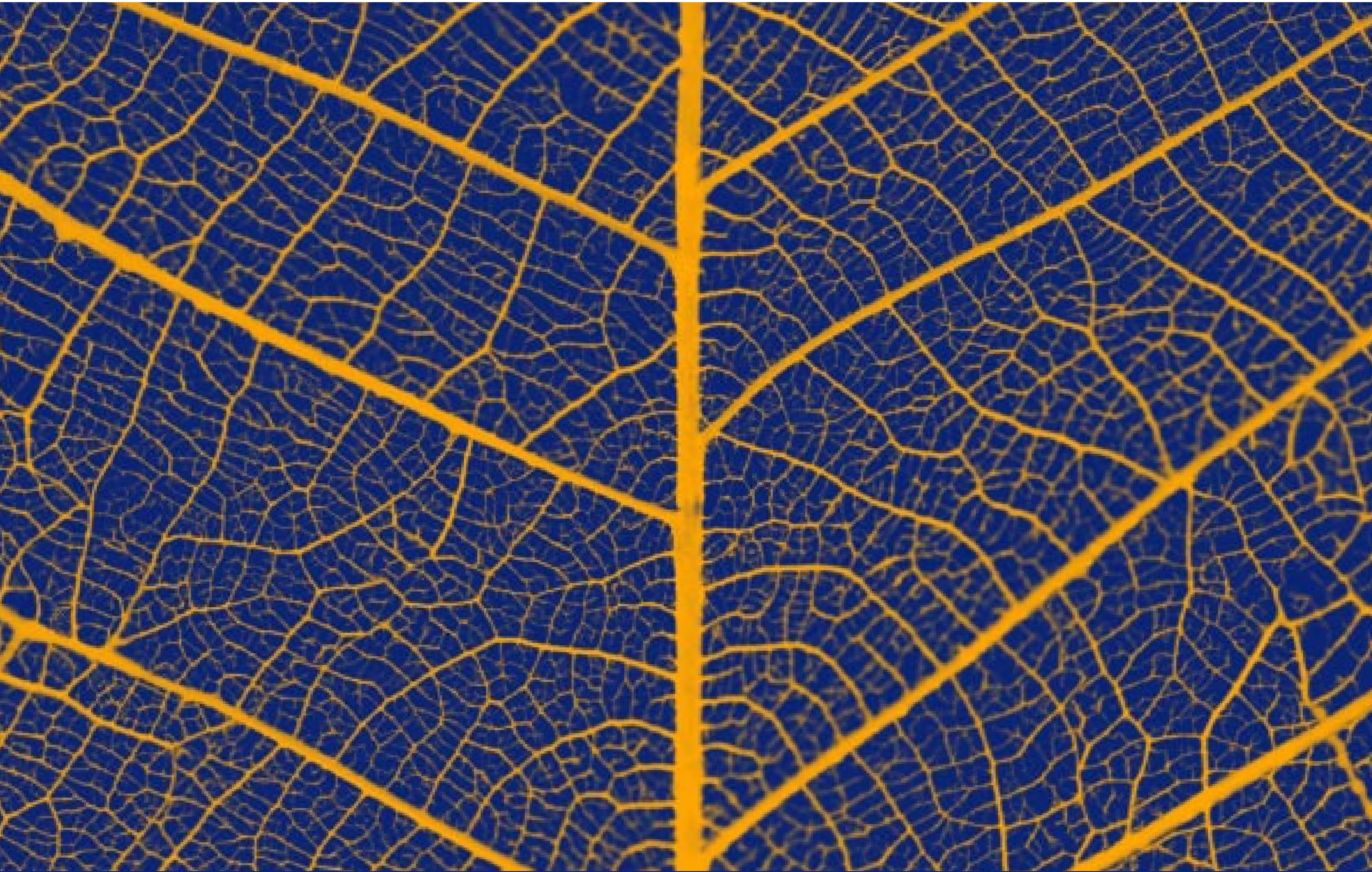


ANNUAL REPORT 2006

AIG
PRIVATE EQUITY

FACTS AND FIGURES

Company profile

AIG Private Equity Ltd. is a Swiss investment company with an objective to achieve long-term capital growth for shareholders by investing in a diversified portfolio of private equity funds and privately held operating companies. The same team that manages private equity investments for American International Group, Inc. acts as investment advisor for AIG Private Equity Ltd. With seven years of operating history in a variety of market conditions, AIG Private Equity Ltd. has a solid track record and a mature portfolio of funds and direct investments. AIG Private Equity Ltd. is listed on the SWX Swiss Exchange under the ticker symbol "APEN".

Valuation as of December 31, 2006

Closing price per share	CHF	160.20
Net asset value per share (applying fair values)	CHF	160.63
Exchange rate	USD/CHF	1.2195
Exchange rate	EUR/CHF	1.6094
Number of shares outstanding		3 896 194
Market capitalization	CHF	624 170 279

Swiss Security Number

915.331
ISIN: CH0009153310
Ticker: APEN

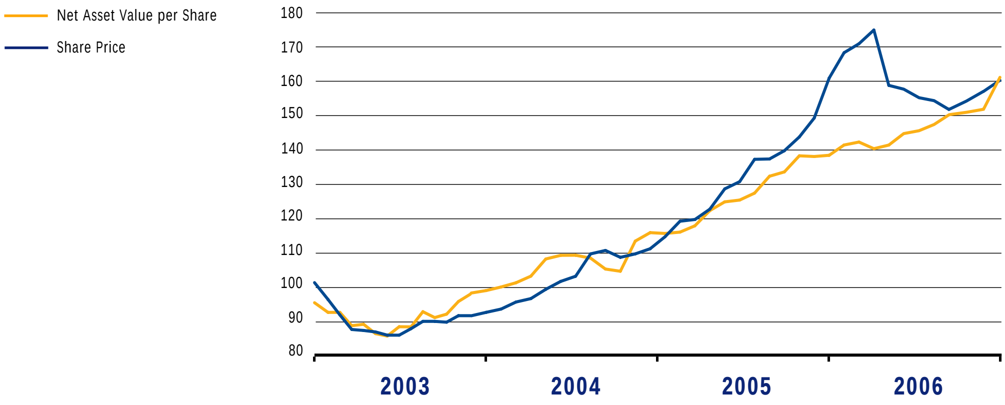
Trading Information

Reuters: APEZn.S
Bloomberg: APEN
Telekurs: APEN

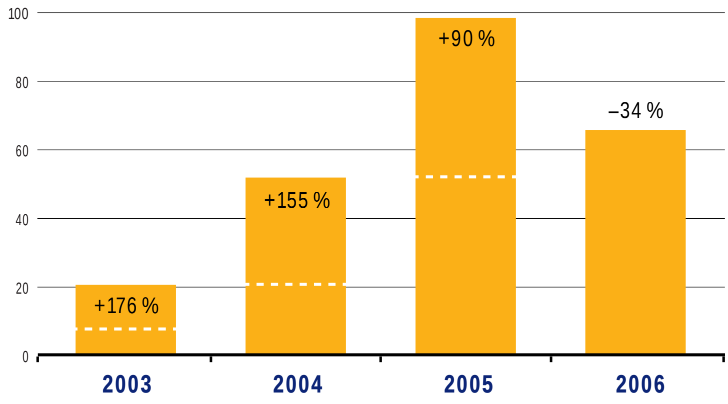
www.aigprivateequity.com

Financial Highlights

Net Asset Value per Share and Share Price (CHF)

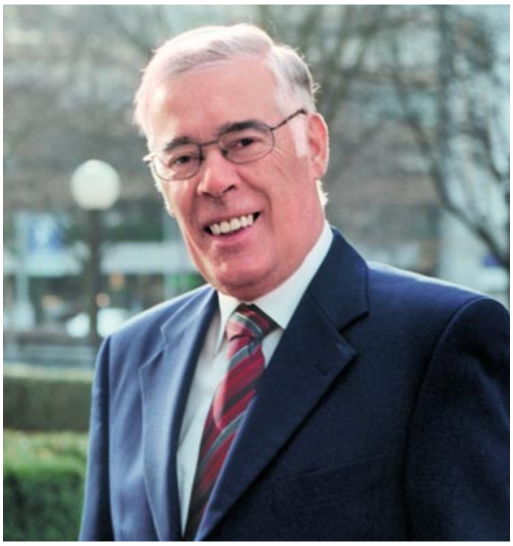


Investment Income (TCHF)



CONTENTS

EDUARDO LEEMANN, *Chairman of the Board*



ERICH HORT, *Vice Chairman*

Dear Shareholders

2006 was a very active year for the Company. In June the Company raised CHF 109 million of new capital at a 12% premium to net asset value per share. As a result of the capital increase and investment performance, the Company's consolidated assets increased 43% over the course of the year and consolidated net assets were up 45%. Meanwhile, the Company's investment assets increased 57% to nearly CHF 600 million as the Company continued to make significant new fund commitments and direct investments. As a result of this investment program, cash on hand represented less than 8% of total assets at year end despite the inflow of funds from the capital increase.

Investment performance was excellent during the year, with net asset value per share increasing 16% despite the weak US dollar, which hurt the performance of the Company's US assets. Given the strength of the Company's investment performance and the Company's demonstrated ability to invest the proceeds from the capital increase and investment exits effectively, we were somewhat disappointed that the Company's share price increased by only 7.2% over the year, with the premium of share price over NAV shrinking to effectively zero at year end. We are confident, however, that the Company's investment portfolio is in excellent shape and will continue to provide attractive returns for the Company and its shareholders.

In line with the Company's long-term strategy of focusing the investment portfolio, the Company's commitment per fund continued to increase and reached an average of CHF 26 million in 2006. Over all, the Company made CHF 466 million of commitments to new funds during the year and closed on CHF 81 million of new direct investments. The Company's ability to secure substantial investments in the most sought-after funds and co-investment opportunities demonstrates once again the Company's access advantage resulting from its own long-term investing history and from its association with AIG.

DR. ERNST MÄDER, *Member*

WIN NEUGER, *Member*

DR. ROGER SCHMID, *Member*

DR. CHRISTIAN WENGER, *Member*

At this year's annual general meeting, Erich Hort will step down from the board of directors, after serving in that capacity for eight years since the Company's founding in 1999. We thank Mr. Hort for his very strong support from early days and value his contributions greatly. Win Neuger will also step down from the board of directors so that he can return to the Company's investment committee, where he was a member until his election to the board in 2006.

The abundant investment and exit activity in evidence at the end of 2006 has continued so far in 2007, with first quarter investment income almost matching the record pace set in Q1 2006 and investment income so far in April well ahead of last year's pace. Investment performance also continues to be positive, with NAV per share up 4% in the first two months of 2007. As the large portfolio of new investments the Company has made since the end of 2004 continues to mature, we would expect to see exit activity in the Company's portfolio increase over the next twelve to eighteen months. To all of our shareholders we extend our appreciation for the confidence you have placed in us.

Eduardo Leemann
Chairman of the Board

AIG Private Equity Ltd. (the "Company") had an active and successful year in 2006. In June, the Company completed a capital increase at a 12% premium to reported NAV that generated CHF 109 million in net proceeds. The Company purchased more than CHF 270 million worth of new fund and direct investments. As a result of the capital increase, the active investment program, and positive investment performance, the Company's assets increased 43% over the year and investment assets were up 57%. The Company's net asset value ("NAV") per share increased 16% from CHF 138.17 to CHF 160.63 despite the substantial weakening of the US dollar which led to lower reported values for US dollar assets. The Company's share price increased 7.2% and ended the year at CHF 160.20.

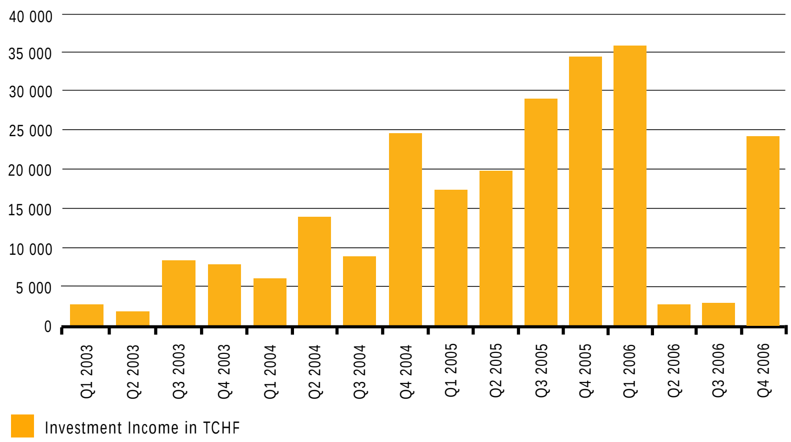
Review 2006 and Outlook

The private equity industry received a great deal of press coverage and attention in 2006 as a result of a number of high-profile acquisitions by private equity funds, a substantial increase in the amount of capital raised by private equity funds as investors sought access to the asset class, and readily available debt for private equity transactions. Purchase price multiples and leverage ratios continued to increase to higher levels than recorded in 2005. In the current environment, the Company believes it is especially important to invest with private equity funds that have a strong track record over various cycles and have demonstrated appropriate pricing and operational discipline. The Company also continues to maintain vintage year diversification by setting fund commitment targets based on a multi-year cash flow model.

In contrast to 2005, the Company's increase in NAV per share in 2006 was more driven by unrealized gains than by exit activity. Investment income (including capital gains) reached a record of more than CHF 35 million in the first quarter, but decreased to much lower levels in the second and third quarters, as there were few exits in the Company's portfolio during the period. Investment income in the fourth quarter rebounded to more normal levels and continued to increase through the first quarter of 2007. Overall in 2006, the Company's investment income decreased 33.6% to CHF 65.1 million from 2005's record level of CHF 98.0 million. In connection with impairment losses recognized by the Company (see below), the lower levels of investment income resulted in reported net income of only CHF 3.0 million. During the same period, however, the Company's revaluation reserve (unrealized gains that are expected to be recognized as income in future periods) increased by nearly CHF 72 million due to valuation increases in the Company's investments, including increases resulting from the IPOs of portfolio companies (including three of the Company's top 20 investments at year end: Hertz, Symrise and QinetiQ). The Company believes that the low level of exit activity in the middle of 2006 is representative of normal fluctuations to be expected in any private equity portfolio and is confident that the portfolio will continue to generate substantial NAV increases and earnings over the long term.

To ensure compliance with IFRS requirements, the Company revised its impairment policy in 2006. Under the revised policy, any investment (whether a fund or a direct investment)

Quarterly Investment Income from 2003 to 2006



CONRADIN SCHNEIDER ANDREW FLETCHER

with a fair value at any reporting date below cost and which has had a fair value below cost for twelve months or more will be considered impaired and an impairment loss equal to the shortfall will be recognized through profit and loss even in cases where the Company may believe that the investment in question will eventually increase in value above cost. In addition, any investment with a fair value more than 30% below cost will be considered impaired regardless of the length of time the investment has been held below cost. (Cost and fair values are compared in USD, the Group's functional currency.) Pursuant to this policy, the Company recognized impairment losses of CHF 29 million in 2006. While decreasing reported income for the year, the recognition of the impairments increased the revaluation reserve by the same amount, resulting in no net change to shareholders' equity or NAV. It should also be noted in this context that almost all of the funds for which impairments were recognized under this policy have been and are expected to be profitable on an overall basis.

The funds contained in the contractual agreements, with vintage years of 1999 and earlier, showed a fair value of CHF 53.7 million at year end (2005: CHF 61.0 million). In 2006 that portfolio of funds generated USD 17.9 million (2005: USD 41.7 million) in net cash flows and USD 16.5 million (2005: USD 3.2 million) in value appreciation. This is a very mature part of the portfolio and we expect further solid cash flows and NAV contribution from this investment.

During 2006 the Company completed eight new direct investments with a total value of more than CHF 80.8 million. Exit activity in the direct portfolio was limited in terms of cash flow, with three partial realizations from Hertz (recapitalization and IPO), BRG Sports (recapitalization), and QinetiQ (IPO). (Cash proceeds from the exit of Spirit Group were received in January 2006, but were booked in 2005.) However, both Hertz and QinetiQ (which were both top 20 investments at year end), had IPOs during the year and QinetiQ was fully exited in Q1 2007. The BRG Sports recapitalization, it should be noted, was produced less than six months after the Company's initial investment and was the result of strong results at the portfolio company.

The average maturity of the Company's funds portfolio has decreased somewhat as a result of the high volume of new fund investments and commitments. As of year end, the fair value of portfolio funds with a vintage of 2001 or earlier (six years or older) represented 41.0% of invested assets, down from 62.3% at the end of 2005.

Top 20 investments

The Company's top 20 investments portfolio saw a high number of new entrants and also significant exit activity during the year. Of the top 20 investments at the beginning of 2006, two companies were sold and seven recorded partial exits or recapitalizations. Eleven companies entered or re-entered the top 20 over the course of the year.

Two top 20 investments, Hertz (NYSE) and Symrise (Deutsche Börse), carried out successful initial public offerings in the fourth quarter. The share prices of both companies rose following the IPOs and contributed substantially to the Company's NAV performance. Two other top 20 investments, Theravance and QinetiQ, were also listed as of year end. The Company completely exited its position in QinetiQ in the first quarter of 2007.

Liquidity

The Company's cash balance at year end (including distributions announced in December 2006 and received in early January 2007 which were booked as receivables) was CHF 49 million. This represents less than 8% of the Company's total assets and is actually less cash than the Company had at the beginning of 2006, despite the capital increase in June. The Company was able to maintain a high investment grade due in part to the fund commitments made in prior years, making a total of over CHF 270 million of new investments over the course of the year.

In order to maintain full investment, the Company follows an overcommitment strategy, with overall commitments of CHF 1 536 million and unfunded commitments of CHF 762 million at year end. The Company believes that its portfolio is largely self-funding (i.e. that distributions from investments will approximately equal new investments over most periods), but also maintains a USD 35 million line of credit to cover short-term cash flow imbalances.

Investment Program

The Company added eighteen funds and eight direct investments to its portfolio in 2006. Average fund commitment increased during the year (using year-end exchange rates) to CHF 26 million (2005: 19 million) and the average direct investment size increased to CHF 10 million from CHF 2 million in 2005.

