ANNUAL REPORT 2004

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 five 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, 2004

Closing price per share	CHF	110.00
Net asset value per share (applying fair values)	CHF	113.72
Exchange rate	USD/CHF	1.1412
Exchange rate	EUR/CHF	1.5450
Number of shares outstanding		3 112 587
Market capitalization	CHF	342 384 570

Swiss Security Number

915.331

ISIN: CH0009153310

Ticker: APEN

Trading Information

Reuters: APEZn.S

Bloomberg: APEN

Telekurs: APEN

www.aigprivateequity.com

Financial Highlights 2004

+18.0%

Net Asset Value per share

from CHF 96.37 per share to CHF 113.72 per share

+19.6%

Share Price

from CHF 92.00 to CHF 110.00 per share

+155.0%

Core Earnings

from CHF 20.2 million to CHF 51.5 million

+50.1%

Net Profit per Share

from CHF 5.37 per share to CHF 8.06 per share

CONTENTS

EDUARDO LEEMANN, *Chairman of the Board*

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present you with the annual report of AIG Private Equity Ltd. for the year 2004. The Company looks back at a very successful 2004. During the year, the Company's audited net asset value appreciated 18% in spite of a further weakening US dollar and the share price increased by 19.6%. AIG Private Equity's share price significantly outperformed both the equal weighted and value weighted LPX Index. The LPX Index contains 50 of the most relevant, liquid and representative listed private equity companies and therefore is a good proxy of the competitive environment.

The Company entered the year with a mature portfolio of fund and direct investments. Low interest rates, a backlog of exit activity and a number of funds raising follow-on funds provided an attractive environment for the private equity industry. Recapitalizations of portfolio companies in particular resulted in above average distributions. Core earnings, defined as interest income, dividends, and realized gains, increased 154% to CHF 51.5 million or 14.5% of net assets. Core earnings were proportionately spread among the AIG Funds Portfolio, Third Party Funds Portfolio and Direct Investment Portfolio. Distributions received were used to fund new investments and allowed the Company to significantly reduce its debt. We anticipate repaying the remaining debt before mid-year 2005.

As a result of increased cash flow and investment performance, the Company has significantly increased the pace of new fund commitments and direct investments. In 2004 the

ERICH HORT, *Vice Chairman*

DR. ERNST MÄDER, *Member*

EDWARD E. MATTHEWS, *Member*

DR. ROGER SCHMID, *Member*

Company made three direct investments and committed to make investments in six new funds. The commitments are on average larger than in the past. The Company is looking to focus its portfolio to forty to fifty funds, a significant reduction from the current level of over eighty funds. We believe this change will enhance the Company's investment returns and make the portfolio significantly easier to analyze.

In 2004 Rocco Sgobbo, one of the Company's three managing directors, has decided to accept an offer to head the Asian operations of AIG Private Bank in Hong Kong. We wish Rocco the best in his new endeavor. At year-end Larry Mellinger, a member of the Company's investment committee announced his retirement. A successor to Larry has not been named yet. Following year-end Michael Widmer joined the management board of the Company. Michael's main focus will be marketing the Company to new and existing shareholders.

To all of our shareholders we extend our appreciation for the confidence you have placed in us. We assure you of our commitment to AIG Private Equity and based on the performance of the first quarter we are optimistic that 2005 has the potential to be a further year of good success.

Eduardo Leemann
Chairman of the Board

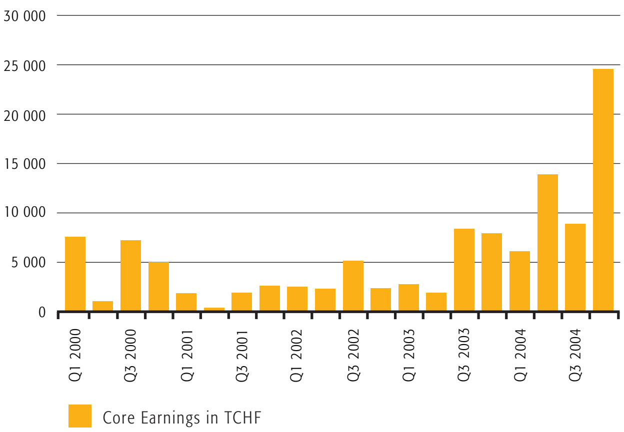
Review 2004 and Outlook

AIG Private Equity Ltd. (the "Company") had an extremely successful year 2004, with most performance measures the best in the Company's history. Net Asset Value ("NAV") was up 18% over the year from CHF 96.37 per share to CHF 113.72 per share. Our share price increased nearly 20% from CHF 92 per share to CHF 110 per share. Core earnings (interest, dividends and capital gains from investments) were up over 154% year over year (from CHF 20.2 million to CHF 51.5 million), with our core earnings for 2004 equaling 88% of our total core earnings for the four-year period from 2000 to 2003. These results were achieved despite a further drop of 8% in the value of the US dollar versus the Swiss franc.

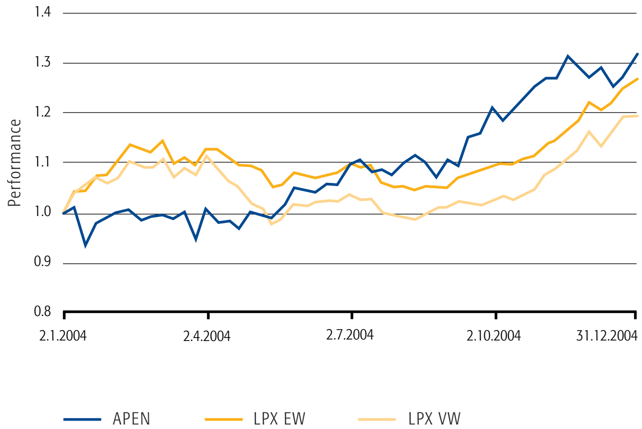
The Company's performance in 2004 was a result of strong buyout markets in both the US and Europe and of the growing maturity and strength of the Company's investment portfolio. The US economy performed relatively well over the course of the year while European economies turned in mixed performances. Interest rates in both euros and dollars remained at low levels, allowing greater leverage than in the past three years and providing private equity sponsors with greater flexibility for financing for new investments. These conditions created an opportunity for many of our portfolio companies to restructure debt, permitting in many cases distributions to equity investors, and also supported pricing on exits. Buyout performance was also supported in the US and Europe by an extremely strong fundraising year with a large amount of new capital entering the market through newly-raised buyout funds and, in Europe, by the increasing interest shown in the region by major US buyout houses.

