company primarily through debt financing that is secured by the assets of the company being acquired. Leveraged buyouts are often used to take a public company private.

Management buyout

The purchase of a company by its management, generally with the assistance of private equity investors and often using a leveraged buyout structure.

Mezzanine financing

The final round of financing before an IPO, generally consisting of a mix of equity and debt capital, and made available to a company that is well-established and often already reporting profits.

Net Asset Value (NAV)

The intrinsic value of one share of AIG Private Equity. NAV is calculated by dividing the value of the company's net assets by the total number of shares outstanding.

Private Equity

Equity or equity-type investments in privately held companies. Private Equity generally refers to venture capital and leveraged buyouts, but also encompasses distressed debt and mezzanine financing.

Total Return Swap

One of three agreements between AIG Private Equity and American International Group, Inc. ("AIG") pursuant to which AIG Private Equity makes capital call payments to and receives distributions related to an identified portion of AIG's private equity portfolio as it existed at the end of 1999. The agreements create the same economic result as if AIG Private Equity owned the underlying portfolio directly.

Venture Capital

Venture capital is a financing instrument used mainly for young companies in the early stage and start-up phase. Typically, the companies are not yet profitable and therefore have only limited access to debt financing.



Impressum

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