The Company's largest direct investment to date was a EUR 30 million investment in MVLF, a newly-created holding company with a mature portfolio of European mezzanine investments. The Company invested EUR 10 million in MVLF equity and EUR 20 million in debt financing. Since MVLF's portfolio was already mature at the time of the Company's investment the Company expects to receive regular income and return of capital distributions on both its debt and equity investments in MVLF and will likely receive all or substantially all of its investment (plus gains) back by the end of 2008, which corresponds extremely well with the Company's expected cash needs to fund existing and future fund commitments and has allowed the Company effectively to avoid any potential cash drag that might have been the result of the Company's capital increase in June 2006.

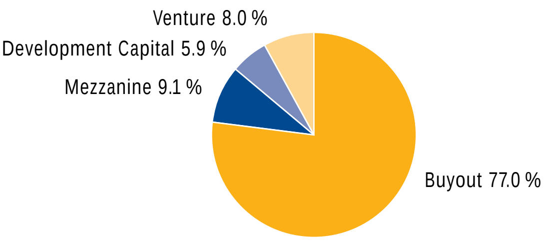
The Company made commitments to a total of eighteen new funds in 2006 and increased its existing commitment to three funds. Total commitments to 2006 vintage funds were CHF 466 million. Ten 2006 funds, with total commitments of USD 198 million, have an investment focus on North America: JC Flowers II (USD 25 million), Diamond Castle IV (USD 25 million), Ares Corporate Opportunity Fund II (USD 25 million), Polaris Venture V (USD 10 million), VSS Communications Fund IV (USD 15 million), Madison Dearborn V (USD 20 million), Berkshire VII (USD 30 million), Mill Road Capital (USD 15 million), SFW Capital Partner Fund (USD 20 million) and Thompson Street Capital Partners II (USD 13 million). All of these funds other than Berkshire VII are new manager relationships for the Company.

Five European funds were added to the portfolio with commitments totaling EUR 92 million: The Fourth Cinven Fund (EUR 30 million), GMT Communications Partners III (EUR 20 million), EQT V (EUR 12 million), CapVest II (EUR 20 million), and Ibersuizas II (EUR 10 million). Ibersuizas is a new manager for the Company.

Two funds were added to the Other Regions/Asia portion of the portfolio: AIG New Europe Fund II (EUR 20 million) and Carlyle Japan II (JPY 734 million). Furthermore, the Company made a commitment to Lexington Capital Partners VI (USD 30 million), a fund that will acquire secondary fund interests on a global basis.

In the course of the year the Company increased its exposure to three of its portfolio funds. The Blackstone V commitment was increased by USD 10 million to a total of USD 50 million. The commitment to Cortec IV was also increased by

1. Diversification by Investment Focus as of December 31, 2006
Expressed as % of invested assets applying fair values



2. Investment Framework as of December 31, 2006
Expressed as % of total assets applying fair values

	AIG Funds Portfolio	3rd-Party Funds Portfolio	Direct Investments Portfolio	Total
Developed Markets				
Europe	4.9 %	32.4 %	9.8 %	47.1 %
North America	5.4 %	22.1 %	10.1 %	37.6 %
Other Markets	4.4 %	3.1 %		7.5 %
Total	**14.7 %**	**57.6 %**	**19.9 %**	**92.2 %**

USD 10 million to USD 20 million. Lastly, the Company committed EUR 10 million to the CVC European Equity Partners Tandem Fund, a fund that will invest side-by-side with other CVC funds, primarily CVC IV.

Unfunded commitments as of year end amounted to approximately CHF 762 million, or 119% of total assets. Generally, we expect funds to invest over a period approximately of five years. Fund drawdowns for the year were very closely in line with expectations based on the Company's cash flow models.

New Direct Investments

At year end, direct investments accounted for 21.6% of invested assets (including the direct investment of EUR 10 million and the loan of EUR 20 million in MVLF), a substantial increase over the prior year. The Company expects that the direct investments allocation will continue to remain around 20% of invested assets.

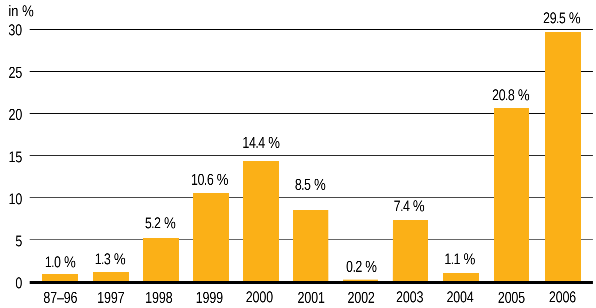
The Company added eight direct investments to its portfolio with a total value of CHF 80.8 million. USD 8.3 million was invested in Capmark, a vertically integrated, diversified, global commercial real estate finance company whose core businesses are lending, mortgage banking, investment banking, servicing, special servicing, and investments. Bell Riddell Holdings (USD 2 million) is a U.S sports equipment company formed through the combination of Riddell Sports Group and Bell Sports. Its principal brands include market leaders Riddell (football, baseball, and lacrosse helmets and equipment), Bell (bicycle and action sports helmets and accessories) and Giro (bicycle and snow sports helmets). Thomas Nelson (USD 7.0 million) is a newly formed company with interests in Thomas Nelson Media (publisher of Christian oriented fiction) and the Gospel Music Channel. The investment is held via a newly established subsidiary of the Company APEN Faith Media Holdings LLC. Acosta (USD 3.5 million) is the leading sales and marketing agency, or "food broker", servicing consumer packaged goods companies in the U.S. and Canada. Jet Direct Aviation (USD 1.4 million) is a leading private aviation charter company in the U.S. They have approximately 100 aircraft, spread principally across seven major metropolitan areas, and includes three fixed base operations and one major maintenance facility. NXP Semiconductor (EUR 2.4 million; formerly Philips Semiconductor), was acquired by a consortium of private equity funds with Philips retaining a 19.9% share in NXP. NXP supplies application specific system solutions and components to wireless, consumer, automotive, and identification end markets. Body Central (USD 1.9 million), is a specialty young women's clothing retailer in the U.S. focused on delivering outstanding value on great fashion.

Outlook

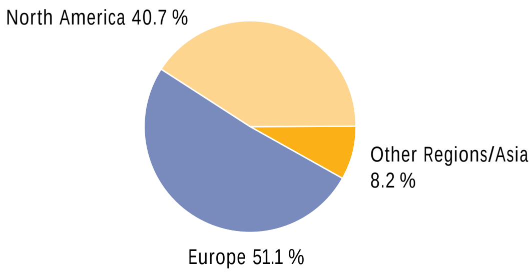
The Company added eight further funds to its portfolio in the first quarter of 2007: Silver Lake Capital Partners III (USD 30 million); Affinity Asia Pacific Fund II (USD 25 million); Carlyle Europe Partners III (EUR 35 million); Astorg IV (EUR 20 million); Sun Capital V (USD 17 million); Lion Capital Fund II (EUR 20 million); Terra Firma Capital Partners III (25 million); and Odewald Partners III (EUR 15 million).

The general market environment remains healthy and is not expected to change dramatically in 2007. The North American and European economies continue to perform reasonably well. Interest rates, while somewhat higher, are still quite low by historical standards, and the continued abundant supply continues to drive private equity transactions. We are confident that the portfolio will continue to generate an attractive performance both in terms of NAV growth and investment income. 2007 has gotten off to a good start with expected investment earnings approaching the record level of Q1 2006 and an NAV increase through February 28 of 4.0 %. To date in 2007, three top 20 investments (FoodVest, AZ Electronic Materials, and QinetiQ) have already recorded full or partial exits, while several (notably Hertz and AZ Electronic Materials) have also contributed significantly to NAV growth.

3. Diversification by Vintage Year as of December 31, 2006
Expressed as % of invested assets applying fair values



4. Diversification by Region as of December 31, 2006
Expressed as % of invested assets applying fair values



The development of the top 20 investments in 2006 reflected the development of the Company's overall portfolio. At the end of 2006, the Company's top 20 investments had an aggregate value of CHF 156 million, an increase of 47% over the aggregate value of the top twenty positions at the end of 2005. Due to the substantial increase in the Company's overall asset base, however, the proportion of total assets represented by the top 20 investments remained virtually unchanged at 25%. Reflecting the Company's increased fund commitments and direct investment activity, nine of the top 20 investments at year end were new investments made during the year and still held at cost. The top 20 investments portfolio saw significant exit activity during the year, with one full exit, one full exit in process at year end, four partial exits, and one recapitalization. To date in 2007, there have been further liquidity events for four of the 2006 top 20 investments, including a secondary sale of the number one portfolio company, FoodVest (fomerly Young's Bluecrest). The valuations of six more of the 2005 top 20 investments increased substantially during 2006, while three were written down.

Top 20 Investments

As of December 31, 2006, the total fair market value of the Company's twenty largest holdings was CHF 155.9 million, an increase of CHF 49.7 million (46.8%) over the prior year. Portfolio turnover was high, with a total of twelve new investments joining the top 20 in the course of the year, nine of which were new investments made in 2006 and three of which were existing investments that entered the top 20 due to increased valuations. The top 20 investments portfolio is weighted towards the services sector (including financial services) (37.6%), due in large part to the excellent performance of ***Hertz*** and the large new investment in Capmark. Allocation to media investments in the top 20 increased considerably during the year (13.8% compared to 2.7% as of December 31, 2005) due to a number of new investments made in 2006. Industrial exposure decreased substantially (2.8% compared to 22.0% in 2005), with the full or partial exits from three 2005 top 20 industrial investments, the writedown of ***Teksid***, and the lack of any new top 20 industrial investments in 2006.

As a result of exit activity and the large number of new investments entering the top 20 during the year, the average maturity of the Company's top 20 investments declined, and at year end 39% of top 20 investments by value had been held for more than 24 months. At the same time, however, four of the top 20 investments at year end were quoted, and one of these, QinetiQ, was fully exited in the first quarter of 2007. The lockup periods following the IPOs of Hertz and Symrise expire during the first half of 2007 and the Company expects that these positions will be further reduced over the remainder of the year.

Top 20 Portfolio Performance

Both fully-exited top 20 investments in 2006 were portfolio companies of Cognetas Partners I (formerly Electra Partners I), a mid-market buyout fund that mainly operates in the UK, France, and Germany. In November 2006, Cognetas sold ***BWG Holdings*** (BWG), a UK wholesaler of food, drinks, and tobacco and the operator of retail chains such as Spar and Mace, to the company's management. In total, the investment in BWG generated returns of 3.7 times cost for the Company. During the same month, Cogentas announced the sale of ***Aliplast***, an aluminum system supplier for conservatories, windows, and doors, with headquarters in Belgium, to a consortium backed by Sagard and Ergon. The sale generated returns of 3.6 times the Company's invested money.

Three of the Company's top 20 investments went public in 2006. In February, ***QinetiQ*** had its IPO on the London stock exchange (ticker symbol: QQ/). QinetiQ shares were offered at GBP 2.00, the year-end closing price was GBP 1.92. The total value of the Company's QinetiQ investment was 8.8 times cost at year-end. In November, just eleven months after its acquisition by a buyout consortium, ***Hertz***, the international car rental business, had its IPO on the New York Stock Exchange (Hertz's NYSE ticker: HTZ). The IPO price of USD 15.00 per share compared favorably to the Company's implied cost base of USD 9.99 per share. Subsequent trading was strong, and the shares closed at USD 17.39 as of December 31, 2006. Including distributions received during 2006, Hertz's total value was 2.3 times cost for the Company. With its very strong performance, Hertz replaced ***Capmark*** as the Company's second largest investment at year end. In December, ***Symrise***, one of Europe's leading producers in the flavors and fragrance industry and an EQT III portfolio company, had its IPO on the Frankfurt stock exchange (Symrise's ticker: SY1). Symrise's shares were priced at EUR 17.25, which was at the upper end of the price range. Trading was strong during December and the shares closed at EUR 19.95, up 15.6% from the offering price. Subsequent to the IPO, the Company received a distribution of about 1.0 times cost. The Company continues to hold roughly EUR 2.2 million in Symrise shares, resulting in an interim multiple of 1.7 times cost.

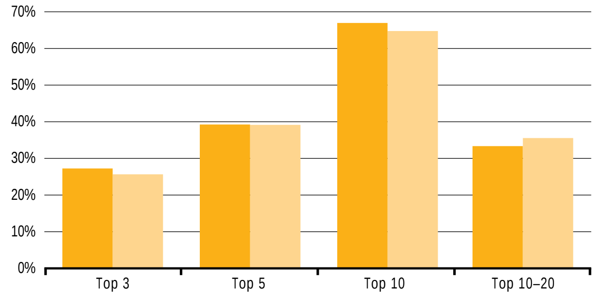
Geoservices, an upstream oil field services company, entered the top 20 in 2006 based on a substantial increase in fair market value and was the Company's number four investment at year end.

Due to the large size of several of the Company's new investments in 2006, several 2005 top 20 investments dropped out of the top 20 during the year even though they had no changes in valuation. These included ***AZ Automotive, ISS, Fresh Direct, Diana,*** and ***American Community Newspapers***. In addition, ***Springs Industries*** was split into two separate companies in March 2006. In three cases, departures from the top 20 investments were due to downward valuation adjustments. The share price of ***Ubiquity***, a UK based software company (AIM ticker: UBQ), fell sharply during the first half of 2006. However, in the first quarter of 2007, Ubiquity was taken private by a strategic buyer at GBP 0.37 per share, compared to a price of GBP 0.36 as of December 31, 2005. After a difficult year for the North American hospital industry, the Company reduced the valuation of ***Vanguard Health Systems*** (Vanguard) back to cost. The Company also reduced the valuation of ***Teksid***, a manufacturer of complex aluminum castings for automobile engines, to zero at year-end on the back of disappointing operating results and a difficult environment for auto parts manufacturers.

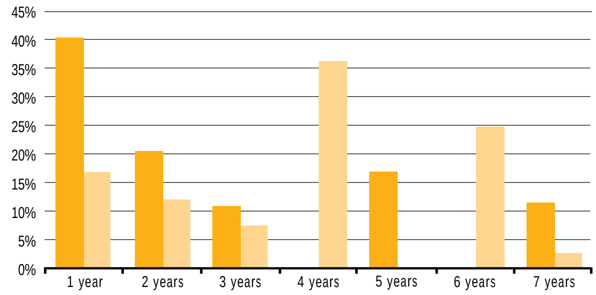
New Top 20 Companies

Eleven of the Company's top 20 investments as of December 31, 2006, were not in the top 20 at then end of 2005. Of these eleven, nine were new investments in 2006 and are still held at cost: ***Capmark, Freescale Semiconductor, Thomas Nelson Publishing, VNU/The Nielsen Company, Suomen Asiakastieto, PBL Media, DCA Group, HSH Nordbank,*** and ***Acosta***. ***Vaasan&Vaasan***, the leading Finnish bakery, which was a top 20 investment in 2005 but dropped out after a recapitalization of the company reduced the remaining value of the investment, re-entered the top 20 during the year based on

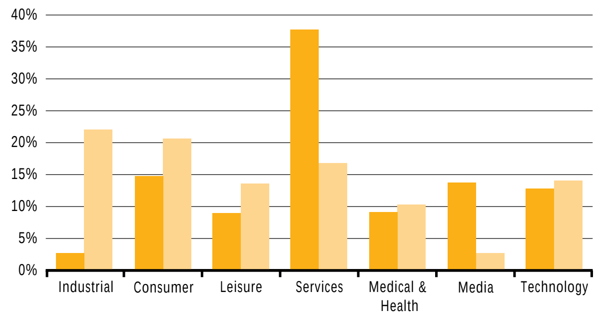
Distribution of value in Top 20 2006 vs. 2005



Comparison Top 20 by Maturity 2006 vs. 2005



Comparison Top 20 2006 vs. 2005 by Industry



2006 | 2005 adjusted for currency differences a valuation increase stemming from positive operating results. In March 2007, the Company made a direct investment of USD 8.3 million in Capmark, the former commercial mortgage arm of General Motors. Other than MVLF, this is the Company's largest direct investment to date. Capmark was bought by a consortium led by Five Mile Capital at an attractive valuation and has performed in line with expectations since the investment. Due to its focus on the commercial segment, Capmark has remained unaffected by the problems of the US housing mortgage lenders. The Company invested USD 7.0 million in Thomas Nelson publishing, the leading publisher of Christian-oriented fiction and non-fiction books, Bible reference books, and translations of the Christian Bible. VNU/The Nielsen Company (VNU), a global information and media company, was acquired by a consortium including Blackstone and The Carlyle Group in June 2006. Through these two managers, the Company invested USD 5.5 million in VNU. Suomen Asiakastieto (Asiakastieto) is the biggest Finnish credit information provider. The Company invested EUR 4.7 million in Asiakastieto through GMT III, a European fund with media and communications focus. The third direct investment to become top 20 during the year was Acosta, the leading sales and marketing agency servicing consumer packaged goods companies in the U.S. and Canada. The Company invested USD 3.5 million in Acosta. With PBL Media, Australia's leading diversified media company, and DCA Group, the world's largest diagnostic imaging service provider, the Company has for the first time top 20 investments in Australia. The Company invested in PBL and DCA through various funds managed by CVC Capital Partners. Also in the fourth quarter 2006, JC Flowers II, an international buyout fund with focus on the financial services industry, acquired a minority position in HSH Nordbank (HSH). HSH provides specialty financing focused on the transportation, real estate, and corporate sectors. The Company invested USD 3.7 million in HSH. In December 2007, the Company invested USD 7.7 million in Freescale Semiconductor (Freescale), a global designer, manufacturer, and marketer of broadline semiconductors, a former subsidiary of Motorola. Freescale was acquired by a consortium including Blackstone and The Carlyle Group.