In this positive environment, the Company's portfolio performed well. Performance on the investment portfolio (including cash flows and unrealized gains) was 30% for the year in original currencies. Our direct investment portfolio was the top performer for the year, with a total return of 78% for the year, driven largely by the recapitalizations of our two largest investments Spirit Group and Universal Studios Escape. Our fund portfolio and total return swaps also performed well and generated record amounts of cash. Over 80% of the Company's fund assets by value are invested in funds with a vintage year of 2000 and earlier. These funds are generally in the disposition phase of their investment cycle and have begun producing strong cash flows as they exit portfolio investments and return money to the Company and other investors. In 2004, the total return swaps consisting of funds with vintage years of 1999 and earlier, generated over CHF 25 million in net cash flows. Our direct fund portfolio, which is somewhat younger, was also cash flow positive.

Quarterly Core Earnings from 2000 to 2004



APEN in comparison with LPX Index 2004



MICHAEL WIDMER ANDREW FLETCHER CONRADIN SCHNEIDER

The performance of the top 20 investments was very strong. Spirit Group and Universal Studios Escape, the Company's two largest investments together with Gol posted strong operating results and returned money to investors through recapitalizations and through an initial public offering in the case of Gol. The three companies generated combined valuation increases for the year of nearly ten Swiss francs per share. Nearly all of the other top 20 investments developed well in line with business plans. The top 20 investments make up 35.8% of the Company's NAV and are one of the key value drivers of the portfolio.

The Company has three public listed companies in the top 20 investments, two of which were the result of IPOs during 2004. Gol, a Brazilian low-cost airline, was listed in June 2004 and its share price increased 88% through the end of the year. Theravance, a biotechnology company, was listed in October 2004 and was up 12% through year-end. Seagate Technologies, the world's largest maker of computer disc drives, saw its share price decline 9% in 2004 in line with general weakness in the technology sector, but performed well in the second half of the year.

In line with strong markets write-downs of long term assets remained at negligible levels, with total write-downs for the year of CHF 0.84 million. Our investment in Nexray was written off. Nexray developed a high performance, low dose x-ray fluoroscopy system with the main application in interventional cardiology. The company is currently operating under bankruptcy protection and is seeking buyers for its technology. Additionally, the Company wrote down its investment in Advanced Technology Ventures Ltd. to CHF 0.12 million. In early January 2005 the Company sold its shares in a secondary transaction at that price.

The Company's revaluation reserve for 2004 showed a surplus of CHF 28.0 million (2003: CHF 8.3 million). This surplus is composed of an increase in original currency fair value of CHF 35.6 million (2003: CHF 27.4 million) and a decrease in fair value due to currency effects of CHF –7.7 million (2003: CHF –19.1 million). The currency loss was partially offset by currency hedging transactions. Since a number of our funds make investments in currencies other than their reporting currency, we measure our currency exposure based on the currency of the underlying investment. This focus on economic exposure may lead to exaggerated short-term fluctuations in reported fair values since many funds report European and other non-US based investments in US dollars. Generally, a portion of these short-term fluctuations should smooth out as we receive updated valuation reports from fund managers and exit investments.

The Company's share performance for the year compared favorably with other listed private equity investment companies. The LPX Index, a new index for listed private equity companies, was introduced in 2004 by Professor Heinz Zimmermann of University of Basel. The index is composed of fifty of the largest and most liquid listed private equity companies worldwide. As per year-end the Company was the eighteenth largest company in the index. In 2004, the Company's share price (+30.2%; in US dollars) outperformed the equal weighted LPX Index (+26.9%) and the value weighted LPX Index (+19.4%).

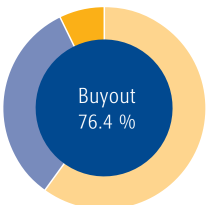
With a mature portfolio, cash flow increased significantly for the year. The Company's investments generated CHF 91 million in cash versus CHF 60 million for 2003, due to increases in the number of exits and recapitalizations. Debt was reduced by CHF 26 million and the Company made new commitments to six buyout funds and completed three new direct investments.

New Investments

In the first quarter AMF Bowling, the industry's market leader operating 472 bowling centers worldwide, was the first new direct investment since 2001 and a commitment to EQT IV in the second quarter represented the first fund commitment since 2001. Two additional direct investments were added in the course of the year. Vanguard Health Systems is an owner and operator of acute care hospitals and complementary facilities in a number of US cities. The lead equity investor in the buyout of Vanguard was the Blackstone Group. Aster is a leading producer of printing plates and inks that was created recently by CVC European Equity Partners in a roll-up transaction combining two existing operations. Currently, direct investments make up 10% of the NAV. The Company is looking to increase the amount to 20%, provided that attractive opportunities can be identified.