TOP 20 INVESTMENTS

	Investment Date	Portfolio Company	Fair Value (CHF million)
1	March 2002	FoodVest (fka. Young's Bluecrest)	17.9
2	December 2005	Hertz*	13.3
3	March 2006	Capmark	11.0
4	July 2005	Geoservices	9.4
5	November 2006	Freescale Semiconductor	9.4
6	December 2005	Kwik-Fit	9.2
7	September 2000	Theravance, Inc.*	9.2
8	June 2000	Universal Studios Escape	8.7
9	June 2006	Thomas Nelson Publishing	8.6
10	June 2006	VNU/The Nielsen Company	7.5
11	July 2006	Suominen Asiakastieto	6.8
12	September 2004	AZ Electronic Materials	6.5
13	March 2004	AMF Bowling	5.4
14	November 2006	PBL Media	5.4
15	November 2006	DCA Group	5.2
16	March 2004	Vaasan & Vaasan	5.1
17	October 2006	HSH Nordbank	4.6
18	October 2002	Symrise*	4.4
19	August 2006	Acosta	4.3
20	May 2002	QinetiQ*	4.0
Totals Top 20 Investments			**155.9**

* Denotes publicly traded company (Hertz's NYSE Ticker: HTZ, Theravance's Nasdaq Ticker: THRX; Symrise's FSE Ticker: SY1; QinetiQ's LSE Ticker: QQ/)

Subsequent Events

During the first quarter of 2007, the Carlyle Group sold its remaining shares in QinetiQ in a block trade at a price above the Company's year-end valuation. Furthermore, Carlyle Europe Partners II sold a large part of its holdings of AZ Electronic Materials to Vestar Capital. The sales price was well above the Company's year-end valuation. CapVest Equity Partners sold FoodVest from fund I to fund II. Since the Company has committed to fund II, it will stay invested in FoodVest. However, the distribution received from the transaction was substantially in excess of the reinvested capital. In January, the Company invested USD 3.9 million in ***Knowledge Universe Education*** (KUE), the product of a roll up of pre-school center operators (principally KinderCare, Knowledge Learning Centers, and Aramark Education Centers) as well as smaller tutoring services and on-line curriculum providers for the pre-K-12 market. Provided that KUE meets certain milestones, the Company will invest another USD 3.9 million during the first half of 2007, which will make KUE the Company's third largest direct investment to date after MVLF and Capmark.

Outlook

With 40% by value of the Company's top 20 investments still held at or near acquisition cost (Capmark is held slightly above cost due to an increase in book value), the Company believes that there is significant upside potential in the portfolio. Furthermore, with 20% by value of top 20 investments in listed companies, and some other top 20 companies nearing logical exits, the Company expects a substantial amount of liquidity to be generated by the portfolio during 2007 (as has already proved the case during the first four months of the new year).

Percentage of NAV	Type	Industry	Geography
2.9%	Buyout	Consumer	Europe
2.1%	Buyout	Services	Global
1.8%	Buyout	Services	Global
1.5%	Buyout	Services	Global
1.5%	Buyout	Technology	Global
1.5%	Buyout	Services	Europe
1.5%	Venture Capital	Medical & Health	Global
1.4%	Buyout	Leisure	North America
1.4%	Buyout	Media	North America
1.2%	Buyout	Media	Global
1.1%	Buyout	Services	Europe
1.0%	Buyout	Technology	Global
0.9%	Buyout	Leisure	North America
0.9%	Buyout	Media	Australia
0.8%	Buyout	Medical & Health	Australia
0.8%	Buyout	Consumer	Europe
0.7%	Buyout	Services	Europe
0.7%	Buyout	Industrial	Europe
0.7%	Buyout	Services	North America
0.6%	Buyout	Technology	Global
25.0%			

1 FoodVest Limited

www.youngsbluecrest.co.uk
www.findus.se

FoodVest was formed in early 2006 as the holding company for Young's Bluecrest and Findus. Young's Bluecrest Seafood is based in Grimsby, England. Young's is the UK's leading seafood producer, with a 40% share of both the frozen and chilled seafood market. Findus is based in Malmo, Sweden. Acquired by FoodVest in March 2006, Findus is the leading frozen food brand in Sweden, Norway, Finland and France. Findus produces a wide range of products including seafood, vegetables, ready meals and frozen bakery products.

2 Hertz

www.hertz.com

Hertz is the world's largest general use car rental company and the third largest equipment rental business in North America. The Company and its independent licensees and associates currently rent cars at approximately 7 000 locations in over 150 countries. Hertz has been in the car rental business since 1918 and in the equipment rental business for over 40 years. Wholly owned subsidiaries of Hertz include: Hertz Equipment Rental Corporation, Hertz Claim Management Corporation (a Third Party Liability Claims Administrator), and Hertz Local Edition, which specializes in insurance replacement and local car rentals.

3 Capmark

www.capmark.com

Capmark™, formerly known as the GMAC Commercial Mortgage family of companies, is a leading real estate financial company with three core businesses: lending and mortgage banking, investments and funds management, and services. Capmark operates in North America, Europe, and Asia. The Company

originated USD 29.9 billion in loans worldwide in 2005, using its own funding sources and relationships with more than 100 capital providers.

4 Geoservices
www.geoservices.com

Geoservices is an upstream oil field services company with headquarters located in the Paris suburbs. Almost 100% of its business activity takes place outside France on a worldwide basis in at least 50 different locations spread over all continents. Geoservices employs over 4000 people of some 60 different nationalities. Its main business lines are: Mud Logging; Well Intervention; Well Testing and Field Surveillance.

5 Freescale
www.freescale.com

Freescale Semiconductor, Inc., is a global designer, manufacturer, and marketer of broadline semiconductors. The Company develops products for multiple markets, including the wireless and wireline communication, consumer, and automotive semiconductor markets. The company is based in Austin, Texas, and has design, research and development, manufacturing, or sales operations in more than 30 countries. Freescale is one of the world's largest semiconductor companies with 2006 sales of USD 6.4 billion.

6 Kwik-Fit
www.kwik-fit.com

The Kwik-Fit Group Ltd. is the European market leader in automotive fast-fit services. Kwik-Fit's core product and service offering is the sale and fitting of replacement tires and mechanical parts on a drive-in "while you wait" basis through its network of conveniently located centers. The Kwik-Fit network encompasses 1685 centers and 215 mobile units and is the market leader in the UK, the Netherlands, and France (trades as Speedy), and has a significant presence in Germany (trading as Pit-Stop). In the UK, Kwik-Fit also operates an insurance brokerage business, Kwik-Fit Financial Services (KFFS).

7 Theravance

www.theravance.com

Theravance (formerly, Advanced Medicine, Inc.) is an emerging pharmaceutical company that uses proprietary technology (called multivalent technology) to improve the efficacy and safety of known therapeutic compounds. The Company is focused on the discovery, development, and commercialization of small molecule medicines across a number of therapeutic areas including respiratory disease, bacterial infections, and gastrointestinal motility dysfunction.

8 Universal Studios Escape

www.universalorlando.com

Universal Studios Escape consists of two theme parks, Universal Studios Florida and Islands of Adventure. It also includes CityWalk, a dining, retail and entertainment complex. Universal Studios Florida is a movie-based theme park designed to allow guests to become a part of their favorite movies. Islands of Adventure, opened in 1999, has 16 rides, shows, and attractions along with a facade of famous film locations. CityWalk is a diverse collection of restaurants, retail outlets, and nightclubs, and also includes a 20-screen Cineplex. The latest attraction, The Incredible Hulk Coaster, has a top speed of 67 mph, one of the fastest rides in the world.

9 Thomas Nelson/Faith Media

www.thomasnelson.com

Faith Media Holdings, LLC, is a company formed by InterMedia Advisors to acquire the controlling interests in Thomas Nelson Media, Inc. ("TNM") and The Gospel Music Channel ("GMC"). TNM is the leading publisher of Christian-oriented fiction and non-fiction books, Bible reference books, and translations of the Christian Bible. TNM also sells secular titles to mainstream commercial markets. GMC is the first advertiser-supported cable network dedicated to gospel music.

10 VNU/The Nielsen Company

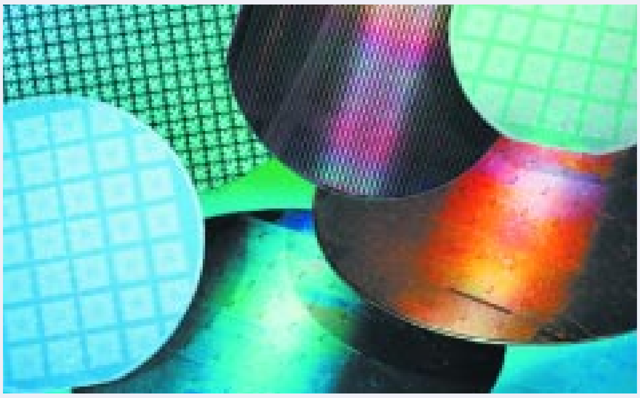
www.nielsen.com

The Nielsen Company, formerly known as VNU Group B.V., is a global information and media company with leading market positions and recognized brands in marketing information (ACNielsen), media information (Nielsen Media Research), business publications (Billboard, The Hollywood Reporter, Adweek), and trade shows. The company is active in more than 100 countries, with headquarters in Haarlem, the Netherlands, and New York, USA.

11 Suomen Asiakastieto

www.asiakastieto.com

Suomen Asiakastieto is the leading business and credit information company in Finland. The company provides customers with information and benefits at all stages of the business relationship. Its circle of services comprises targeting, decision-making, and monitoring. Asiakastieto's database is the most extensive and comprehensive in Finland, with real-time connections with several public and private data sources. It contains up-to-date and comprehensive contact, credit, and financial information on Finnish companies as well as credit history information on private individuals.



12 AZ Electronic Materials

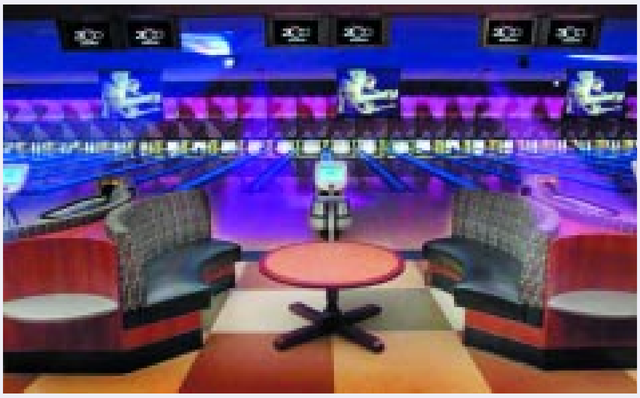
www.az-em.com

AZ develops, manufactures and markets photoresist, anti-reflective coatings and ancillary chemicals for use in electronics applications to the integrated circuit (semi-conductor) and flat panel display sectors. The company also supplies other materials, such as liquid crystals, wafer polishing slurries, insulation coatings, and light management films to the same sectors. The remaining relates to a small printing business. The business was previously headquartered in Germany and will be headquartered in the UK, although its activities are spread between Asia, Europe, and US.

13 AMF Bowling

www.amf.com

AMF Bowling Centers, Inc. is the world's largest owner and operator of bowling centers. Since the introduction of the automated pinspotter in 1946, AMF has been a leader in the bowling industry. Bowling is the number one participatory sport in the United States. More than 25 million bowling enthusiasts a year make AMF their destination of choice, playing more than 100 million games annually. AMF has more than 10 000 employees engaged in the operation of customer-focused bowling centers. Additionally, a new joint venture of the Company, QubicaAMF, manufactures a full line of bowling equipment such as automatic pinspotters, scoring equipment, bowling center furniture, bowling pins, High Performance Lanes (HPL), ball returns, and spare parts.



14 PBL Media

PBL Media is Australia's leading diversified media company. The group's core businesses are gaming and entertainment, television production and broadcasting, magazine publishing and distribution, and strategic investments in key digital media and entertainment businesses. It also owns the highest rating free-to-air television network, the Nine Network, and the largest magazine publisher, ACP Magazines. Additionally PBL Media is a joint venture partner in ninemsn, the leading on-line business in Australia, and owns the majority of carsales.com.au, the leading automotive website in Australia.

15 DCA Group

www.dcagroup.com.au

DCA Group ("DCA") is the world's largest diagnostic imaging ("DI") service provider, as well as Australia and New Zealand's leading for-profit aged care ("AC") facility operator. DCA is exposed to favorable demographic trends in the health-care and aged care sectors, and is forecast to continue steady organic sales growth driven primarily by the ageing populations in these markets. Both DI and AC benefit from government funding and regulation, which provide barriers to entry, as well as the propensity of consumers to pay more for their own healthcare and aged care services.

16 Vaasan & Vaasan

www.vaasan.com

The Vaasan & Vaasan Group is the largest bakery business in Finland and the Baltic region, and the second-largest Nordic operator in ready-to-bake products. Each Baltic subsidiary is the market leader in its own country, while Nordic Bake Off AB is the second-largest producer of ready-to-bake products in Sweden. The Group's most popular domestic products include Finland's favorite breads such as Vaasan Ruispalat rye bites, Vaasan Koulunäkki crisp bread, and Vaasan Kotiuunin ready-to-bake products. In 2006 the Group had a turnover of approximately EUR 334 million and employed some 3450 people.

17 HSH Nordbank

www.hsh-nordbank.de

HSH Nordbank is a German regional bank with twin headquarters in Hamburg and Kiel that provides specialty financing focused on the transportation, real estate and corporate sectors. Established in 2003, HSH Nordbank is the result of the merger of Hamburgische Landesbank and Landesbank Schleswig-Holstein. Covering the entire value chain in the transportation segment, HSH Nordbank is the world's leading provider of shipping finance.

18 Symrise
www.symrise.com

In February 2003, Symrise was formed by the merger of H&R and Dragoco. The combination created the fourth largest company in the global flavors, fragrances, aroma chemicals, and cosmetics ingredients (FFA) industry. Symrise has a well-positioned complementary product portfolio, a diversified sales network, market-leading technology and innovation, world-class marketing capabilities, and long-standing customer relationships. Symrise has a truly global presence with main markets being Europe, Middle East, North America, Asia, and South America. The Company was listed on the Frankfurt Stock Exchange in December 2006.

19 Acosta
www.acosta.com

Acosta, Inc. is the leading sales and marketing agency servicing consumer packaged goods companies in the U.S. and Canada. Its customer base comprises over 1300 clients and includes top tier global food and beverage manufacturers. Acosta has roughly 11000 non-unionized sales associates deployed at 120000+ retail locations to serve the Grocery Channel and Strategic Channels, which include mass/club, natural/specialty, convenience stores, and drug stores.

20 QinetiQ
www.qinetiq.com

QinetiQ is one of the largest science and technology organizations in Europe that provides military research, test, evaluation, and other scientific services primarily for the UK Ministry of Defense (“MoD”). It derives approximately 80% of its revenues from the MoD and the remainder from commercial customers. The Company has 9500 employees and over 90% of its activities are based in the UK. The Company’s activities can be divided into two general areas: 1) Solutions – provision of scientific research and technical advice; and 2) Complex Managed Services (“CMS”) – provision of military testing and evaluation services to the MoD.

FINANCIAL REPORT 2006

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2006 AND DECEMBER 31, 2005

in TCHF

	Note	2006	2005
Assets			
Current assets			
– Cash and cash equivalents	2	37 179	63 953
– Derivative instruments (foreign exchange forward, options)	4	945	1 227
– Receivables and prepayments	5	12 078	6 954
Total current assets		**50 202**	**72 134**
Non-current assets			
– Loans receivable	1	34 155	4 297
– Investments held as available-for-sale			
Direct investments	1, 15	93 286	47 928
Funds	1, 15	408 564	262 526
Contractual agreements	1, 14	53 748	61 012
Total non-current assets		**589 753**	**375 763**
Total Assets	19	**639 955**	**447 897**
Liabilities and Shareholders’ Equity			
Current Liabilities			
– Payables and accrued charges	6	14 109	15 350
Total current liabilities		**14 109**	**15 350**
Shareholders’ Equity			
– Share capital	7	412 500	317 500
– Share capital premium		148 770	94 557
– Treasury stock (at cost)		(36 207)	(3 775)
– Reserve for stock option plan	16	156	78
– Revaluation reserve (deficit)	9	22 679	(50 786)
– Accumulated surplus		74 972	12 836
– Net profit for the year		2 976	62 137
Total Shareholders’ Equity		**625 846**	**432 547**
Total Liabilities and Shareholders’ Equity		**639 955**	**447 897**
Net asset value per share			
Number of shares outstanding at year-end	7	3 896 194	3 130 587
Net asset value per share (in CHF)	7	160.63	138.17

The accompanying notes on pages 24 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2006 AND JANUARY 1 TO DECEMBER 31, 2005

in TCHF

	Note	2006	2005
Income			
Interest income from non-current assets	11	6 884	8 808
Dividend income from non-current assets	11	1 485	1 842
Net realized gains on investment		56 717	87 375
Interest income from current assets		2 615	837
Total Income	19	**67 701**	**98 862**
Expenses			
Management fees	13	(11 256)	(7 832)
Performance fees	13	(6 103)	(4 898)
Service fees	13	(376)	(364)
Write-down of non-current assets	10	(28 756)	(1 056)
Other operating expenses		(2 545)	(2 319)
Interest expenses from loans		–	(693)
Loss on foreign currency exchange		(13 152)	(8 623)
Loss on derivative instruments		(1 381)	(10 660)
Total Expenses		**(63 569)**	**(36 445)**
Tax expenses	12	(1 156)	(280)
Net profit for the year		**2 976**	**62 137**
Net profit per share (in CHF) – basic	8	**0.84**	**19.90**
Net profit per share (in CHF) – diluted	8	**0.84**	**19.89**

The accompanying notes on pages 24 to 43 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2006 AND JANUARY 1 TO DECEMBER 31, 2005

in TCHF

	Note	2006	2005
Cash Flows from Operating Activities			
Purchase of non-current assets	1	(273 757)	(102 713)
Proceeds from return of invested capital in non-current assets	1	80 341	96 126
Interest income received from current assets		2 613	837
Net interest income from non-current assets	11	6 248	8 900
Dividends received from non-current assets	11	1 486	1 842
Net realized gains on investments	11	57 106	91 721
Operating costs		(3 335)	(4 495)
Management & Performance fees	13	(12 345)	(13 566)
Changes in other current assets and liabilities		1	2 633
Total Cash Flows from Operating Activities		**(141 642)**	**81 285**
Cash Flows from Financing Activities			
Repayment of loans		–	(33 909)
Proceeds from capital increase		145 519	–
Treasury share purchase		(36 465)	–
Treasury share sale		7 677	2 282
Total Cash Flows generated by/(used in) Financing Activities		**116 731**	**(31 627)**
Foreign Exchange Effect		**(1 863)**	**559**
Increase (decrease) in Cash and Cash Equivalents		**(26 774)**	**50 217**
Cash and Cash Equivalents as of January 1	2	**63 953**	**13 736**
Cash and Cash Equivalents as of December 31	2	**37 179**	**63 953**

The accompanying notes on pages 24 to 43 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2006

in TCHF

	Share Capital	Share Capital Premium	Less treasury stock (at cost)	Reserve for stock option plan	Revaluation Reserve (Deficit)	Accumulated Surplus	Total Equity
Shareholders' Equity							
Balance January 1, 2005	317 500	93 805	(5 305)	–	(64 874)	12 835	353 964
Value decrease on investments held as available-for-sale					(32 527)		(32 527)
Value increase due to currency translation differences					46 615		46 615
Transaction in treasury shares		752	1 530				2 282
Transaction in reserve for stock option plan				78			78
Net profit for the year						62 137	62 137
Total Shareholders' Equity as of December 31, 2005	**317 500**	**94 557**	**(3 775)**	**78**	**(50 786)**	**74 972**	**432 549**
Balance January 1, 2006	317 500	94 557	(3 775)	78	(50 786)	74 972	432 546
Share capital increase	95 000						95 000
Movement due to share capital increase		55 575					55 575
Share issue cost		(5 056)					(5 056)
Value increase on investments held as available-for-sale					70 879		70 879
Value decrease due to currency translation differences					2 586		2 586
Transaction in treasury shares		3 694	(32 432)				(28 738)
Transaction in reserve for stock option plan				78			78
Net profit for the year						2 976	2 976
Total Shareholders' Equity as of December 31, 2006	**412 500**	**148 770**	**(36 207)**	**156**	**22 679**	**77 948**	**625 846**

The accompanying notes on pages 24 to 43 form an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

AIG Private Equity Ltd., Zug ("the Company") is a Swiss stock corporation established under the relevant provisions of the Swiss Code of Obligations and domiciled in Zug. The Company was established by AIG Private Bank Ltd. on September 17, 1999 for an indefinite period of time and was registered in the commercial register of the Canton of Zug on September 20, 1999. The Company, together with AIG Private Equity (Bermuda) Ltd. and APEN Faith Media Holdings LLC ("the Subsidiaries"), comprises the AIG PE Group ("the Group"). The Company's shares are listed on the SWX Swiss Exchange.

The Company's investment objective is to achieve long-term capital growth for shareholders by investing in private equity funds. The Company may also make direct investments in operating companies. Although the Company may invest directly in Fund Investments or companies, it is anticipated that investments will generally be made through the Subsidiaries.

The subsidiary in Bermuda was incorporated on October 6, 1999 as a company with limited liability under the laws of Bermuda for an unlimited duration and is domiciled in Pembroke. All shares are held by the Company. The purpose of the subsidiary is to act as an investment vehicle for certain of the Company's direct investments in the United States and to enter into related transactions.

APEN Faith Media Holdings LLC was incorporated on June 11, 2006 as a company with limited liability under the laws of Delaware, United States of America, for an unlimited duration and is domiciled in Wilmington. All shares of APEN Faith Media Holdings LLC are held by the Company. The purpose of APEN Faith Media Holdings LLC is to act as an investment vehicle for the Company's investment and to enter into related transactions.

The Company's Board of Directors is responsible for the policies and management of the Company as well as valuations and the appointment of the investment committee. The subsidiary's investment committee is responsible for assessing the investment opportunities presented by the manager and the investment advisor and subsequently making investment recommendations to the Bermuda Board of Directors for approval.

As of December 31, 2006 the Company did not employ any employees (2005: none). For information on the Group's management please refer to Note 13, Management and Advisory Agreement.

ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Group for the year ended December 31, 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB), and comply with Swiss Law and the accounting provisions of the additional rules for the listing of investment companies of the SWX Swiss Exchange.

The consolidated financial statements are prepared under the historical cost convention, except that investments available-for-sale and derivative financial instruments are stated at their fair value as disclosed in the accounting policies hereafter.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of revised and new standards

Amendments to published standards effective in 2006

IAS 39 (Amendment), The Fair Value Option. This amendment restricts the possibility for the Group to designate financial instruments at fair value through profit or loss that are not held for trading or derivatives. The designation of an instrument to be at fair value is now possible when it removes or significantly reduces accounting mismatches in measurement or presentation, or where financial instruments are managed and their performance is evaluated on a fair value basis. So far the Group has not designated any financial instruments as fair value through profit or loss.

Standards, amendments and interpretations effective in 2006 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after January 1, 2006 but are not relevant to the Group's operations:

- IAS 19 (Amendment), Employee Benefits
- IAS 21 (Amendment), Net Investment in a Foreign Operation
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts

- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards
- IFRS 6, Exploration for and Evaluation of Mineral Resources;
- IFRIC 4, determining whether an Arrangement contains a Lease
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment

Interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after May 1, 2006 or later periods but that the Group has not early adopted:

- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from January 1, 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk, and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. Further disclosure will be included in order to fulfill the requirements of IFRS 7 and IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning January 1, 2007.
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after May 1, 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The Group will apply IFRIC 8 from January 1, 2007, but it is not expected to have any impact on the Group's accounts; and
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after November 1, 2006). IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply IFRIC 10 from January 1, 2007, but it is not expected to have any impact on the Group's accounts.

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after March 1, 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from March 1, 2006);
- IFRIC 8, Scope of IFRS 2 (effective from May 1, 2006);
- IFRIC 9, Reassessment of Embedded Derivatives (effective from June 1, 2006);
- IFRIC 10, Interim Financial Reporting and Impairment (effective from November 1, 2006);
- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective from March 1, 2007); and
- IFRIC 12, Service Concession Agreements (effective from January 1, 2008).

Principles of Consolidation

The consolidated financial statements of the Group include AIG Private Equity Ltd. and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or it is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. The consolidation is performed using the purchase method. All intercompany transactions and balances are eliminated. All Group companies have a December 31 year-end. The scope of consolidation currently includes AIG Private Equity (Bermuda) Ltd. and APEN Faith Media Holdings LLC, which both are owned 100% by the Company.

The investments of the Group are held as part of the Group's portfolio solely for the purpose of capital gains upon sale in the near future.

As of December 31, 2006 the Group holds ownership interests of 20% or more in AIG Horizon Partners Fund (36.57%; 20.50% including side-by-side vehicle). According to the limited partnership agreement of this fund, the Group does not have the power to participate in the financial and operating policy of the fund. Therefore, this investment is excluded from equity accounting.

Foreign currency transactions

Functional and presentation currency

The group's investments are mainly held in foreign currencies different from the presentation currency. Therefore, proceeds from these investments are also received in foreign currencies. Investments are generally held in the Subsidiaries which are accounted for in USD. Further, performance management and cash flow projections are based on investment currency (primarily USD and EUR). Accordingly, the Board of Directors considers the USD as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Group, and the USD is considered to be the functional currency of the Company and its subsidiaries. The presentation currency of the financial statements is CHF since the Company is listed on the SWX Swiss Exchange but also in response to investor interest.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation difference on monetary items, such as derivatives held at fair value through profit or loss, are reported part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are recognised in equity (reserve from foreign currency translation).

Translation to presentation currency

The results and financial positions of Group companies are translated from the functional currency into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at effective exchange rates; and
- all resulting exchange differences are recognized as a separate component of equity.

Derivative Financial Instruments

The Company enters into foreign exchange forward or option contracts to partially macro-hedge its net exposure in private equity investments denominated in foreign currency. These derivative financial instruments are held by the Company and the Subsidiaries. The derivative financial instruments are held-for-trading, initially recognized at fair value excluding transaction costs and subsequently re-measured at fair value. Fair values are obtained from quoted market prices, discounted cash flow models, or option pricing models as appropriate. Changes in the fair value of those derivative financial instruments are recorded into the income statement. .

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less, and that are subject to an insignificant risk of change of value.

Loans

While the loans may vary in their specific terms, in general the interest calculated for the year is added to the notional amount. Loans are carried at amortized cost (with accrued and unpaid interest included in cost) using the effective interest method, less any impairment adjustments.

Direct Investments and Fund Investments

The Group classifies its investments as available-for-sale. Available-for-sale securities are initially recorded at fair value including transaction costs at trade date. These securities are subsequently re-measured at fair value. Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the revaluation reserve in the shareholders equity. When the investment is sold or otherwise disposed of, or when it is determined to be impaired, the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period. An impairment is recorded when the Board of Directors considers that there is objective evidence of impairment. Such valuation adjustments are recorded under "write-down of long-term assets".

An investment, including contractual rights, is recognized where the Group deems it probable that future economic benefits associated with an investment will flow to the entity, and it has a cost or value than can be measured reliably. The future economic benefit of an investment is its potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity.

An investment is derecognized if, and only if, the Group either transfers the contractual rights to receive the cash flows of the financial asset, or it retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients, and in doing so transfers substantially all of the risks and rewards of the assets.

The Group's investments are mainly non-current financial assets and market quotations are not readily available, therefore these investments are valued at their fair value using generally accepted valuation techniques as described in detail below. The responsibility for determining the fair values lies with the Board of Directors. There is no independent external valuation of the investments conducted. All fair valuations may differ significantly from values that would have been used had ready markets existed. Such differences could be material.

Direct Investments

In determining the fair value of an unquoted direct investment, the Group considers all appropriate and applicable factors relevant to their value, including but not limited to the following:

- Venture capital investments:
  A new financing round material in size to the company with new, sophisticated institutional investors making up a significant piece of the financing round. Inside round of finance does not qualify.
- Buy-out/later stage investments for which subsequent rounds of finance are not anticipated:
  Once an investment has been held for one year, an analysis of the fair market value of the investments will be performed. This analysis will typically be based on one of the following methods (depending on what is appropriate for that particular company/industry):
  - Result of multiple analysis;
  - Result of discounted cash flow analysis;
  - Reference to transaction prices (including subsequent financing rounds);
  - Reference to the valuation of other investors;
  - Result of operational and environmental assessment.

Based on a composite assessment of all appropriate and applicable indicators of fair value, the Group determines the fair values as of the valuation date.

Fund Investments

In determining the fair value of fund investments, the Group considers the funds as transparent holding vehicles. The fair values of the underlying investments are determined using the same valuation techniques as for direct investments.

All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction cost.

Investments in securities and in other financial instruments traded on recognized exchanges (including bonds, equities, futures contracts, options, and funds), are valued at the last reported bid price on the valuation date. Investments in securities and in other financial instruments traded in the over-the-counter market and listed securities for which no trade is reported on the valuation date are valued at the last reported bid and ask price for long and short positions, respectively. Investments are valued on a regular basis. No discount is applied to the bid price of quoted investments, even in cases where such investments are subject to a restriction on their sale or where the number of share held is high in relation to the trading volumes.

Dividends are recognized in the income statement upon the declaration of such dividends.

Contractual Agreements

The contractual agreements are valued in accordance with the agreements using the latest reported net asset value available from the General Partners and adding or subtracting cash flows for the remainder of the year. On December 22, 1999 the Group entered into three contractual agreements with AIG that entitle the Group to receive payments equal to a pro rata share of all distributions from a specified list of funds, while obligating the Group to make payments equally to a pro rata share of all draw-downs of committed capital to the same underlying funds.

Net Asset Value per Share and Earnings per Share

The net asset value per share is calculated by dividing the net assets included in the balance sheet by the number of participating shares outstanding at year end. Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

Taxes

Tax provisions are based on reported income. Taxes are calculated in accordance with the tax regulations in force in each country. The Company is taxed as a holding company in the Canton of Zug. Income, including dividend income and capital gains from its participations, is exempt from taxation at the cantonal and communal level. For Swiss federal tax purposes, income tax at an effective tax rate of approximately 7.8% is levied. However, dividend income qualifies for the participation exemption if the related investment represents at least 20% of the other company’s share capital or has a value of not less than CHF 2 million. The participation exemption is extended to capital gains on the sale of a substantial participation (i.e. at least 20%), which was acquired after January 1, 1997, and was held for a minimum holding period of one year. The result of the participation exemption pursuant to the aforementioned requirements is that dividend income and capital gains are almost fully exempt from taxation. 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 Group companies are calculated and recorded based on the applicable tax rate in Switzerland.

Shareholders Equity

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented as a change in equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as a change in equity.

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity. Equity transaction costs are comprised of only those incremental external costs directly attributable to the equity transaction, which would otherwise have been avoided.

The revaluation reserve includes the cumulative net change in fair value of available-for-sale investments until the investment is disposed of or is determined to be impaired. Translation reserve from currency revaluation includes differences due to foreign currency translation between presentation and functional currencies.

Impairment of Financial Instruments

Financial instruments are reviewed for impairment at each balance sheet date. For available-for-sale investments, the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period when there is objective evidence that the asset is impaired.

In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Impairment losses recognized in the income statement on equity investments are not reversed through the income statement but through equity. The Company tightened its impairment criteria during the year. As a consequence, impairments were recognized on certain investments with fair market values below cost, resulting in additional expenses of TCHF 28 756 and a reduction of the revaluation reserve of TCHF 28 756, meaning that shareholders equity and NAV were unchanged as a result of its impairments.

The available-for-sale investments are categorized into three distinct categories. The application of the impairment policy to the individual category of investments is applied as follows:

Contractual Agreements (see also note 14)

At each balance sheet date the reference funds are reviewed by the Company and investment advisor. In case a reference fund has liquidated all of its portfolio companies and is beyond its investment period, the Company will eliminate the reference fund from the contractual agreements and debit any residual value through the profit and loss accounts. Additionally, the Company will include the cumulative loss previously recognized in equity in net profit or loss for the period in case it comes to the conclusion that the future cash flows of the contractual agreements will not cover its costs.

Fund Investments

Funds where the Company is a direct limited partner will be reviewed at each balance sheet date. If the fair market value of the Company's investment in a fund is below the Company's cost basis in such fund, and has been below the cost basis for at least one year, the Company will recognize the difference as an impairment, which will be booked through profit or loss for the period.

Direct Investments

Direct investments are reviewed on a quarterly basis by the investment advisor. Financial and market performance is compared with budget information, data obtained from competitors, and subsequent rounds of financing. In case of significant deviations, valuations are adjusted to reflect current market values. If a direct investment has had a fair market value below cost for at least a year, it will deemed to be impaired and the cumulative loss previously recognized in equity, will be transferred to profit or loss for the period.

Segment reporting

The sole business segment of the Group is investing in private equity, resulting in no primary segment disclosure. Therefore, the results published in this report correspond to the primary segment-reporting format. The geographical analysis of assets and income is disclosed in Note 18.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

Share-based compensation plans

Stock option plan

The Group operates an equity-settled, share-based compensation plan. Costs for stock options granted to the management are recognized in the income statement in quarterly amounts over the vesting period starting from the grant date and ending at the beginning of the exercise period, so that the personnel expenses show the fair amount of compensations paid by the Company to its management for their services rendered. The amounts recognized as cost in the income statement are credited to "Reserves for stock option plan" in equity.

Cost is defined as the fair market value of the options at grant date. The fair market value is determined by using a recognized option pricing model.

Share appreciation rights (SARs)

In addition to the stock option plan the Group operates a cash-settled, share-based compensation plan. The corresponding liability is remeasured at each balance sheet date to fair value, with changes recognized immediately in profit or loss.

Critical accounting estimates

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year are:

Fair value of non-quoted investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are not always supported by observable market prices or rates. The use of valuation techniques requires management to make estimates. Changes in assumptions could affect the reported fair value of these investments. The carrying amounts of investments for which fair values were determined using valuation techniques amounted to CHF 385.5 million (2005: CHF 216.6 million).

1. Long-term assets Investment Schedule as of December 31, 2006

	Vintage Year	Opening Balance at Cost in TCHF	Paid in Capital in TCHF
AIG Fund Portfolio			
AIG Blue Voyage Fund, L.P.	2000	1 255	81
AIG Brazil Special Situations Fund, L.P.	2000	8 731	226
AIG Global Sports & Entertainment Fund, L.P.	2005	5 511	205
AIG Highstar Capital, L.P.	2000	1 786	23
AIG Horizon Partners Fund, L.P.	1999	42 620	1 092
AIG New Europe Fund II, L.P.	2007	–	–
AIG Orion Fund, L.P.	1999	3 163	70
AIG Global Emerging Markets Fund II, L.P.	2005	1 558	6 058
CapVest Equity Partners L.P.	2000	20 210	–
CapVest Equity Partners II, L.P.	2007	–	–
AIG PEP I AIG Funds	NA	19 500	227
Subtotal Affiliate Funds		**104 334**	**7 982**
Third Party Fund Portfolio			
International Funds			
Advent International GPE V-C LP	2005	1 877	3 542
Astorg III	2003	6 215	5 527
Carlyle Europe Partners II, L.P.	2003	8 168	13 439
Carlyle Japan Partners II, L.P.	2006	–	992
CVC Capital Partners Asia Pacific II, L.P.	2005	1 159	10 013
CVC European Equity Partners III, L.P.	2001	5 928	841
CVC European Equity Partners IV, L.P.	2005	3 224	12 157
CVC European Equity Partners Tandem Fund, L.P.	2007	–	–
Cognetas Fund, L.P.	2001	17 335	70
Cognetas Fund II, L.P.	2005	4 053	5 556
Emerging Europe Convergence Fund II, L.P.	2005	–	6 401
EQT III, L.P.	2001	13 660	219
EQT IV, L.P.	2005	5 668	8 593
EQT V, L.P.	2006	–	985
GMT Communications Partners III, L.P.	2006	–	7 355
Ibersuizas II, L.P.	2006	–	2 648
Lexington Capital Partners IV, L.P.	2000	5 419	837
Lexington Capital Partners VI, L.P.	2006	–	8 147
PAI Europe IV, L.P.	2005	8 878	3 810
Sovereign Capital II, L.P.	2005	456	609
The Third Cinven Fund	2001	5 828	1 447
The Fourth Cinven Fund	2006	–	–
Unison Capital Partners II	2005	500	764
AIG PEP I International Funds	NA	5 928	40
Subtotal International Funds		**94 296**	**93 993**
Third Party Fund Portfolio			
US Funds			
Apollo VI, L.P.	2006	–	5 381
Ares Corporate Fund II, L.P.	2006	–	4 087
Berkshire Fund VII, L.P.	2006	–	2 820
Blackstone Capital Partners V, L.P.	2006	–	21 638
Carlyle Partners IV, L.P.	2005	5 709	8 946
Charlesbank Equity Partners VI, L.P.	2005	1 021	339
CHS Private Equity V, L.P.	2005	725	3 028
Cortec Group Fund IV, L.P.	2006	–	2 804
Diamond Castle IV, L.P.	2006	–	10 800