The Company made commitments to six new funds in 2004. EQT IV (EUR 10 million) is a leveraged buyout fund focusing on investments in mid to large companies in Northern Europe (Scandinavia, Germany and German speaking countries). Carlyle Europe Partners II (EUR 20 million) is the second buyout fund sponsored by The Carlyle Group focusing on Western Europe. The Company is already an investor in the predecessor fund Carlyle Europe Partners I. Astorg III (EUR 10 million) is a private equity fund targeting to be invested in French mid-market companies. Unison Capital Partners II (YEN 300 million) is an independent investment firm focusing on private equity investments in Japanese middle sized companies. Two funds have not yet had their initial closing. AIG Global Emerging Markets Fund II (USD 12.5 million) will seek influential minority positions, and in select circumstances, controlling positions in companies organized or operating in the emerging markets. CVC Capital Partners Asia II (USD 15 million) will primarily make control private equity investments in the Asia Pacific region.

1. Diversification by Investment Focus as of December 31, 2004
Expressed as % of invested assets applying fair values



2. Investment Framework as of December 31, 2004
Expressed as % of total assets applying fair values

	Fund Investments AIG Portfolio	3rd-Party Funds Portfolio	Direct Investments Portfolio	Total
Developed Markets				
Europe	13.1 %	29.3 %	3.6 %	46.0 %
North America	9.2 %	19.0 %	7.5 %	35.7 %
Other Markets	6.6 %			6.6 %
Total	**28.9 %**	**48.3 %**	**11.1 %**	**88.3 %**

We have continued to make new fund commitments in the first quarter of 2005. Unfunded commitments (including commitments made in the first quarter 2005) amount to approximately CHF 250 million or 60.7% of total assets, which we believe is conservative given the age of our portfolio. We will continue a substantial new commitment program over the next several years in order to remain fully invested and to lay the groundwork for the future performance of the Company. The average size of commitments will be substantially higher than the current portfolio average as we move over the next several years to a portfolio with a smaller number of funds than the current 88. We believe this more focused portfolio will be more transparent and has the potential to enhance the Company's investment returns.

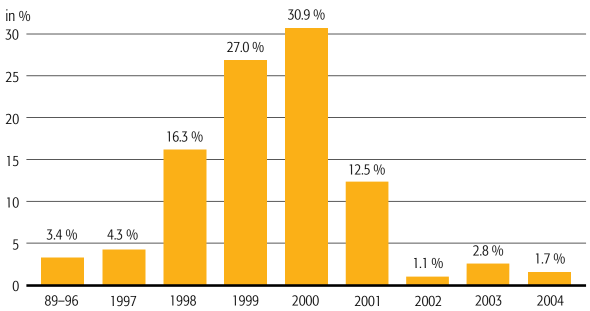
Outlook

The Company's cash flow and investment performance has continued to be solid in the first quarter of 2005. The buyout market continues to be strong and the Company is well-positioned to profit from market conditions due to the high percentage of portfolio funds in the divestment stage. The huge amounts of money currently flowing into private equity investments is a source of some concern, but we believe that our rigorous selection criteria for new fund investments will help us to continue to invest with the more successful general partners and to avoid the funds that will inevitably underperform.

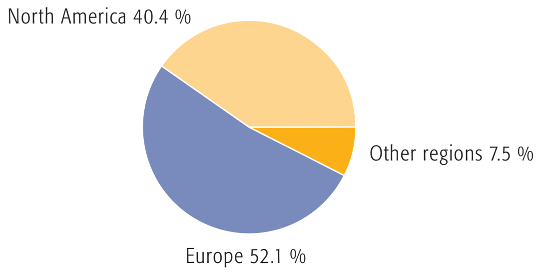
The Company made the following additional fund commitments in the first quarter of 2005: KRG III (USD 15 million), focuses on mid-market buy and build strategies in the manufacturing, distribution and service industries; Carlyle IV (USD 20 million), is the fourth US buyout fund sponsored by one of the world's largest private equity firms that acts as a lead equity investor in management-led buyouts; CHS V (USD 9 million), executes a control oriented, lead investor strategy, that targets middle market businesses; PAI IV (EUR 15 million), makes controlling equity investments in leveraged buyouts with transaction values in excess of EUR 300 million; Advent V (EUR 15 million in the European fund part), is an established private equity firm making later-stage investments (buyouts, recapitalizations, growth) on a global basis; Sovereign II (GBP 5.25 million), invests in the UK lower mid-market private equity space with a focus on the services sector. Further we anticipate committing to two existing European portfolio funds that are raising follow-on funds. Currently, we anticipate committing approximately USD 150 million per year going forward.

Continued strong cash flows have allowed the Company to reduce debt by an additional CHF 23.7 million in the first quarter 2005. We have repaid our entire line to AIG and anticipate to repay the remaining debt by the end of the second quarter. We continue to review new fund investments and direct investments and remain committed to creating long-term capital appreciation for our shareholders.

3. Diversification by Vintage Year as of December 31, 2004
Expressed as % of invested assets applying fair values



4. Diversification by Region as of December 31, 2004
Expressed as % of invested assets applying fair values



Top 20 Investments

2004 was a very active and successful year for the Company's top 20 investments. Two of the top 20 investments were exited completely, one was partially sold and three were recapitalized with a fourth recapitalizing in the first week of 2005. Overall, the performance of the top 20 investments was outstanding. The three best-performing top 20 investments, Spirit Group, Universal, and Gol, generated combined valuation increases of CHF 29.8 million (including cash proceeds) for the year, or CHF 9.57 per share.

All in all, six new investments entered the top 20 investments in the course of 2004: ***Gol, AMF Bowling, Intelsat, ComHem, Vanguard Health Systems*** and ***Fresh Direct***. Descriptions for each investment are contained on the following pages. AMF Bowling and Vanguard are two new investments in 2004, the others were existing investments that joined the top 20 portfolio due to positive performance and/or the exit of previous top 20 investments.