Returned Capital in TCHF	Total of Write-downs and Realized Losses in TCHF	Adjusted Cost Value 31.12.06 in TCHF	Fair Value 31.12.06 in TCHF	Original Currency	Outstanding Commitments in TCHF
–	(803)	533	347	USD	3 433
(1 938)	(1 721)	5 298	5 015	USD	1 780
(342)	(1 470)	3 904	3 275	USD	262
(6)	(1 225)	578	428	USD	398
(2 675)	(5 174)	35 863	30 803	USD	4 684
–	–	–	–	Euro	32 187
(716)	(620)	1 897	1 287	USD	1 159
–		7 616	11 659	USD	7 817
(1 398)	–	18 812	28 538	Euro	1 530
–	–	–	–	Euro	32 187
(17 741)	–	1 986	5 817	USD	11 161
(24 816)	**(11 013)**	**76 488**	**87 169**		**96 598**
(3 020)	–	2 399	5 294	Euro	19 716
(2 163)	–	9 579	12 734	Euro	4 354
(3 861)	–	17 746	25 437	Euro	11 834
–	–	992	872	JPY	6 560
(106)	(690)	10 376	10 299	USD	7 304
(1 367)	–	5 402	7 107	Euro	859
(5 324)	–	10 057	11 185	Euro	21 489
–	–	–	–	Euro	16 094
(2 858)	–	14 547	18 092	Euro	430
–	(1 114)	8 495	8 835	Euro	22 237
–	–	6 401	6 549	Euro	9 544
(3 970)	–	9 909	13 393	Euro	2 489
(994)	–	13 267	13 753	Euro	1 407
–	–	985	997	Euro	18 316
–	–	7 355	7 578	USD	24 610
–	–	2 648	2 392	Euro	13 701
(5 155)	–	1 101	13 298	USD	459
(266)	–	7 881	7 728	USD	29 333
(2 113)	–	10 575	11 253	Euro	11 564
–	(68)	997	1 049	GBP	11 423
(1 361)		5 914	9 115	Euro	1 249
–	–	–	–	Euro	48 281
(83)	–	1 181	2 034	JPY	1 930
(2 619)	–	3 349	3 192	Euro	993
(35 261)	**(1 872)**	**151 156**	**192 185**		**286 176**
(65)	–	5 316	5 233	USD	25 078
–	–	4 087	4 056	USD	26 258
–	–	2 820	2 764	USD	33 821
–	–	21 638	21 061	USD	39 194
(1 041)	–	13 615	15 483	USD	9 794
(640)	–	720	1 103	USD	5 220
–	–	3 753	4 657	USD	7 306
–	–	2 804	2 771	USD	21 619
–	–	10 800	10 927	USD	19 061

Investment Schedule as of December 31, 2006

	Vintage Year	Opening Balance at Cost in TCHF	Paid in Capital in TCHF
Third Party Fund Portfolio			
US Funds			
HealthCare Ventures VIII, L.P.	2005	304	902
J.C. Flowers Fund II, L.P.	2006	–	6 695
KRG Capital Fund III, L.P.	2005	1 980	3 726
Madison Dearborn V, L.P.	2006	–	1 101
Mill Road Capital Partners II, L.P.	2006	–	–
Polaris Venture V, L.P.	2006	–	370
SFW Partners I, L.P.	2007	–	–
Technology Crossover Ventures IV, L.P.	2000	5 830	305
Thompson Street Capital Partners II, L.P.	2007	–	185
TowerBrook Capital Partners II, L.P.	2006	–	6 694
VSS Communications Partners IV, L.P.	2006	–	5 204
Wellspring Capital Partners VI, L.P.	2006	–	1 726
WestView Capital Partners, L.P.	2005	2 142	2 860
AIG PEP I US Funds	NA	48 967	1 078
Subtotal US Funds		**66 678**	**90 689**
Contractual Agreements		**113 201**	**1 793**
Direct Investments Portfolio			
Acosta	2006	–	4 371
AIG PEP I Direct Investments	NA	13 313	28
AMF Bowling	2004	1 260	–
Bell-Riddell Holdings	2006	–	2 600
Body Central	2006	–	2 364
Capmark	2006	–	10 821
Thomas Nelson Publishing	2006	–	8 694
Hertz	2005	3 867	–
JetDirect Aviation	2006	–	1 721
Kwik-Fit	2005	3 940	–
Medispectra	2001	996	183
MVLF	2006	–	15 836
National Bedding	2005	1 255	–
NXP Semiconductors	2006	–	3 743
Spirit	1999	1 657	–
SunGard Data Systems	2005	1 236	–
Tensar	2000	–	–
Theravance	2000	3 420	–
Transcore	2001	–	–
Universal Studios Escape	2000	4 640	–
Vanguard	2004	1 867	–
Xanodyne	2005	1 374	–
Subtotal Direct Investments		**38 825**	**50 361**
Loans			
Medispectra	2001	191	–
Flint Group	2004	1 544	–
MVLF	2006	–	32 187
Subtotal Loans		**1 735**	**32 187**
Total of all Investments		**419 069**	**277 005**

Returned Capital in TCHF	Total of Write-downs and Realized Losses in TCHF	Adjusted Cost Value 31.12.06 in TCHF	Fair Value 31.12.06 in TCHF	Original Currency	Outstanding Commitments in TCHF
(851)	–	355	678	USD	8 773
(1 346)	–	5 349	5 166	USD	23 999
(697)	–	5 009	4 947	USD	13 392
–	–	1 101	1 078	USD	23 219
–	–	–	–	USD	16 463
–	–	370	366	USD	11 829
–	–	–	–	USD	24 390
(446)	(790)	4 899	3 841	USD	587
–	–	185	187	USD	15 667
–	–	6 694	6 541	USD	17 853
(209)	–	4 995	4 791	USD	13 501
–	–	1 726	1 728	USD	6 808
(300)	–	4 702	4 764	USD	7 410
(9 507)	(5 887)	34 651	27 068	USD	4 745
(15 102)	**(6 677)**	**135 588**	**129 210**		**375 987**
(17 894)	**(8 730)**	**88 369**	**53 748**	**Various**	**3 610**
–	–	4 371	4 268	USD	
(3 237)	–	10 105	13 555	USD	
–	–	1 260	1 858	USD	
(979)	–	1 621	1 750	USD	
–	–	2 364	2 306	USD	
–	–	10 821	11 033	USD	
–	–	8 694	8 555	USD	
(1 299)	–	2 568	6 369	USD	
–	–	1 721	1 707	USD	
–	–	3 940	5 013	USD	
–	(463)	716	491	USD	
–	–	15 836	16 094	USD	
–	–	1 255	1 220	USD	
–	–	3 743	3 819	USD	
(1 657)	–	–	–	GBP	
–	–	1 236	1 494	USD	
–	–	–	–	USD	
–	–	3 420	5 387	USD	
–	–	–	–	USD	
–	–	4 640	5 195	USD	
–	–	1 867	1 828	USD	
–	–	1 374	1 343	USD	
(7 172)	**(463)**	**81 551**	**93 285**		
–	–	191	183	USD	
–	–	1 544	1 785	USD	
–	–	32 187	32 187	Euro	
–	**–**	**33 922**	**34 155**		
(100 245)	**(28 756)**	**567 074**	**589 753**		**762 371**

Note 2: Cash and Cash Equivalents

in TCHF

	2006	2005
Cash at banks	37 179	63 953
Total	**37 179**	**63 953**

For the purpose of the cash flow statement, cash and cash equivalents comprise all cash, short-term deposits and other money market instruments, net of short-term overdrafts, with a original maturity of three months or less. Cash and cash equivalents are recorded at nominal value.

Note 3: Foreign Exchange Rates

The following exchange rates have been applied to translate the foreign currencies of significance for the group:

	Unit	2006	2005
Year-end rates:		**CHF**	**CHF**
US dollar	1 USD	1.2195	1.3148
Euro	1 EUR	1.6094	1.5570
Yen	100 Yen	1.0345	1.1153
Average annual rates:			
US dollar	1 USD	1.2456	1.2507
Euro	1 EUR	1.5758	1.5483
Yen	100 Yen	1.0743	1.1299

Note 4: Derivative Instruments

Options

As of December 31, 2006 there were no options outstanding.

The Company purchased USD put options (amount USD 25 million; strike price CHF 1.27/USD 1), maturing November 28, 2006, with a market value of TCHF 1 107 per December 31, 2005.

The Subsidiary purchased USD put options (amount USD 25 million; strike price CHF 1.20/USD 1), maturing May 26, 2006, with a market value of TCHF 120 per December 31, 2005.

Foreign Exchange Forward

As of December 31, 2006 the Company has an open foreign exchange forward contract with a notional amount of USD 30 million, a positive market value of TCHF 945 and maturing January 12, 2007.

Note 5: Receivables and Prepayments

in TCHF

	2006	2005
From third parties	6 154	2 315
From related parties:		
AIG, Inc.	–	3 277
AIG Global Investment Group	5 924	1 362
Subtotal	**5 924**	**4 639**
Total	**12 078**	**6 954**

Note 6: Payables and Accrued Charges

in TCHF

	2006	2005
Accrued service-, performance- and management fees payable to related parties	8 326	2 304
Accounts payable and other accrued expenses	5 783	13 046
Total	**14 109**	**15 350**

Note 7: Share Capital

Share capital is broken down as follows:	Number of Shares
At January 1, 2005	3 112 587
– Shares sold	18 000
At December 31, 2005	3 130 587
At January 1, 2006	3 130 587
– Shares issued	950 000
– Shares sold	46 080
– Treasury shares purchased	(230 473)
At December 31, 2006	3 896 194

The share capital of the Company as of December 31, 2006 amounts to CHF 412 500 000 (December 31, 2005: CHF 317 500 000) consisting of 4 125 000 registered shares (December 31, 2005: 3 175 000) with a par value of CHF 100 each. All issued shares are fully paid. Each share entitles the holder to participate in any distribution of income and capital.

In June 2006, the Company offered 950 000 new shares through a public offering. Existing shareholders were offered one subscription right for every share held. Two rights entitled the holder to acquire one offered share. These shares were offered at CHF 158.50 per share and carry the same rights and obligations as previously existing shares. The proceeds from the capital increase amounted to CHF 150.58 million. Of this amount, CHF 5.1 million has been deducted as costs incurred in connection with the capital increase. In the first quarter of 2006 the Company sold 46 080 shares. In the capital increase (213 987) and subsequent transactions (16 486) the Company purchased 230 473 shares. The shares are held as treasury shares.

The following major shareholders held shares and voting rights of 5% and more as of December 31, 2006:

	Number of Shares 2006	Participation in % 2006	Number of Shares 2005	Participation in % 2005
American International Underwriters Overses Ltd.	413 500	10.02%	411 489	12.96%
AIG Life (Ireland) Ltd.	1 160 127	28.12%	318 983	10.04%
AIG Private Equity Ltd.	228 806	5.55%	–	–
Ernst Göhner Stiftung	267 000	6.47%	267 000	8.41%
SUVA, Schweiz. Unfallversicherungsanstalt	*	–	170 000	5.35%
Winterthur Leben	**	–	167 000	5.26%

* On March 21, 2006 SUVA informed the Company that its shareholding had dropped below 5%.

** On June 27, 2006 Winterthur Leben informed the Company that its shareholding had dropped below 5%.

Note 8. Earning per Share

Earnings per Share	2006	2005
Net profit per share outstanding (in CHF) – basic	0.84	19.90
Net profit per share outstanding (in CHF) – fully diluted	0.84	19.89
Net profit for the period (in TCHF)	2 976	62 137
Weighted average of total number of shares outstanding (in 1 000) – basic	3 546 533	3 122 823
Adjustment for share options	4 245	443
Weighted average of total number of shares outstanding (in 1 000) – diluted	3 550 778	3 123 266

The stock options granted by the Group (note 16) are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive.

Note 9: Revaluation Reserve

in TCHF

	2006	2005
Reserve from foreign currency translation	(35 917)	(44 848)
Reserve from fair value movements of investments	58 596	(5 938)
Total revaluation reserve at December 31	**22 679**	**(50 786)**
Reserve from foreign currency translation		
– at January 1	(44 848)	(91 463)
– currency translation differences during the year	8 931	46 615
– at December 31	**(35 917)**	**(44 848)**
Reserve from fair value movements of investments		
– at January 1	(5 938)	26 589
– Impairments transferred to income statement	28 756	1 056
– net realized (gains)/losses transferred to income statement	(57 931)	(83 823)
– net realized gains/(losses) from changes in Fair Value	93 709	50 240
– at December 31	**58 596**	**(5 938)**

Note 10: Write-downs of Non-Current Assets

For the year ended December 31, 2006 write-downs on non-current assets were recognized as follows:

in TCHF	2006	2005
Direct investments	463	264
Funds	19 563	792
Contractual agreements	8 730	–
Total	**28 756**	**1 056**

For details please see note 1 to the investment table.

Note 11: Interest Income and Dividends from Non-Current Assets and Net Realized Gains on Investments

Interest income, net and dividends from non-current assets, and net realized gains were generated by the three portfolios as follows:

in TCHF	2006	2005
Interest income from non-current assets:		
AIG Funds	2 566	3 993
Third Party Funds	2 722	3 556
Direct Investments	1 596	1 259
Total interest income from non-current assets	**6 884**	**8 808**
Dividend income from non-current assets:		
AIG Funds	517	983
Third Party Funds	724	859
Direct Investments	244	–
Total dividend income from non-current assets	**1 485**	**1 842**
Total interest income and dividend income from non-current assets	**8 369**	**10 650**
Net realized gains on investments:		
AIG Funds	20 978	42 528
Third Party Funds	32 207	39 337
Direct Investments	3 532	5 510
Total net realized gains on investments	**56 717**	**87 375**
Total Income	**65 086**	**98 025**

Note 12: Taxes

in TCHF

	2006	2005
Current income tax	1 156	280
Reconciliation of income tax calculated with the applicable tax rate:		
Profit before income tax	4 132	62 137
Applicable tax rate	7.8%	7.8%
Income tax	322	4 847
Effect from:		
– income tax payable from current and prior periods	504	–
– non-taxable profits	(315)	(4 847)
– non refundable withholding tax paid	645	280
Total income tax expenses	**1 156**	**280**

The Group paid in 2006 TCHF 645 (2005: TCHF 280) non refundable withholding tax.

Note 13: Related Party Transactions

Related Parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions. The Group has entered into several agreements with various companies of the American International Group, Inc., New York ("AIG") which have a significant influence on the financial and operating decisions of the Group.

RELATED PARTY AGREEMENTS

Service Agreement I

American International Company Ltd., Pembroke, Bermuda, an indirect wholly owned subsidiary of AIG, provides several administrative services for the subsidiary in Bermuda for an annual fee of TUSD 60 (TCHF 75; 2005: TCHF 63). This agreement is entered into for an indefinite period of time and may be terminated with advance notice of 30 days.

Service Agreement II

AIG Private Bank Ltd., Zurich, a wholly owned subsidiary of AIG, provides administrative and accounting services for the Group. Compensation for these services in 2006 was TCHF 301 (2005: TCHF 301). This agreement is entered into for an indefinite period of time. Either party is entitled to terminate the agreement with advance notice of 6 months.

Management and Advisory Agreement

The 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 consolidated Net Asset Value of the Group on the last business day of each quarter before deductions or accrual of the management fee and/or performance fees. The initial term of the Management Agreement ended December 31, 2005 and was automatically renewed for five years until December 31, 2010.

In addition to the management fee, the Manager will receive quarterly performance fees from the Group. The performance fee 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 rate 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 is entitled to receive an advisory fee from the Manager. The initial term of the advisory agreement matures December 31, 2005 and was automatically extended until December 31, 2010

In 2006 the management agreement resulted in AIG receiving management fees amounting to TCHF 11 256 (2005: TCHF 7 832) and performance fees amounting to TCHF 6 103 (2005: TCHF 4 898) from the Group.

Refer to notes 1, 5, 6, and 11 for more information on related parties.

MATERIAL TRANSACTIONS

Cash and Cash Equivalents

As of December 31, 2006 the Group has cash and cash equivalents totaling TCHF 106 (2005: TCHF 589) on a current account basis with AIG Private Bank Ltd., Zurich.

Capital Calls from AIG Fund Investments

	2006		2005	
Investments (in million)	CHF	USD	CHF	USD
AIG Horizon Partners Fund L.P.	1.1	0.8	6.1	4.8
AIG Brazil Special Situations Fund L.P.	0.3	0.2	2.4	1.9
AIG Orion Fund L.P.	0.0	0.0	0.1	0.1
AIG Blue Voyage Fund L.P.	0.0	0.0	0.1	0.1
AIG Global Sports & Entertainment L.P.	0.0	0.0	0.7	0.5
AIG Highstar Capital L.P.	0.0	0.0	0.3	0.2
AIG Private Equity Portfolio L.P.	2.2	1.7	5.6	4.4
AIG Global Emerging Markets L.P., II	6.1	4.9	1.6	1.2

Personnel

Two members of the Board of Directors of the Company are employees of other companies within the AIG Inc., Group. With the exception of the Chairman of the Board, AIG executives serving on the Board of Directors and the Investment Committee of the Group do not receive remuneration from the Group for their services. Remuneration of directors for the year 2006: TCHF 176 (2005: TCHF 160). Refer to note 16 for share compensation schemes granted to the management board.

Note 14: Contractual Agreements

On December 22, 1999, the Group entered into three contractual agreements with AIG that entitle the Group to receive distributions equal to pro rata share of all distributions from a specified list of funds, while obligating the Group to make payments equal to pro rata share of all draw-downs of committed capital to the same list of funds.

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 contractual agreements, which are not taken into consideration when calculating the fair value of the underlying fund investments.

As of December 31, 2006, the contractual agreements were valued at TCHF 53 748 (2005 TCHF 61 012). In Note 1 the funds held through the contractual agreements are grouped into one line as “contractual agreements”. The following table provides detail of the various funds contained in the contractual agreements.