The portfolio contains three listed companies of which two are the result of IPOs during 2004. ***Gol*** was listed on both the New York Stock Exchange and BOVESPA in June and ***Theravance*** was listed on the NASDAQ in October. Both companies have performed well, up 88% and 12% since their respective listings. Including cash received at the IPO of CHF 4.5 million and a year-end valuation of the remaining shares of CHF 8.6 million, our investment in Gol has returned over 8 times cost. Despite the positive performance of Theravance in US dollar, the year-end value in Swiss francs was 0.86 times cost due to US dollar weakness. ***Seagate*** shares recorded a 9% decline during 2004, but were up more than 70% in the last four months of the year.

Honsel International Technologies, the number 9 investment at the end of 2003, was fully exited at approximately 2 times cost. ***Transcore Holdings***, the number 12 investment at the end of 2003 was sold in the fourth quarter with a return of over 1.8 times cost. ***American Community Newspapers*** (ACN), the number 5 investment at the end of 2003, was partially exited in the fourth quarter and dropped to the number 19 investment as a result.

Three top 20 portfolio companies were recapitalized or announced recapitalizations in the fourth quarter, including the two largest investments in the Company's portfolio. In 2004 the value of the Company's largest investment, in ***Spirit Group***, increased by CHF 11.9 million to CHF 27.6 million based on Spirit's strong operating results. In January 2005 approximately 60% of the PIK notes held by the Company and other equity investors were redeemed, resulting in a cash distribution to the Company of CHF 13.6 million. Following strong performance in 2004, ***Universal Studios Orlando***, the Company's second largest investment, was recapitalized in December. As a result, the Company received proceeds of USD 4.6 million (CHF 5.2 million), an amount equal to the Company's initial investment, while maintaining the same ownership percentage in Universal going forward. The Company's remaining position in Universal is worth 2.3 times cost, so the total investment (both realized and unrealized) has returned 3.3 times cost. ***Tensar Corp.*** was also recapitalized in the fourth quarter, generating USD 2.3 million in proceeds to the Company from the redemption of preferred shares. As a result of this redemption, Tensar dropped out of the top 20 investments.

On January 28, 2005 ***Intelsat Ltd.*** was sold to a group of private equity investors. The Company's year-end valuation for Intelsat was based on this sales price. Intelsat returned 2.2 times cost.

We expect 2005 to be eventful, with a number of potential exits during the course of the year. We will continue to update information on the top 20 investments in quarterly reports and monthly NAV flyers.

1 Spirit Group

Spirit Group is the largest independent managed pub operator in the UK with an estate comprising over 2 000 pubs and employing over 40 000 people. In 2004 Spirit completed the sale and leaseback of a portfolio of its pubs and sold 364 of its managed pubs and the Premier Lodge chain, thereby reaching all of its objectives following the acquisition of Scottish & Newcastle. The proceeds from these transactions were used to refinance the group.

www.thespiritgroup.com

2 Universal Studios Escape

Universal Studios Escape runs two theme parks in Orlando, Florida: Universal Studios Florida and Island of Adventure. Both parks give visitors a look-behind-the-scenes in the movie industry with exciting entertainment, rollercoaster rides, theme restaurants, cinemas, a city walk and other exciting attractions. The company showed strong performance in 2004, bolstered by improved consumer confidence resulting in increased attendance and higher hotel occupancy rates and the opening of the new Mummy ride.

www.themeparks.universalstudios.com

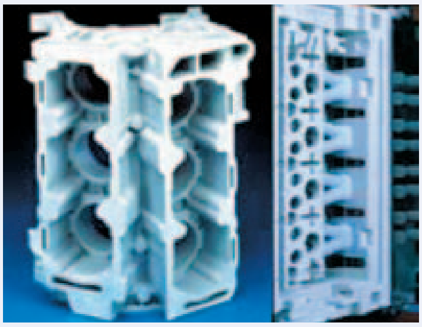
3 Young's Bluecrest

Young's Bluecrest is the largest seafood company in the UK, with a 30% share of the £1.4 billion UK retail seafood market. The Company produces the broadest range of frozen seafood and chilled seafood of a provider in the UK. Young's frozen products include breaded and battered fillets, breaded scampi, prawns, pies and recipe meals, while chilled products include loose whole fish, pre-packaged fillets & steaks, smoked fish, breaded fillets, shellfish and recipe meals. Young's markets its products through all the leading retailers in the UK under the Young's brand, one of the top 15 food brands in the UK, as well as through retailer brands. Young's also sells its products into the food service sector, both through wholesalers such as Brake Brothers and 3663, as well as directly to large UK restaurant chains and pub operators.

www.youngsbluecrest.co.uk

4 Teksid Aluminum

Teksid Aluminum is a specialized international Tier 1 auto supplier with 16 plants in 13 locations around the world (North America, Europe, Latin America and Asia). Teksid manufactures complex aluminum castings for automobile engines and other parts supplied mainly to automotive manufacturers (Fiat, Renault, GM, Daimler-Chrysler, Ford, Volvo). Teksid is by far the largest and most diversified independent manufacturer of aluminum castings in the world, both in terms of capacity and casting capabilities.



www.teksid.com

6 Springs Industries

Springs is a leading US-based player in the home textiles industry specializing in bedding, bath, decorative windows and decorative flooring products. The company's largest customeris Wal-Mart. It also sells to other leading "big box" retailers such as Home Depot and Lowe's, specialty retailers such as Bed Bath & Beyond and Linens n' Things and department stores such as Sears and JCPenny. Notable brands produced by the company include Wamsutta and Springmaid. The company runs approximately 30 manufacturing facilities in 13 US states, Canada and Mexico and employs about 15 000 people.

www.springs.com

5 Gol Linhas Aéreas Inteligentes

Gol is the first low-cost/low-fare airline in Brazil. While the airline industry, both globally and in Brazil, has been under pressure, GOL's proven business model (analogous to that of JetBlue or EasyJet) has helped it secure a 24% market share in just three years of operation. One of Gol's key assets is its very modern and young fleet which guarantees low maintenance, fuel and training costs along with high aircraft utilization and efficiency ratios. The company's cost-benefit service is further enhanced by its safe and reliable services. Currently, Gol flies to 39 major business and travel destinations in Brazil as well as in Argentina. On June 23, 2004 Gol successfully completed its IPO (NYSE ticker symbol: GOL).

www.voegol.com

7 Ubiquity Software Corporation

Ubiquity Software Corporation is a leading provider of signaling and service provisioning software systems for telecom service providers. Ubiquity's software is based on SIP Session Initiation Protocol, the industry protocol being adopted by service providers as the standard signaling protocol in packet switched Internet Protocol networks, including the 3G mobile standard. The company's products enable telecom, application and Internet Service Providers to develop and provide value-added integrated voice and data services.

www.ubiquity.net

8 Theravance

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's lead compounds are for the following indications: asthma, overactive bladder and infectious disease. On October 4, 2004 Theravance successfully completed its IPO (NASDAQ ticker symbol: THRX).

www.theravance.com

9 Accellent

Accellent (formerly known as UTI Corporation) is a leading provider of integrated outsource manufacturing services to the medical device industry. The company has more than 3 500 employees in 20 specialized facilities in five countries. Accellent's customers include the top medical device companies in the world and receive a variety of outsourcing solutions. These solutions include design and engineering services, precision component fabrication, and finished device assembly along with supply chain management. On June 30, 2004 UTI Corporation completed the acquisition of MedSource Technologies, Inc. which makes it the largest design, engineering, and contract manufacturing company serving the medical device market.

www.accellent.com

10 AZ Automotive

AZ Automotive is an integrated full-service, Tier I supplier of highly engineered metal-formed components, complex modules and mechanical assemblies for automotive companies, primarily in North America. AZ Automotive was formed to purchase the net assets of Aetna Industries, Inc. and Zenith Industries Corporation, both acquired out of bankruptcy. Products include floor plan modules, large rails, suspension supports, cross member assemblies, roof structural assemblies and fender brackets. AZ Automotive's primary customers are GM, Ford and Chrysler.

www.azautomotive.com

11 Dometic

Dometic is the leading international supplier of products and systems developed, designed and manufactured for use in different types of vehicles and boats to meet specific end-user requirements for increased comfort away from home. Dometic also offers refrigerators to the hotel sector, medical applications and wine storage. The company has 21 sales companies in 14 countries, six regional offices and approximately 100 distributors in an additional 80 countries. Dometic has 20 production facilities in ten countries in Europe, North America and Africa.

www.dometic.com

12 Symrise

In February 2003, Symrise was formed by the merger of H&R and Dragoco. The combination created the fourth largest company in the global EUR 15 billion flavors, fragrances, aroma chemicals, and cosmetics ingredients (FFA) industry. Symrise should benefit from 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.

www.symrise.com

13 Com Hem

Com Hem is the leading cable TV operator in Sweden and provides cable TV to 1.4 million households there, equivalent to 34% of the total households. The company has a 54% market share of the cable TV market. Com Hem offers four main services: basic TV, premium pay TV, internet cable (broadband) and pay per view.

www.comhem.se

14 AMF Bowling Worldwide

AMF Bowling Worldwide is the bowling industry's market leader and operates 472 bowling centers all over the world, 376 of them in the US, which is nearly four times more than its closest competitor. In 2004, AMF Bowling sold its businesses in the UK and Australia. The company consists of three business units: US bowling centers, international bowling centers, and bowling products such as lanes, bowling bags, pins, pinspotters, and billard tables.

www.amf.com

15 Seagate Technologies

Seagate is the worldwide leader in the design, manufacturing and marketing of hard disc drives, providing products for a wide-range of Enterprise, Desktop, Mobile Computing, and Consumer Electronics applications. Seagate is also a leader in storage network solutions and innovative tape drive manufacturing. The company was taken public in December 2002 on the New York Stock Exchange (NYSE ticker symbol: STX).

www.seagate.com

16 FieldTurf Holdings

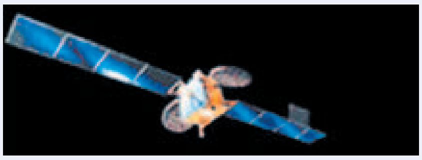
FieldTurf Holdings develops, manufactures and markets next generation artificial sports surfaces. Athletes and coaches favor FieldTurf because it reacts to impact and motion like natural grass, thereby preventing the type of impact, abrasion and motion injuries common to other synthetic playing fields. FieldTurf products are durable and require less maintenance. Due to the product's unique, patented construction, FieldTurf is also pursuing non-sports related applications.

www.fieldturf.com

17 Vanguard Health Systems

Vanguard Health Systems is an owner and operator of acute care hospitals and complementary healthcare facilities in San Antonio, Texas; Chicago, Illinois; Phoenix, Arizona; and Orange County, California. In addition to its core business, Vanguard owns a Medicaid managed health plan, Phoenix Health Plan, which serves approximately 95 000 members in Arizona; and a capitated health plan, MacNeal Health Providers, an Independent Practice Association covering certain physician and outpatient services for approximately 49 000 members in metropolitan Chicago, Illinois. Vanguard's strategy relies on local management and aims to deploy long-term local experience.

www.vanguardhealth.com



18 Intelsat

Intelsat is a leading provider of satellite communications services worldwide, supplying video, data and voice connectivity in over 200 countries and territories. Intelsat's services are used by leading multinational corporations, the US Government and major communications providers around the world, including major broadcasters in the United States. Founded in 1964, the company has provided communications capacity for some of the most memorable events in modern history – from broadcasting the video signals of the first moon walk, to providing the "hot line" connecting the White House and the Kremlin, to broadcasting live television coverage of every Olympics since 1968. On January 28, 2005 Intelsat was acquired by four private equity firms for an enterprise value of approximately USD 5 billion.