Fair Value (in TCHF)	2006	2005
AIG Funds Portfolio		
AIG Asian Opportunity Fund	6 327	5 913
AIG Orion Fund	107	119
Subtotal	**6 434**	**6 032**

Fair Value (in TCHF)	2006	2005
International Funds Portfolio		
AEA Scandinavia I	1 660	662
AEA Scandinavia II	909	2 489
Baring Communications Equity Limited	132	97
Carlyle Europe Partners L.P.	4 716	4 656
Doughty Hanson & Co. III	2 774	3 285
Palamon European Equity Fund L.P.	4 489	4 139
Permira VT	83	148
The Cinven Fund I	655	678
The Cinven Fund II	9 301	7 510
Subtotal	**24 719**	**23 664**

Fair Value (in TCHF)	2006	2005
United States Funds Portfolio		
AEA Investors Inc. II	1 354	1 473
American Industrial Partners Capital Fund II, L.P.	54	689
Apollo Investment Fund III, L.P.	295	435
Apollo Investment Fund IV, L.P.	3 063	4 064
Bain Capital Fund VI, L.P.	113	125

Fair Value (in TCHF)	2006	2005
United States Funds Portfolio		
Bain Capital VI Coinvestment Fund, L.P.	134	162
Berkshire Fund III, L.P.	82	155
Berkshire Fund IV, L.P.	248	909
Blackstone Capital Partners II	129	165
Blackstone Capital Partners III	2 706	3 350
Carlyle Partners II, L.P.	84	387
Charterhouse Equity Partners II, L.P.	57	151
Clayton & Dubilier Private Equity Fund IV, L.P.	43	29
DLJ Merchant Banking Partners II, L.P.	441	262
Dubilier CRM Fund I, L.P.	5	15
Evercore Capital Partners, L.P.	–	166
Fenway Capital Partners Fund II, L.P.	1 235	1 847
Fenway Capital Partners Fund, L.P.	49	178
GKH Investments, L.P.	1	1
Greenwich Street Capital Partners, L.P.	289	766
Hoak Communications Partners, L.P.	–	8
Kelso Investment Associates VI, L.P.	427	516
KRG Capital Fund I, L.P.	132	354
Morgan Stanley Capital Partners III, L.P.	266	324
Morgan Stanley Leveraged Equity Fund II, L.P.	–	–
North Castle Capital Partners II, L.P.	843	1 113
Odyssey Investment Partners Fund, L.P.	291	381
Questor Partners Fund II, L.P.	3 007	3 433
Questor Partners Fund, L.P.	–	–
RCBA Strategic Partners, L.P.	961	1 089
Sandler Mezzanine Partners	44	37
Sankaty High Yield Asset Partners	435	413
Silver Lake Partners, L.P.	1 376	2 323
Stonington Capital Appreciation 1994 Fund, L.P.	1 387	1 348
Thayer Equity Investors Fund IV, L.P.	846	1 146
Thayer Equity Investors III, L.P.	–	389
Warburg Pincus Equity Partners, L.P.	1 812	2 680
WPG Corporate Development Associates IV, L.P.	4	27
WPG Corporate Development Associates V, L.P.	382	407
Subtotal	**22 595**	**31 316**
Total	**53 748**	**61 012**

In total 13 private equity funds were either sold or have liquidated all of their portfolio companies.

Unfunded commitments (in TCHF)	2006	2005
AIG Funds Portfolio	152	243
International Funds Portfolio	3 458	4 318
US Funds Portfolio	–	2 418

Note 15: AIG Private Equity Portfolio Investment Details

Fair Value (in TCHF)	2006	2005
AIG Fund Portfolio		
AIG Highstar Capital, L.P.	154	195
AIG Horizon Partners Fund, L.P.	1 632	2 219
AIG PEP I Other Assets and Liabilities	4 031	2 061
Subtotal	**5 817**	**4 475**

Third Party Fund Portfolio	2006	2005
International Fund		
Carlyle Europe Venture Partners, L.P.	297	1 216
GMT Communications Partners II, L.P.	2 168	2 835
TH Lee.Putnam Internet Partners, L.P.	727	1 925
Subtotal	**3 192**	**5 976**

Third Party Fund Portfolio	2006	2005
US Funds		
Advanced Technology Ventures VI, L.P.	693	695
Arrow Path Venture Capital, L.P.	526	472
Baker Communications Fund II, L.P.	1 748	1 790
Berkshire Fund V, L.P.	620	3 061
Blackstone Mezzanine Partners, L.P.	627	1 054
Boston Millennia Partners II, L.P.	145	1 348
Carlyle Partners III, L.P.	1 964	5 113
Focus Ventures II, L.P.	503	531
JK&B Capital III, L.P.	1 413	1 562
KRG Capital Fund I, L.P.	114	374
Meritage Private Equity Fund, L.P.	1 346	2 250
North Castle Capital Partners II, L.P.	1 078	1 585
Questor Partners Fund II, L.P.	3 914	3 627
RCBA Strategic Partners, L.P.	1 661	1 123
Silver Lake Partners, L.P.	3 690	5 220
Technology Crossover Ventures IV, L.P.	2 873	1 912
Thayer Equity Investors Fund IV, L.P.	624	1 586
Thomas Weisel Capital Partners, L.P.	1 254	1 894
TWP CEO Founders' Circle (QP), L.P.	35	52
Mesirow Capital Fund	167	348
Heartland Industrial Partners LP	2 074	2 649
Subtotal	**27 068**	**38 247**

Fair Value (in TCHF)	2006	2005
Direct Investments Portfolio		
Advanced Medicine Inc.	1 720	1 353
Universal Studio Escape	3 147	3 386
Medispectra, Inc.	516	382
Avalon Pharmaceuticals, Inc.	98	122
High Response Holdings, Inc.	170	184
AZ Automotive Corp.	1 297	1 325
Teksid Aluminum	–	1 100
Angionenix, Inc.	–	–
Iomai Corporation	84	105
Springs Industries, Inc.	1 034	934
Fresh Direct	303	259
QinetiQ	4 013	4 973
Amercian Media	234	840
AMF Bowling Worldwide	831	882
NovaRay	38	37
Altiris Inc.	71	–
Subtotal	**13 555**	**17 786**
Total	**49 632**	**66 484**

Note 16: Share-Based Compensation Plan

Stock Option Plan

The Company issued the following incentive stock options in May 2005. Outstanding options arising from this agreement as at 31 December 2006 is as follows:

Number of options	Year of grant	Vesting date	Expiry	Subscription ratio	Strike price
5 000	2005	31.5.2006	13.6.2008	1:1	125
6 833	2005	31.5.2007	13.6.2008	1:1	125
6 833	2005	31.5.2008	13.6.2008	1:1	125

The options were granted free of charge. Each option entitles the holder to buy one share of the Company at the exercise price. A third of the options are each exercisable after a vesting period of one, two and three years. In case of a termination of the working contract during the vesting period, the unvested options are cancelled. As at 31 December 2006 the Company held no shares specifically in connection with the stock option plan.

Movements in the number of share options outstanding and their related exercise prices are as follows:

	2006 Average exercise price per share	Options	2005 Average exercise price per share	Options
At January 1	–	21 000	–	–
Granted	–	–	125	21 000
Forfeited	125	(500)	–	–
Exercised	125	(1 834)	–	–
At December 31	125	18 666	125	21 000

Of the 18 666 options (2005: 21 000) 5 000 options (2005: nil) were exercisable. Options exercised in 2006 were transacted as follows: 1 667 options at a market price of CHF 155.00 and 167 options at a market price of CHF 160.00. The related weighted average share price at exercise was CHF 155.46 per share.

In the current year, CHF 77 804 (2005: 77 883) was charged as an expense relating to the options resulting in a corresponding increase to shareholders' equity by the same amount.

Share Appreciation Rights (SARs)

Outstanding SARs as at 31 December 2006 is as follows:

Number of options	Year of grant	Vesting date	Expiry	Subscription ratio	Strike price
1 000	2004	31.05.2005	13.6.2007	1:1	CHF 97
2 667	2004	31.05.2006	13.6.2007	1:1	CHF 97
2 667	2004	31.05.2007	13.6.2007	1:1	CHF 97
7 167	2006	15.02.2007	28.02.2009	1:1	CHF 160
7 167	2006	15.02.2008	28.02.2009	1:1	CHF 160
7 166	2006	15.02.2009	28.02.2009	1:1	CHF 160

The SARs were granted free of charge. Each SARs entitles the holder to receive in cash the difference between the strike price and the market price of one share of the Company at the exercise price. A third of the SARs are each exercisable after a vesting period of one, two and three years. In case of a termination of the working contract during the vesting period, the options are cancelled.

Movements in the number of stock appreciation rights and their related exercise prices are as follows:

	2006 Average exercise price per share	SARs	2005 Average exercise price per share	SARs
At January 1	97	12 367	97	12 367
Granted	160	21 500	–	–
Exercised	97	(6 033)	–	–
At December 31	146	27 834	97	12 367

Of the 27 834 SARs (2005: 12 367), 6 334 SARs (2005: 12 367) were exercisable. SARs exercised in 2006 were transacted as follows: 168 SARs at a market price of CHF 155.00, 4 666 SARs at a market price of CHF 156.00 and 1 200 SARs at a market price of CHF 162.30. The related average share price at exercise was CHF 157.23 per share.

In the current year, CHF 291 050 (2005: 735 505) was charged as an expense relating to SARs. The carrying amount at the end of the period amounted to CHF 602 816.20 and the intrinsic value at the end of the period of liabilities for which the counterpart's right to cash or other assets had vested by the end of the period (for example vested share appreciation rights) equals CHF 168 554.40.

Note 17. Financial Instruments and Associated Risks

The carrying amounts of all financial instruments in the financial statements are reasonable estimates of fair values. The Company is exposed to various risks in respect to its financial instruments including:

- Interest rate risk – that the cash and cash equivalents and short-term investments will fluctuate due to changes in market prices. The influence of changes in the market rates of interest is not expected to be significant.
- Credit risk – that the counter parties for cash and cash equivalents and investments will fail to discharge the obligation to repay. The Group seeks to mitigate its exposure to credit risk by conducting its contractual transaction with institutions that are reputable and well established. In the current year, the Group has made a loan investment of about CHF 32 million representing 5% of the portfolio. The Company monitors the loan by reviewing quarterly reports including the covenant compliance report.
- Liquidity risk – that the Company may have an inability to raise additional funds or may use credit lines, if any, to satisfy the different commitments to the different partnerships. The Group applies a cash flow model to estimate

future cash flows. In 2005, the Company entered into a long term committed syndicated USD 35 million back-up credit facility from Zürcher Kantonalbank and Migrosbank. No amounts were drawn under this facility as of December 31, 2006 and as of December 31, 2005

- Currency risk – some of the investment activities of the Group are denominated in US Dollars. Part of the US Dollar investments are hedged into Swiss francs by entering into foreign exchange forward and option contracts to partially macro-hedge its foreign currency exposure. When the investments are denominated in currencies other than the Swiss franc, the Company is exposed to risks that the exchange rate of the Swiss franc relative to other currencies may change in a manner which has an adverse effect on the Company's reported net income and net assets.
- Political/regulatory risk – Uncertainties such as international political developments, changes in government policies, taxation, restrictions on foreign investment and currency fluctuations and other developments in the laws and regulations of the countries in which the Company's assets are invested may affect the value of the Company's assets.

Note 18: Commitments, Contingencies and Other Off-balance-sheet Transactions

In addition to those commitments disclosed in the Investment Schedule and the Derivative Instruments mentioned in Note 4, the Company has nil off-balance-sheet transactions open as of December 31, 2006 (2005: nil off-balance-sheet transactions).

The operations of the Company may be affected by legislative, fiscal and regulatory developments for which provisions are made where deemed necessary.

Note 19: Segment Reporting

The Group operates in the sole business segment of private equity investments.

The geographical analysis of total assets is determined by specifying in which region the investment was made:

in TCHF	2006	2005
North America	281 771	151 424
Europe	310 209	276 177
Rest of the World	47 975	20 296
Total	**639 955**	**447 897**

The geographical analysis of total income is determined by specifying from which region the investment profits are generated:

in TCHF	2006	2005
North America	23 362	52 811
Europe	43 207	38 365
Rest of the World	1 132	7 686
Total	**67 701**	**98 862**

Note 20: Subsequent Events

The Group has made the following new capital commitments from January 2006 through March 31, 2006:

Silver Lake Capital Partners III	USD	30 million
Affinity Asia Pacific Fund III	USD	25 million
Carlyle Europe Partners III	EUR	35 million
Sun Capital Partners V	USD	17 million
Astorg IV	EUR	20 million
Lion Capital Fund II	EUR	20 million
Terra Firma Capital Partners III	EUR	25 million
Odewald Private Equity Partners III	EUR	15 million

Between December 31, 2006 and March 31, 2007, the following capital calls and capital distributions have been made by the partnerships under the commitments existing as of December 31, 2006:

Capital Calls (TEUR, TUSD, TSEK, TJPY)	Currency	Amount
Ares Corporate Opportunities Fund II	USD	7 781
Thompson Street Capital Partners II	USD	671
Ibersuizas Capital Fund II	EUR	1 233
CB Offshore Equity Fund VI	USD	50
HealthCare Ventures VIII	USD	520
EQT III	EUR	55
EQT IV	EUR	55
EQT V	EUR	99
Cortec Group Fund IV	USD	1 124
Polaris Venture Partners V	USD	700
Mill Road Capital	USD	1 500
AIG Global Emerging Markets Fund II	USD	3 350
TCV IV	USD	37
CHS Private Equity V	USD	650
Apollo Overseas Partners VI	USD	882
WestView Capital Partners	USD	27
Carlyle Partners IV	USD	1 196
Cinven Fund IV	EUR	4 476

Capital Calls (TEUR, TUSD, TJPY)	Currency	Amount
Madison Dearborn Capital Partners V	USD	4 927
AIG Blue Voyage Fund	USD	4
AIG Brazil Special Situations Fund	USD	99
Advent International GPE V-C	EUR	1 725
Carlyle Europe Partners II	EUR	1 496
Emerging Europe Convergence Fund II	EUR	1 527
Cognetas Fund II	EUR	238
AIG Global Sports & Entertainment Fund	USD	56
TowerBrook Investors II	USD	4 359
CVC European Equity Partners IV	EUR	1 003
VSS Communications Partner IV	USD	650
J.C. Flowers II	USD	217
KRG Capital Fund III	USD	3 451
PAI Europe IV	EUR	2 389
Unison Capital Partners II	JPY	39 996
Blackstone Capital Partners V	USD	1 692
AIG New Europe Fund II	EUR	293
CapVest Equity Partners II	EUR	3 649
Terra Firma Capital Partners III	EUR	563
CVC European Equity Partners Tandem Fund	EUR	565
Affinity Asia Pacific Fund III	USD	303
Diamond Castle Partners IV	USD	674

Capital Distributions (TEUR, TUSD, TJPY)	Currency	Amount
EQT III	EUR	896
MV Leveraged Finance	EUR	3 540
Unison Capital Partners II	JPY	8 899
Diamond Castle Partners IV	USD	1 199
Lexington Capital Partners IV	USD	1 964
Blackstone Capital Partners V	USD	263
Third Cinven Fund	EUR	1 022
GMT Communications Partners III	EUR	1 099
Cognetas Fund	EUR	3 977
TCV IV	USD	825
Lexington Capital Partners VI-A	USD	700
CapVest	EUR	13 168
Apollo Overseas Partners VI	USD	443
PAI Europe IV	EUR	1 673
J.C. Flowers II	USD	484
CVC European Equity Partners IV	EUR	411
CVC European Equity Partners III	EUR	237
CB Offshore Equity Fund VI	USD	317
Cognetas Fund	EUR	788
AIG Private Equity Portfolio Fund	USD	6 498
TowerBrook Investors II	USD	549
Madison Dearborn Capital Partners V	USD	282

The consolidated financial statements are authorized for issue on April 23, 2007 by the Board of Directors. The annual general meeting called for May 30, 2007 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of December 31, 2006, there have been no material events that could impair the integrity of the information presented in the financial statements.

REPORT OF THE GROUP AUDITORS

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in shareholders' equity and notes to the consolidated financial statements) of AIG Private Equity Ltd., Zug on pages 20 to 43 for the year ended 31 December 2006.

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

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), 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 accordance with Article 20 of the Additional Rules for the Listing of Investment Companies of SWX Swiss Exchange we draw attention to Note 1 of the consolidated financial statements. As indicated in Note 1, the financial statements include unquoted investments stated at their fair value of CHF 589.8 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realizable values, and the difference could be material. The fair values of these investments have been determined by the Board of Directors and have been disclosed in Note 1. We have reviewed the procedures applied by the Board of Directors in valuing such investments and have viewed the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified.

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 the International Financial Reporting Standards (IFRS) and comply with the accounting provisions of the Additional Rules for the Listing of Investment Companies of SWX Swiss Exchange as well as with Swiss law.

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

PricewaterhouseCoopers Ltd.

Thomas Romer   Raymond How
Auditor in charge

Zurich, April 23, 2007

CORPORATE GOVERNANCE AT AIG PRIVATE EQUITY LTD.

1. GROUP STRUCTURE AND SHAREHOLDERS

Group Structure

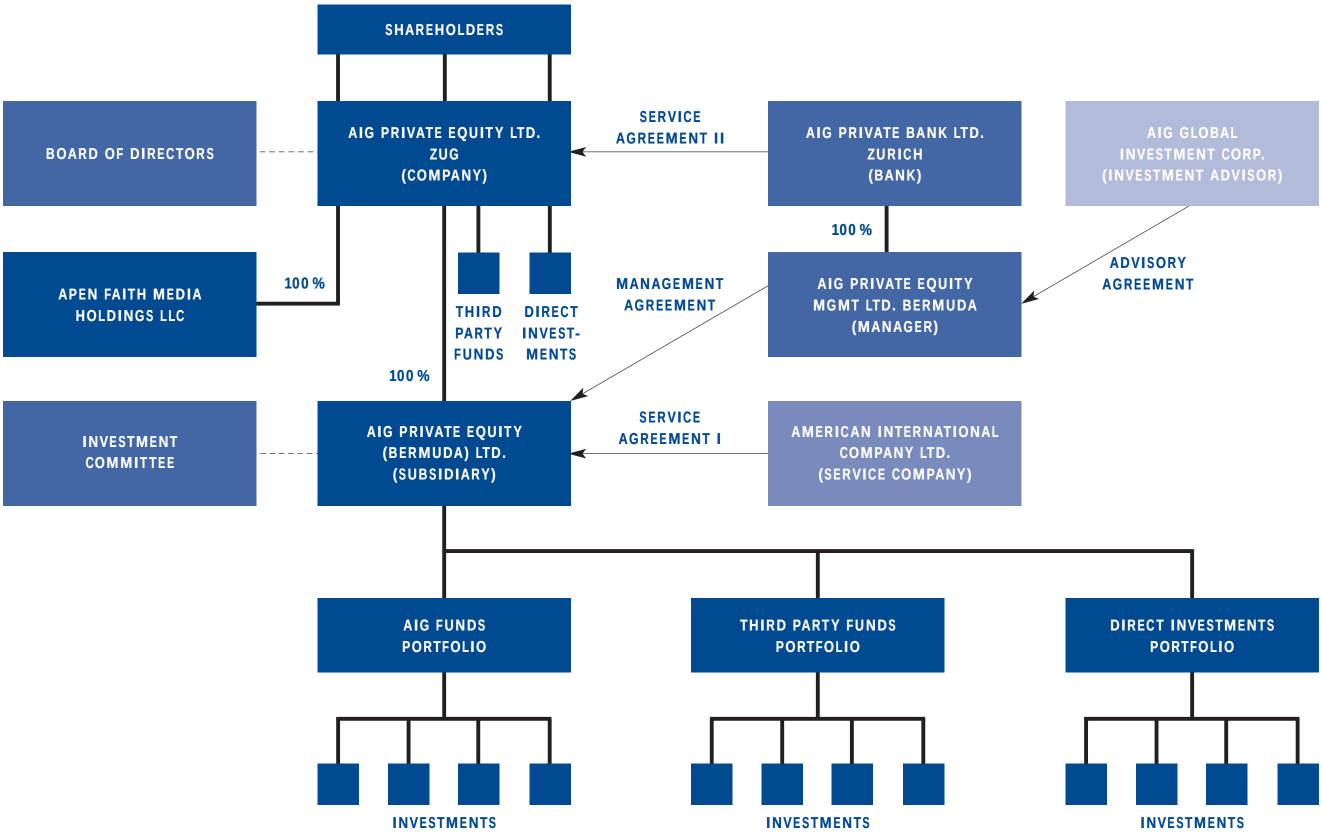
AIG Private Equity Ltd. (“the Company”) is a holding company according to Swiss law and domiciled in Zug. Its 100% subsidiaries AIG Private Equity (Bermuda) Ltd. and APEN Faith Media Holdings LLC hold the vast majority of investments on its behalf.