www.intelsat.com

TOP 20 INVESTMENTS

	Investment Date	Portfolio Company	Remaining Cost	Fair Value (CHF million)
1	November 1999	Spirit Group	14.9	27.6
2	July 2000	Universal Orlando Escape	7.4	12.0
3	March 2002	Young's Bluecrest Limited	2.9	10.0
4	September 2002	Teksid Aluminum	7.0	10.0
5	January 2003	Gol Linhas Aéreas Inteligentes *	0.8	8.6
6	February 2003	Springs Industries	5.2	6.1
7	August 2000	Ubiquity Software	4.8	6.0
8	September 2000	Theravance *	5.9	5.0
9	May 2000	Accellent	6.5	4.9
10	June 2002	AZ Automotive Corporation	6.5	4.5
11	July 2001	Dometic International	3.0	4.1
12	October 2002	Symrise	4.0	3.8
13	June 2003	ComHem	1.0	3.8
14	February 2004	AMF Bowling Worldwide	3.6	3.3
15	November 2000	Seagate Technologies *	0.0	3.2
16	August 2001	FieldTurf Holdings	4.2	2.8
17	September 2004	Vanguard Health Systems	3.0	2.8
18	July 2003	Intelsat	1.3	2.6
19	November 1999	American Community Newspapers	2.1	2.5
20	April 2003	FreshDirect	2.5	2.5
Totals Top 20 Investments			**86.6**	**126.6**

* Denotes publicly traded company

19 American Community Newspapers

American Community Newspapers consists of more than 65 community newspapers, daily and specialty publications. These publications are geographically concentrated around the Dallas/Fort Worth, Minneapolis and Kansas City (Missouri) metropolitan areas. American Community Newspaper has a total circulation of over 900 000. In December 2004 American Community Newspapers was sold to an investor group led by Spire Capital with the former owners providing seller financing.

www.americancommunitynewspapers.com

20 Fresh Direct Holdings

Fresh Direct Holdings is based in New York City and processes high quality perishable food and groceries. The company delivers directly to customers in targeted parts of the New York metropolitan area. Expansion to New York's outer boroughs is planned. Fresh Direct's sales proposition is the provision of "Better Food at Lower Prices Delivered". The company lowers its cost structure by sourcing directly from manufacturers or farmers, thus minimizing distribution layers. This enables Fresh Direct to provide fresher food at prices 10–35% lower than items sold at supermarkets in the targeted areas. The Company launched operations in July 2002.

www.freshdirect.com

Percentage of NAV	Type	Industry	Geography
7.8%	Buyout	Food & Beverage	Europe
3.5%	Buyout	Leisure	North America
2.8%	Buyout	Food & Beverage	Europe
2.8%	Buyout	Automotive	Global
2.4%	Buyout	Airline	South America
1.7%	Buyout	Textile	North America
1.7%	Venture Capital	Software	Europe
1.4%	Venture Capital	Pharmaceutical	North America
1.4%	Buyout	Medical Device	North America
1.3%	Mezzanine	Automotive	North America
1.2%	Buyout	Refrigeration	Global
1.1%	Buyout	Flavor & Fragrance	Europe
1.1%	Buyout	Telecom	Europe
0.9%	Buyout	Leisure	Global
0.9%	Buyout	Hardware	Global
0.8%	Buyout	Leisure	Global
0.8%	Buyout	Health	North America
0.7%	Buyout	Telecom	Global
0.7%	Buyout	Media	North America
0.7%	Development Capital	Food & Beverage	North America
35.8%			

FINANCIAL REPORT 2004

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2004 AND DECEMBER 31, 2003

in TCHF

	Note	2004	2003
Assets			
Current assets			
– Cash and cash equivalents	2	13 736	20 667
– Derivative instruments (foreign exchange forward, options)	4	7 136	7 234
– Receivables and prepayments	5	27 118	4 655
		47 990	**32 556**
Long-term assets			
– Loans		8 115	7 532
– Investments			
Direct investments	1	36 961	27 167
Funds	1	215 546	196 584
Contractual agreements	1, 12	98 216	118 269
		358 838	**349 552**
Total Assets		**406 828**	**382 108**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges	6	19 815	17 275
– Loans	7	33 051	25 000
		52 866	**42 275**
Long-term liabilities	7	**–**	**33 843**
Shareholders' Equity			
– Share capital	8	317 500	317 500
– Share capital premium		93 588	93 588
– Treasury stock (at cost)		(5 305)	–
– Revaluation deficit		(64 874)	(92 846)
– Accumulated deficit brought forward		(12 037)	(29 295)
– Net profit for the year		25 090	17 043
		353 962	**305 990**
Total Liabilities and Shareholders' Equity		**406 828**	**382 108**
Net asset value per share			
Number of shares outstanding at year-end	8	3 112 587	3 175 000
Net asset value per share (in CHF)	8	113.72	96.37

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2004 AND JANUARY 1 TO DECEMBER 31, 2003

in TCHF

	Note	2004	2003
Income			
Interest income, net and dividends from long term assets	10	17 153	2 964
Realized gains on investments, net	10	34 333	17 268
Total Income		**51 486**	**20 232**
Write-Downs			
Write-down of long-term assets	9	(838)	(3 325)
Expenses			
Management fees	11	(7 001)	(5 778)
Performance fees	11	(2 526)	–
Service fees	11	(363)	(369)
Other operating expenses		(1 578)	(1 142)
Total Expenses		**(11 468)**	**(7 289)**
Financial Income/(expense)			
Interest income	11	160	47
Foreign currency exchange gain (loss), net		(15 738)	8 894
Interest expenses		(1 548)	(1 462)
Gain on financial instruments, net		3 315	–
Total Financial Income, net		**(13 811)**	**7 479**
Net profit for the year before taxes		25 369	17 097
Tax expenses		(279)	(54)
Net profit for the year		**25 090**	**17 043**
Net profit per share (in CHF)	8	**8.06**	**5.37**
Comprehensive Statement of Income/(expenses)			
Net profit from consolidated statement of income		25 090	17 043
Revaluation reserve from fair value valuation of investments credited to equity, net		35 649	27 428
Revaluation deficit from foreign exchange gains of investments credited to equity, net		(7 677)	(19 117)
Total Comprehensive Income/(expenses), net		**53 062**	**25 354**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2004 AND JANUARY 1 TO DECEMBER 31, 2003

in TCHF

	2004	2003
Cash Flows from Operating Activities		
Purchase of long-term assets	(67 680)	(57 142)
Proceeds from return of invested capital in long-term assets	46 797	40 660
Interest income received from current assets	160	47
Interest income, net and dividends received from long-term assets	5 750	942
Dividends received	4 129	823
Realized gains on investments, net	34 314	17 844
Operating costs	(2 317)	(1 963)
Management and Performance fees	(6 806)	(5 696)
Tax expense	(37)	(41)
Changes in other current assets and liabilities	5 575	1 182
Total Cash Flows generated by/(used in) Operating Activities	**19 885**	**(3 344)**
Cash Flows from Financing Activities		
Proceeds from loans	–	11 469
Repayment of loans	(26 166)	–
Treasury share purchase	(6 026)	–
Treasury share sale	938	–
Total Cash Flows generated by/(used in) Financing Activities	**(31 254)**	**11 469**
Foreign Exchange Effect	**4 438**	**11 938**
Increase (decrease) in Cash and Cash Equivalents	**(6 931)**	**20 063**
Cash and Cash Equivalents as of January 1	**20 667**	**604**
Cash and Cash Equivalents as of December 31	**13 736**	**20 667**

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2004

in TCHF

	Share Capital	Share Capital Premium	Revaluation Reserve (Deficit) on Investments	Revaluation Reserve (Deficit) on Currency	Accumulated Surplus/ (Deficit)	Less treasury stock (at cost)	Total Equity
Shareholders' Equity							
Balance January 1, 2002	317 500	93 588	(40 807)	7 457	(33 132)	(5 788)	338 818
Value increase on investments			4 319				4 319
Value decrease on investment due to currency differences				(72 126)			(72 126)
Sale treasury stock, net					(641)	5 788	5 147
Net profit for the year					4 478		4 478
Total Shareholders' Equity as of December 31, 2002	**317 500**	**93 588**	**(36 488)**	**(64 669)**	**(29 295)**	**–**	**280 636**
Balance January 1, 2003	317 500	93 588	(36 488)	(64 669)	(29 295)	–	280 636
Value increase on investments			27 428				27 428
Value decrease on investment due to currency differences				(19 117)			(19 117)
Sale treasury stock, net							–
Net profit for the year					17 043 [1]		17 043
Total Shareholders' Equity as of December 31, 2003	**317 500**	**93 588**	**(9 060)**	**(83 786)**	**(12 252)**	**–**	**305 990**
Balance January 1, 2004	317 500	93 588	(9 060)	(83 786)	(12 252) [2]	–	305 990
Value increase on investments			35 649				35 649
Value decrease on investment due to currency differences				(7 677)			(7 677)
Transaction in treasury shares					217	(5 305)	(5 088)
Net profit for the year					25 090 [1]		25 090
Total Shareholders' Equity as of December 31, 2004	**317 500**	**93 588**	**26 589**	**(91 463)**	**13 055**	**(5 305)**	**353 964**

[1] Included in this amount is the transfer of TCHF 838 (2003: TCHF 3 750) of unrealized losses to the statement of income as corresponding investments have been written-down.
[2] The value difference of TCHF 2 is due to a rounding difference in the annual report 2003.

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

GENERAL

AIG Private Equity AG, 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 (the "Subsidiary"), 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 sponsored by companies of AIG as well as partnerships managed by other leading private equity managers. 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 Subsidiary.

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 of the Subsidiary are held by the Company. The purpose of the Subsidiary is to act as an investment vehicle for the Company's investments 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 Subsidiary's Board of Directors for approval.

As of December 31, 2004 the Company did not employ any employees (2003: none).

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Basis of Presentation

The accompanying consolidated financial statements of the Group for the year ended December 31, 2004 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 guidelines laid down in the SWX Swiss Exchange's supplementary listing rules for investment companies.

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.

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 of disposal. All material intercompany transactions and balances are eliminated. The scope of consolidation currently includes only AIG Private Equity (Bermuda) Ltd., which is owned 100% by the Company.

All other investments are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement as further disclosed in the investment schedule.

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, 2004 the Group held 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 and also accounted for in accordance with IAS 39.

Measurement Currencies

The reporting currency of the Company is CHF. The Subsidiary of the Company is considered a foreign operation integral to the operations of the parent company as per IAS 21 "The Effects of Changes in Foreign Exchange Rates". All transactions in foreign currencies entered into by AIG Private Equity Group are recorded in Swiss francs at the exchange rate prevailing on the day of the transaction. Gains and losses resulting from the settlement of transactions denominated in foreign currency are recorded in the income statement of the Company ("income statement") using the exchange rate prevailing on that date.

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

Non-monetary assets and liabilities (including share capital) denominated in foreign currency are translated at historical rates. Gains and losses resulting from translation of foreign currency balances are recorded into equity and are included in a revaluation reserve in equity.

Derivative Financial Instruments

The Company enters into foreign exchange forward contracts and option contracts to partially macro-hedge its net exposure in private equity investments denominated in foreign currency. These investments are held by AIG Private Equity Ltd. and the Subsidiary. The derivative financial instruments are held-for-trading, initially recognized at cost and subsequently re-measured at fair value. Changes in the fair value of those forward contracts and options 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. For the purpose of the cash flow statement, cash and cash equivalents also comprise bank overdraft, which are included in short term loans and borrowings in the balance sheet.