The investments are divided in the following 3 portfolios:

- AIG Companies Funds
- Third Party Funds
- Direct Investments

For further information please also refer to the principles of consolidation section within the consolidated financial statements.

Organisational Structure



BOARD OF DIRECTORS
Eduardo Leemann, Chairman
Erich Hort
Dr. Ernst Mäder
Win Neuger
Dr. Roger Schmid
Dr. Christian Wenger

INVESTMENT COMMITTEE
Dr. Thomas Lips, Chairman
Robert Thompson
Steven Costabile (Fund Investments)
FT Chong (Direct Investments)

MANAGEMENT BOARD
Andrew Fletcher
Conradin Schneider

AUDITORS
PricewaterhouseCoopers Ltd.
Birchstrasse 160
CH-8050 Zürich

Significant Shareholders

There are several shareholders with a participation exceeding the 5% threshold of the Company's share capital. The number of shares and voting rights of the major shareholders are disclosed in note 8 of the consolidated financial statements.

There are no cross-shareholdings with other joint-stock companies that exceed 5% of the capital shareholdings or voting rights on both sides.

	Number of Shares 2006	Participation in % 2006	Number of Shares 2005	Participation in % 2005
American International Underwriters Overses Ltd.	413 500	10.02%	411 489	12.96%
AIG Life (Ireland) Ltd.	1 160 127	28.12%	318 983	10.04%
AIG Private Equity Ltd.	228 806	5.55%	–	–
Ernst Göhner Stiftung	267 000	6.47%	267 000	8.41%
SUVA, Schweiz. Unfallversicherungsanstalt	*	–	170 000	5.35%
Winterthur Leben	**	–	167 000	5.26%

* On March 21, 2006 SUVA informed the Company that its shareholding had dropped below 5%.

** On June 27, 2006 Winterthur Leben informed the Company that its shareholding had dropped below 5%.

2. CAPITAL STRUCTURE

Capital

As of December 31, 2006 the issued share capital of the Company was CHF 412 500 000, divided into 4 125 000 fully paid registered shares with a nominal amount of CHF 100 each. As per the same date, 3 896 194 shares were outstanding and the Company held 228 806 shares as treasury shares. The market capitalization of the Company per year-end amounts to CHF 624 million. The Board of Directors is authorized to increase authorized capital by up to CHF 158 750 000 by issuing no more than 1 587 500 shares with a nominal value of CHF 100 each.

The shares are listed on the SWX Swiss Exchange.

Changes of capital

On June 13, 2000 the Company increased its share capital from CHF 184 000 000 to CHF 317 500 000 by issuing 1 335 000 fully paid-in shares with a nominal value of CHF 100 each at a price of CHF 150.00 per share.

On June 28, 2006 the Company increased its share capital from CHF 317 500 000 to CHF 412 500 000 by issuing 950 000 fully paid-in shares with a nominal value of CHF 100 each at a price of CHF 158.50. The balance of 213 987 shares were subscribed by the Company and are kept in treasury.

Shares and participation certificates

There are no preferential rights or similar rights. Each share is entitled to one vote and has full dividend rights. Voting rights may be exercised only after a shareholder has been registered in the Company's share register. No shares and/or share certificates will be issued to shareholders. A Global Share Certificate ("Globalurkunde auf Dauer") is deposited with SIS SegaIntersettle AG under Swiss Security number 915.331, ISIN CHF0009153310. Transfers of shares are effected through a book-entry system maintained by SIS SegaIntersettle AG.

There are neither participation certificates nor profit sharing certificates.

Authorized capital

According to Article 651 of the Swiss Code of Obligations, the general meeting of shareholders may, by amendment of the Articles of Incorporation, authorize the Board of Directors to increase the share capital within a period of no longer than two years. The Articles of Incorporation indicate the par value by which the Board of Directors may increase the share capital; the capital authorized shall not exceed half of the current share capital.

The Board of Directors is authorized to increase authorized capital by up to CHF 158 750 000 by issuing up to 1 587 500 shares with a nominal value of CHF 100 each. Following the capital increase in June 2006, 637 500 shares of authorized capital with a total nominal value of CHF 63 750 000 remain. The duration of the authorization period expires May 31, 2008.

Shares for which subscription rights were granted but not executed are at the Board of Director's disposal.

The pre-emptive rights of the shareholders can be excluded in case of acquisitions of other companies or additional listings on foreign stock exchanges. If doing so, the Board of Directors is not allowed to fix the issuing price under the Net Asset Value of the shares of the Company.

See also Article 4b of the Articles of Association (available at www.aigprivateequity.com).

Conditional capital

The Company made no use of the possibility of a conditional capital increase pursuant to Article 653 CO.

Limitations of transferability and nominee registrations

The Company's shares are freely transferable, without any limitations, provided that the buyers declare they are the ultimate beneficial owners of the shares and comply with the disclosure requirements of the Federal Act on Stock Exchanges and Securities Trading of March 24, 1995.

Nominees who act as fiduciaries of shareholders are entered without further inquiry in the Company's share register as shareholders with voting rights up to a maximum of 3% of the outstanding capital available at the time. The Board of Directors may enter in the Company's share register nominees that hold more than 3% of the outstanding capital if such nominee informs the Company about the names, addresses and stock of shares of the persons whom the nominee holds for 0.5% or more of the outstanding capital.

See also Article 4 of the Articles of Association.

Convertible bonds and warrants/options

There are no convertible bonds and warrants issued by the Company or by its subsidiaries on shares of the Company outstanding.

3. BOARD OF DIRECTORS

Responsibilities

The Board of Directors consists of one or more members. The Board of Directors is ultimately responsible for the policies and management of the corporation. The Board establishes the strategic, accounting, organizational and financing policies to be followed by the corporation. The Board further appoints the executive officers and the authorized signatories of the corporation, supervises the Management of the corporation and monitors the investment decisions. Moreover, the Board is entrusted with preparing shareholders' meetings and carrying out shareholders resolutions. The Board may, pursuant to its regulations, delegate the conduct of day-to-day business operations to the Management under its control. The Board approves all compensation upon proposal of the Chairman.

Meetings of the Board of Directors

The Board usually meets four times per year in person (minimum twice). The regular meetings are typically held in January, May, August and November. Additional meetings are called on short notice if and when required. In the year under review, 4 board meetings took place. Each of the board meetings has a special focus which is basically connected to the Company's reporting rhythm. Such focuses are the financial statements, interim results, the medium-term plan, investments, the annual general meeting and corporate governance. Management Board members attend the board meetings. The Board resolves by majority vote with the presence of a majority of members. The average duration of a board meeting is ninety minutes.

Principles of the election procedure

The members of the Board will be elected by the annual general meeting according to Article 11 of the Articles of Association. The term of office for all members is three years with the possibility of repeated re-election.

Members of the Board of Directors

Eduardo Leemann, born 1956, Swiss citizen, Chairman, non-executive member, term of office expires in 2009.

Mr. Leemann joined AIG Private Bank in Zurich in 1997 as Chief Executive Officer. In May 2006 he has relinquished the operational leadership of the bank to take over the management of the AIG Global Wealth Management Organization and became Chairman of the Board of Directors of AIG Private Bank Ltd. He previously worked at Goldman, Sachs & Co Bank as Member of the Management Committee and Head of Private Banking. Prior to that, Mr. Leemann was Deputy to the Head of Private Banking worldwide at Bank Julius Baer with direct responsibilities for the Western Hemisphere, Switzerland as well as the overall marketing effort in Private Banking. Prior to that, he was responsible for building the private banking business of Bank Julius Baer in their New York branch. Eduardo Leemann is a graduate of the "Swiss School of Economics and Business Administration" (SEBA) and from the Advanced Executive Program of the J.L. Kellogg Graduate School of Management at the Northwestern University in Chicago, USA.

Mr. Leemann became Chairman of the Company's Board of Directors in September 1999.

He also serves on the Board of Directors of AIG International Real Estate GmbH & Co. KgaA, a listed real estate company in Frankfurt, Germany. Moreover, he serves as a member of the board of directors of the SWX Group and SWX Swiss Stock Exchange.

Erich Hort, born 1942, Swiss citizen, Vice Chairman, non-executive member, term of office expires in 2007.

Mr. Hort was Chief Executive Officer of Migrosbank from 1989 until 2003. Mr. Hort is a member of the board of directors of Migrosbank. Prior to joining Migrosbank Mr. Hort was head of corporate banking of UBS in Liestal and Zug for a total of 10 years. Mr. Hort received his initial bank training at the Swiss Bank Corporation. His secondary education includes various training abroad as well as management training in Switzerland.

Mr. Hort joined the Company's Board of Directors in September 1999.

He became Vice Chairman of the Company's Board of Directors in September 1999. Mr. Hort also serves as Chairman of the Board of the Centre for Young Professionals in Banking, as Vice President of the Board of Directors of the Pfandbriefbank Schweizer Hypothekarinstitute and the Board of Directors of Aduno Group (Viseca Card Services SA & Aduno SA).

Dr. Ernst Mäder, born 1954, Swiss citizen, non-executive member, term of office expires in 2009.

Currently the CFO of the Swiss National Accident Insurance Fund, Dr. Mäder has had an extensive career with leading Swiss banks. He served Credit Suisse Private Banking as Head of Investment Research and Credit Suisse First Boston as Head of the Fixed Income & Derivatives Research Department Switzerland/Europe. Previously, Dr. Mäder was the Head of the Bond and Derivatives Research Division for Credit Suisse in Zurich. Earlier in his career, he spent ten years at UBS Zurich working with the Economic Department, Investment Research, and Asset Management. Dr. Mäder holds an Economics degree from the University of Zurich with post-graduate studies in "the use of VAR-models in forecasting interest rates and analysing data."

Mr. Mäder joined the Company's Board of Directors in December 2000.

Win J. Neuger, born 1950, US citizen, non-executive member, term of office expires in 2009.

Mr. Neuger is responsible for directing AIG Global Investment Group's strategies on a worldwide basis. He is also an Executive Vice President and Chief Investment Officer of AIG. Mr. Neuger joined AIG Global Investment Group ("AIGGIG") in 1995, with investment management experience since 1981. Before joining AIGGIG, he was with Bankers Trust Company, where he served both as Managing Director, Fixed Income and, subsequently, Managing Director, Global Equities. Prior to joining Bankers Trust, Mr. Neuger served as Chief Investment Officer at Western Asset Management. He was also the Head of Fixed Income at Northwestern National Bank in Minnesota. Mr. Neuger received an AB from Dartmouth College and an MBA from Dartmouth's Amos Tuck Graduate School of Business. He is a CFA charterholder and is a member of the New York Society of Security Analysts (NYSSA) and the CFA Institute (formerly AIMR).

Mr. Neuger joined the Company's Board of Directors in May 2006.

He also serves on the supervisory board of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany.

Dr. Roger Schmid, born 1959, Swiss citizen, non-executive member, term of office expires in 2009.

Mr. Schmid joined Ernst Goehner Foundation in 1996 as Managing Director and became a member of the board of trustees in 2005. Prior to joining Ernst Goehner Foundation, Mr. Schmid worked for five years with Bank Leu Ltd. as counselor-at-law and became a Member of the Senior Management in 1995. Mr. Schmid received a degree in law from Zurich University. His professional education includes training programs and work in South Africa, England, and the United States.

Mr. Schmid joined the Company's Board of Directors in September 1999.

He also serves as a non-executive member on the board of directors of Panalpina Welttransport (Holding) Ltd.

Dr. Christian C. Wenger, born 1964, Swiss citizen, non-executive member, term of office expires in 2009.

Mr. Wenger is a lawyer and a partner at the well-known law firm of Wenger & Vieli in Zurich. He joined the firm in 1996 and became partner in 1999. Mr. Wenger is specialized in commercial and business law, with a focus on Private Equity, Venture Capital and M&A. Mr. Wenger is member of the management board of SECA (Swiss Association for Private Equity and Corporate Finance) as well as president of CTI Invest, an investors' organization associated with KTI, the Swiss federal government's agency to promote innovation. In the scope of his professional activities, Mr. Wenger is member of the board of several Swiss as well as international companies. He received a degree in law from Zurich University (Dr. iur.) and completed his studies with an LL.M. at Duke University Law School, North Carolina.

Mr. Wenger joined the Company's Board of Directors in May 2006.

He also serves as a non-executive member of the board of directors of Looser Holding Ltd. and AIG Private Bank Ltd.

Internal Organization and definition of areas of responsibility

The principal responsibilities of the board of directors encompass:

- Establishment of strategic, organizational, reporting and financial policies
- Appointment of executive officers and investment committee
- Definition of investment policy and supervision of its implementation
- Preparation and execution of annual shareholders meeting

They are summarized in Article 11 of the Articles of Association (available at www.aigprivateequity.com).

The Board delegated foreign exchange decisions to the FX committee. See also Article 3 of the Internal Regulations of the Board of Directors (available at www.aigprivateequity.com).

The FX committee consists of the following persons:

- Dr. Thomas Lips
- Erich Hort
- Dr. Ernst Mäder
- Additional members of the Management Board and the Investment Committee

In view of the situation of the relatively small Board of Directors and the complexity of the tasks, the Board did not implement any more committees.

For the tasks and responsibilities of the Board see the Internal Regulations of the Board of Directors (available at www.aigprivateequity.com).

The Board of Directors has the following functions:

- Strategic management of the Company including defining the Company's investment strategy and guidelines;
- Appointment (and suspension) of the members of the Investment Committee and the Management Board and of other signatories of the Company;
- Establishment of the organization and approval of the rules established by the Management Board regarding the functions and authority of the Investment Committee and the Management Board itself;
- Supervision of the Investment Committee and the Management Board;
- Approval of the annual balance sheet;
- Preparation of the shareholders' meeting;
- Notification of the judge in case of overindebtedness in the sense of Art. 725 CO;
- Decisions pursuant to Art. 651a, 652g, 653g CO (amendment of Articles of Association subsequent to share capital increases) in connection with a capital increase as well as decisions pursuant to Art. 634a I CO (contributions on shares not fully paid in) and 651 IV CO (increase of share capital in the case of authorized capital);
- Approval of several transactions and matters as enumerated in Annex 1 of the Internal Regulations of the Board of Directors.

The Board of Directors is furthermore entitled to decide on all matters which are not in the competence of the shareholders or of the auditors and which are not assigned to any other managing body of the Company.

All managing functions within the Company not reserved to the shareholders' meeting, the auditors, or the Board of Directors are delegated to the Management Board. The Management Board may decide on all matters delegated by the Board of Directors in its own responsibility. It must seek approval from the Board of Directors for the transactions as enumerated in Annex 1 of the Internal Regulations of the Board of Directors and for all transactions between members of the Management Board.

Information and control instruments vis-à-vis the Management Board

In order to allow fulfilment of its supervising duties, the Board of Directors is provided with the following information:

- Monthly information on the Company's Net Asset Value (NAV) per share
- Discussions with the Management Board during the Board of Directors meetings, telephone conferences, etc.
- Quarterly, Semi-annual and Annual reports
- Auditors report on the annual audit of the financial statements

The Board of Directors receives extensive information (financials, FX management, liquidity status, investment activity, corporate governance, etc.) from the Management Board at the quarterly board meetings.

4. INVESTMENT COMMITTEE

The Investment Committee is appointed by the Board of Directors and is responsible for assessing the investment opportunities presented by the Manager and the Investment Advisor and subsequently making investment recommendations to the Board of Directors for approval by the latter.

It also has to be noted that three members of the Investment Committee (R. Thompson, S. Costabile, and FT Chong) of the Company are senior executives and members of the Investment Committee of AIG. See also Article 3 of the Internal Regulations of the Board of Directors (available at www.aigprivateequity.com).

Members of the Investment Committee

Dr. Thomas Lips, Chairman of the Investment Committee
Dr. Lips is Chief Investment Officer for AIG Global Investment Corp. (Switzerland) Ltd. and is responsible for directing European Equities activities. Prior to joining the AIG Companies in 1998, he was at Goldman, Sachs & Co. Bank as Chief Investment Officer responsible for building the private and institutional asset management business in Switzerland. Prior to Goldman, Sachs & Co., Dr. Lips was head of Investment Counseling and Research for Union Bank of Switzerland. Dr. Lips studied at the Universities of Fribourg, Basel, and Zurich, where he received his Doctorate Degree in Economics. He is the founding member of the board of the Swiss Training Center for Investment Managers, and a member of the editing body of the Swiss Association for Investment Research. He is also the Chairman of the Swiss Association of Financial Analysts and Investment Managers. Dr. Lips is a member of the AIG Global Investment Policy Committee.

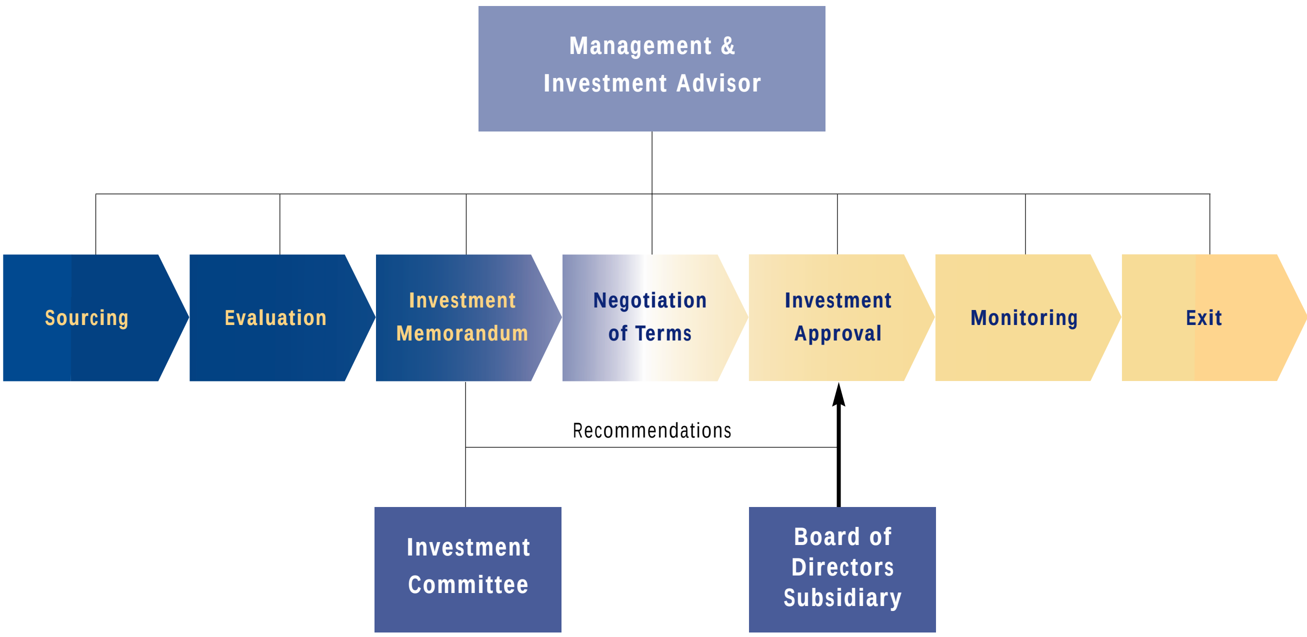
Robert Thompson
Mr. Thompson is the Head of AIG Global Investment Group's worldwide Alternative Investments business, having joined AIGGIG in 2005. Mr. Thompson was a co-founder and managing member of Ferrer Freeman Thompson & Co., LLC, ("FFT") a private equity firm dedicated to investing in the Health Care industry. Prior to FFT, he was Managing Director and Equity Group Leader at GE Capital. Mr. Thompson founded, organized, and developed GE Capital's Private Equity activities throughout the U.S., Europe, and Asia. Mr. Thompson has over 15 years experience in all segments of the private equity business including mezzanine, direct investments, joint ventures, leveraged buyouts, and fund investments. Mr. Thompson

has also held various positions at Bain & Co. and Chemical Bank. He currently serves on Investment Committees for AIGGIG's alternative investments activities. Mr. Thompson received an A.B. in Economics from Harvard College and an M.B.A. from Stanford University.

Steven Costabile (fund investments)
Mr. Costabile joined AIG Global Investment Group in 2000 and is the Managing Director of the Private Equity Funds Group. Mr. Costabile has played a significant role in the successful growth of three product lines, Pinestreet LLC, PineStar (secondaries), and the PEP program. Mr. Costabile serves on the Developed Markets Fund Investment Committee, APEN Investment Committee, and Japan Private Equity Investment Committee. His current responsibilities include overseeing all private equity funds investments in the developed markets, as well as sourcing, due diligence, monitoring product development, and marketing. From 1997 to 2000, Mr. Costabile was a Vice President at Credit Suisse First Boston (CSFB) in the Private Funds Group, with a focus on investments on behalf of CSFB and third party investors. Prior to that, he was the Senior Investment Officer of Alternative Investments for the Commonwealth of Massachusetts and the Assistant Director of Venture Capital for the Commonwealth of Pennsylvania. In both positions, Mr. Costabile focused on private equity fund investments. He received both a BSBA and an MBA from Duquesne University. He is also a CFA charterholderand holds a Series 7 license.

FT Chong (direct investments)
Mr. Chong joined AIG Global Investment Group in 1998 and currently leads the Direct Investments Team which focuses on private equity and mezzanine investing in developed markets such as the United States and Europe. Mr. Chong has worked in buyouts and leveraged financing since 1981. Mr. Chong is currently a director of a number of companies including Fresh Direct. Prior to joining AIGGIG, Mr. Chong was Executive Vice President for Business Development for the GT Group, an Asian conglomerate, from 1994 to 1998. In the early 1990's he was a founder and CFO of DynadxTechnologies, Inc., a start-up company that developed and marketed a new out-of-home advertising technology. From 1981 to 1989 he was head of the USD 3 billion leveraged finance group at Swiss Bank Corp. and participated in or led the financing for more than two dozen high profile leveraged buyouts. He received an MBA from Columbia University and also has a degree in Chemical Engineering from the University of Malaya.

Investment Process Diagram



5. MANAGEMENT BOARD

The Board of Directors has delegated to the Management Board the coordination of day-to-day business operations of the Company. See also Article 4 of the Internal Regulations of the Board of Directors (available at www.aigprivateequity.com).

The Board of Directors has not concluded any contracts with third parties to manage the business

Members of the Management Board

Andrew Fletcher, born 1964, US citizen.
Mr. Fletcher joined the Company in 2001. Mr. Fletcher is also a member of the management board of AIG Global Investment Corp. (Switzerland) Ltd., responsible for alternative investments and structured products, and a managing director of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, and its subsidiaries. Prior to 2001, Mr. Fletcher worked for four years as Assistant General Counsel in AIG's corporate law department in New York and for six years in private practice. He is a graduate of Harvard College and Harvard Law School.

Mr. Fletcher is also a member of the management board of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany. Moreover, he is a member of the management board of AIG Private Bank Ltd., Zurich.

Conradin Schneider, born 1962, Swiss citizen.
Mr. Schneider joined the AIG Companies in 1999. He was involved in establishing and listing the Company, a Swiss private equity investment company, on the SWX Swiss Exchange. With the Company Mr. Schneider is responsible for screening private equity funds and direct investment opportunities and for operations. Prior to joining AIG, Mr. Schneider was with Aventic Ltd., the private equity vehicle of UBS for small and medium sized companies in Switzerland. Prior to his assignment with UBS-Aventic, he worked 8 years as a corporate banker with UBS with a focus on Swiss multinationals. Mr. Schneider received his graduate degree from the University of St. Gall, Switzerland, specializing in banking and economics.

Mr. Schneider is also a member of the board of directors of MV Leverage Finance Limited and AIG MezzVest II, and a member of the management board of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany. Moreover, he is a member of the management board of AIG Private Bank Ltd., Zurich.

6. COMPENSATION, SHAREHOLDINGS AND LOANS

Content and Method of Determining Compensations

The compensation of the Board of Directors lies in the responsibility of the general meeting. The Board of Directors approves compensation (including the share option plan) for the Management Board upon proposal of the Chairman.

Total of cash compensations for the Board of Directors:

Erich Hort	CHF	32 000
Dr. Ernst Mäder	CHF	32 500
Dr. Roger Schmid	CHF	31 500
Dr. Christian Wenger	CHF	19 000
Eduardo Leemann	CHF	62 500
E. Edward Matthews	CHF	0
Win Neuger	CHF	0
Total Board of Directors:	**CHF**	**177 500 (non-executive)**

The Management Board did not receive compensation from the Company in 2006.

Share allotment to the Board of Directors and the Management Board

No shares have been allotted in the year under review.

Share ownership of the Board of Directors and the Management Board

	Number of shares held on December 31, 2006
Management Board	1 667
Board of Directors	950
Total	**2 617**

In addition to those shares held by the person in question on the reporting date, shareholdings consist of any shares held by his or her spouse, minors, and of directly controlled companies.

Share-based compensation plans

The members of the Management Board of the Company have the option to exercise an aggregate of (i) 22 000 stock appreciation rights (SARs) of the Company over a period of three years and (ii) 21 000 stock options of the Company over a period of three years.

As of December 31, 2006, they held the following stock appreciation rights and stock options:

Number of options	Year of grant	Vesting date	Expiry Date	Subscription ratio	Strike Price
SARs					
1 000	2004	31.05.2005	13.6.2007	1:1	CHF 97
2 667	2004	31.05.2006	13.6.2007	1:1	CHF 97
2 667	2004	31.05.2007	13.6.2007	1:1	CHF 97
Stock Options					
5 000	2005	31.05.2006	13.6.2008	1:1	CHF 125
6 833	2005	31.05.2007	13.6.2008	1:1	CHF 125
6 833	2005	31.05.2008	13.6.2008	1:1	CHF 125
SARs					
7 166	2006	31.05.2007	28.2.2009	1:1	CHF 160
7 167	2006	31.05.2008	28.2.2009	1:1	CHF 160
7 167	2006	31.05.2009	28.2.2009	1:1	CHF 160

6 034 stock appreciation rights and 1 834 options were exercised in 2006. No other options to purchase shares of the Company have been issued by the Company.

Highest total compensation of Board of Directors member

See above, total of compensations for the Board of Directors.

No compensation was paid during the year under review to former members of the Board of Directors and the Management Board.

7. SHAREHOLDER'S PARTICIPATION RIGHTS

Voting-rights restrictions and representations

Each registered share in the Company is entitled to one vote. See also Article 7 section 1 in the Articles of Association. Voting rights may be exercised only after a shareholder has been registered in the Company's share register with voting rights.

Rules on participating in the general meeting if different from law

No restrictions. See Article 7 Abs. 2 in the Articles of Association.

Statutory quorums

The statutory quorums comply with the applicable legal regulations. See Article 8 in the Articles of Association.

Convocation of the general meeting of shareholders and proposal for agenda items

The convocation of the Shareholders' Meeting complies with the applicable legal regulations. The convocation may also be requested by one or several shareholders representing together at least ten percent of the share capital. See also Articles 5 and 6 in the Articles of Association.

Registration in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the Annual General Meeting. In 2007, the qualifying date is May 5, while the Annual General Meeting will be held on May 30.

8. CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to make an offer

The company has waived the duty to make an offer (opting-out; see also Article 23 in the Articles of Association) pursuant to Article 32 of the Federal Stock Exchange Act (SESTA).

There are no change-of-control clauses included in agreements and schemes benefiting members of the Board of Directors and/or the Management Board.

9. AUDITORS

Date of Assumption of the Existing Auditing Mandate

PricewaterhouseCoopers (PwC) was re-elected for another 3 years at the general meeting in June 2005.

Responsible Partner: Thomas Romer (since 2004)
Responsible Manager: Raymond How

Total of auditing honorariums 2006

TCHF 141

Additional honorariums

Tax-consulting TCHF 70

Supervisory and control instruments vis-à-vis the auditors, control instruments

Since there is no Audit Committee, the Auditors' report will be presented to the whole Board of Directors as a part of the annual report.

In Addition to that, the responsible Auditor participates in the annual general meeting and is standing by for questions and detailed audit information.

10. INFORMATION POLICY

The Company aims to offer the shareholders a high degree of transparency. In this respect the Company publishes an annual report, a semi-annual report, and three quarterly reports. In addition, the Company publishes the Net Asset Value of the Company on a monthly basis. All reports are available to investors on the Company's homepage. The NAV is additionally published in "Finanz und Wirtschaft", and Bloomberg (APEN.SW Equity), and Reuters (APEZn.S).

In between the quarterly report publications relevant information (including information subject to Ad hoc publicity according to article 72 of the SWX Listing Rules) is published in the form of press releases and available at www.aigprivateequity.com. You may also contact the Company via email (info@aigprivateequity.com), telephone (+41 41 710 70 60), or by regular mail (AIG Private Equity Ltd., Baarerstr. 8, 6300 Zug, Switzerland).

BALANCE SHEET AS OF DECEMBER 31, 2006 AND DECEMBER 31, 2005

in TCHF

	Note	2006	2005
Assets			
Current Assets			
– Cash and cash equivalents		4 128	589
– Derivative instruments (Options, Foreign exchange forwards)	5	945	1 107
– Receivables and prepayments		127	122
– Own shares	3	36 207	3 775
		41 407	**5 593**
Long-term Assets			
– Participation	1	525 739	423 850
– Direct Investments	8	11 123	3 944
– Funds	8	2 052	477
		538 914	**428 271**
Total Assets		**580 321**	**433 864**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges		1 838	1 350
		1 838	**1 350**
Shareholders' Equity			
– Share capital	2, 6	412 500	317 500
– Reserve (non-disposable)		82 500	63 500
– Other Reserves (disposable)		61 607	30 088
– Share capital premium		144 107	93 588
– Less Reserve set aside for own shares		(30 088)	(3 775)
		114 019	**89 813**
– Reserve for own shares	4	36 207	3 775
– Reserve for stock option plan		156	78
– Retained Earnings		15 601	21 348
		578 483	**432 514**
Total Liabilities and Shareholders' Equity		**580 321**	**433 864**

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2006 AND JANUARY 1 TO DECEMBER 31, 2005

in TCHF

	Note	2006	2005
Income			
Dividend income from non-current assets		718	–
Net realized gains on investments		219	–
Interest income from current assets		175	–
Gain on foreign currency exchange	5	1 028	215
Gain on sale of own shares		3 694	752
Gain on participation		–	77 869
Total Income		**5 834**	**78 836**
Expenses			
Service fees		301	301
Other operating expenses		1 912	1 949
Interest expenses		–	502
Loss on foreign currency exchange		1 197	1 174
Loss on derivative instruments	5	1 377	1 744
Tax expenses		675	55
Total Expenses		**5 462**	**5 725**
Net profit for the year		**372**	**73 111**

NOTES TO THE FINANCIAL STATEMENTS

in TCHF

1. Participation

	Location	Capital held in %	Nominal Value in TUSD	Paid in TUSD	Book value in TCHF 31.12.06	Book value in TCHF 31.12.05
AIG Private Equity (Bermuda) Ltd.	Pembroke, Bermuda	100	552 633	495 870	525 739	423 850
APEN Faith Media Holdings LLC.	Delaware, USA	100	0	0	0	0
Total			**552 633**	**495 870**	**525 739**	**423 850**

2. Authorized Share Capital

As of December 31, 2006 the Company has CHF 63.75 million (2005: 158.75 million) authorized share capital outstanding. This authorized share capital will expire in May 31, 2008.

3. Balances and transactions with own shares

	Number	Amount CHF
Balance as of January 1, 2005	44 413	3 775 105
Disposals (sold at CHF 168.17)	(44 413)	(7 468 875)
Additions (purchase at CHF 155.00) *	1 667	268 385
Disposals (sold at CHF 155.00) *	(1 667)	(268 385)
Additions (purchased at CHF 158.24)	228 806	36 207 033
Total	**228 806**	**32 513 263**
Realized gains on sale of own shares 2006		**3 693 770**
Book value as of December 31, 2006 (228 806x158.24)		**36 207 033**

* This relates to equity settlement of options exercised during the year.

4. Reserve for Own Shares

The Reserve for Own Shares amounting to CHF 36 207 032.50 (the acquisition value of the Own Shares held) was increased by CHF 32 431 927.50.

5. Derivative Instruments

Options

2006

none

2005

The Company purchased USD put options (amount USD 25 million; strike price CHF 1.27/USD 1), maturing November 28, 2006, with a market value of TCHF 1 107 per December 31, 2005.

Foreign Exchange Forward

2006

As of December 31, 2006 the Company had an open foreign exchange forward contract with a notional amount of USD 30 million, a positive replacement value of TCHF 945 and maturing January 12, 2007.

2005

none

6. Shareholders' Equity

The following major shareholders held shares and voting rights of 5% and more as of December 31, 2006:

	Number of Shares 2006	Participation in % 2006	Number of Shares 2005	Participation in % 2005
American International Underwriters Overses Ltd.	413 500	10.02%	411 489	12.96%
AIG Life (Ireland) Ltd.	1 160 127	28.12%	318 983	10.04%
AIG Private Equity Ltd.	228 806	5.55%	–	–
Ernst Göhner Stiftung	267 000	6.47%	267 000	8.41%
SUVA, Schweiz. Unfallversicherungsanstalt	*	–	170 000	5.35%
Winterthur Leben	**	–	167 000	5.26%

* On March 21, 2006 SUVA informed the Company that its shareholding had dropped below 5%.

** On June 27, 2006 Winterthur Leben informed the Company that its shareholding had dropped below 5%.

7. Audit Report relating to the capital increase

As statutory auditors of AIG Private Equity Ltd., Zug, we have audited the capital increase report submitted by you on June 22, 2006 as in accordance with the provisions of the Swiss law.

The capital increase report is the responsibility of the board of directors. Our responsibility is to express an opinion on this capital increase report based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the capital increase report is free from material misstatement. We have performed those audit procedures, which we consider appropriate under the circumstances. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the information presented in the capital increase report is complete and accurate and complies with the resolution of the general Meeting of May 31, 2006 and the resolution of the board of directors of June 6, 2006. Referring to paragraph 6 of the capital increase report a valuation of the assets to be acquired is not possible at this point in time. Accordingly we may not opine on this matter.

Zurich, June 22, 2006

PricewaterhouseCoopers AG

Thomas Romer Raymond How

8. Investments

Please refer to Note 1 of the Consolidated Financial Statement on Page 30.

9. Subsequent Events

Since the balance sheet date of December 31, 2006, there have been no material events that could impair the integrity of the information presented in the financial statements.

REPORT OF THE STATUTORY AUDITORS

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of AIG Private Equity Ltd. on page 58 to 61 for the year ended December 31, 2006.

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 Swiss Auditing Standards, 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 and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

PricewaterhouseCoopers Ltd.

Thomas Romer   Raymond How
Auditor in charge

Zurich, April 23, 2007

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