Loans

Loans are granted to companies (investments) only under the following circumstances: When the loan is granted together with an equity investment in the company, when an option to purchase shares in the company is part of the loan agreement, or when the loan is convertible into shares of the company. While the loans may vary in their specific terms, in general the interest calculated for the year is added to the notional amount. According to IAS 39, loans are classified as originated loans which are carried at amortized cost less any impairment adjustments.

Direct Investments and Fund Investments

- In January 2001 the Group adopted IAS 39, Financial Instruments: Recognition and Measurement, and classified its investments as available-for-sale. Available-for-sale securities are initially recorded at cost. These securities are subsequently re-measured at fair value. Temporary gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the revaluation reserve/deficit in the shareholders equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period. A value adjustment is recorded when the Board of Directors considers that non-temporary decline in value has occurred. Such valuation adjustments are recorded under "write-down of long-term assets".

  As mentioned above these investments are mainly non-current financial assets and market quotations are not readily available, therefore these investments are valued at their fair value as determined in good faith by the Board of Directors in consultation with the investment manager. In this respect, investments in other investment companies which are not publicly traded are normally valued at the underlying net asset value as advised by the managers or administrators of these investment companies, unless the Board of Directors are aware of good reasons why such a valuation would not be the most appropriate indicator of fair value. All fair valuations may differ significantly from values that would have been used had ready markets existed, and the differences could be material.

In estimating 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 makes a good faith estimate of the fair values as of the valuation date.

In estimating the fair value of fund investments, the Group considers all appropriate and applicable factors relevant to their value, including but not limited to the following:

– Reference to the fund's investment's reporting information;
– Reference to transaction prices;
– Result of operational and environmental assessment.

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, which are 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. The valuation of the investments is done on a regular basis. In line with IAS 39 no discount is applied to the bid price of quoted investments. This procedure is also followed for quoted investments which are subject to a restriction on their sale or where the number of shares held is high in relation to the trading volumes.
- Dividends are recognized in the statement of income at the time upon the declaration of such dividends.

Net Asset Value per Share and Earnings/Loss 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 in issue at year end. Earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Contractual Agreements (Total Return Swaps)

The contractual agreements (total return swap) are valued in accordance with the agreements using the latest reported net asset value available from the General Partners and adding/subtracting cash flows for the remainder of the year. On December 22, 1999 Group entered into three contractual agreements with AIG that entitles 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.

Taxes

Tax provisions are based on reported income and include taxes on capital, as well as non-recoverable tax withheld on interest and dividends. The activities of the Subsidiary are currently not subject to any income, withholding or capital gains taxes in Bermuda. Provisions for taxes payable on profits earned in the AIG Private Equity Group companies are calculated and recorded based on the applicable tax rate in Switzerland. Taxes payable as result of consolidation are dealt with in accordance with IAS 12.

Loans

Bank loans include short-term borrowing granted by third parties. Short-term implies a planned repayment within 12 months of the balance sheet date.

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.

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.

The available-for-sale investments are categorized into three distinct categories for which individual impairment policies apply.

Contractual Agreements ("TRS"; see also note 12)

On a quarterly basis and 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 TRS 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 TRS will not cover its costs.

Direct Investment Funds

Funds where the Company is a direct limited partner will be reviewed on a quarterly/semi-annual basis (as interim reports are made available) and at each balance sheet date. The decrease in fair value of any portfolio company, in any of these funds, for which there is objective evidence that it is impaired, will be booked through net 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 as well as subsequent rounds of financing. In case of significant deviations, valuations are adjusted to reflect current market values. The updated valuation is subject to approval from the board of directors. In case a direct investment is deemed to be impaired, the cumulative loss previously recognized in equity is recorded in net profit or loss for the period.

Segment Reporting

The sole business segment is investing in private equities, resulting in no segment disclosure reporting as per IAS 14. Therefore, the results published in this report correspond to the primary segment-reporting format.

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.

Related Parties

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Long-term assets Investment Schedule as of December 31, 2004

	Vintage Year	Opening Balance in TCHF	Paid in Capital in TCHF
AIG Fund Portfolio			
AIG Blue Voyage Fund L.P.	2000	2 607	306
AIG Brazil Special Situations Fund L.P.	2000	7 931	2 134
AIG Global Emerging Markets Fund II, L.P.	2005	–	–
AIG Global Sports & Entertainment Fund, L.P.	2000	5 322	311
AIG Highstar Capital, L.P.	2000	8 401	1 293
AIG Horizon Partners Fund, L.P.	1999	61 014	8 968
AIG Orion Fund L.P.	1999	2 832	281
CapVest Equity Partners L.P.	2000	23 203	2 999
AIG Swap Funds Portfolio	NA	14 419	730
AIG Private Equity Portfolio L.P. (receivables and prepayments)	NA	10 130	309
Subtotal Affiliate Funds		**135 859**	**17 330**
Third Party Fund Portfolio			
International Funds			
Astorg III	2003	–	–
ATV Advanced Technology Ventures Ltd.[1]	2000	519	–
Carlyle Europe Partners II, L.P.	2003	–	6 608
Carlyle Europe Venture Partners, L.P.	2000	966	525
CVC European Equity Partners III, L.P.	2001	4 525	2 010
Electra European Fund, L.P.	2001	8 334	8 087
EQT III, L.P.	2001	11 856	1 608
EQT IV, L.P.	2005	–	184
GMT Communications Partners II, L.P.	2000	1 700	190
Lexington Capital Partners IV, L.P.	2000	14 717	3 475
TH Lee.Putnam Internet Partners, L.P.	1999	2 778	568
The Third Cinven Fund	2001	4 337	1 937
Unison Capital Partners II, L.P.	2005	–	–
International Swap Funds Portfolio	NA	71 978	4 940
Subtotal International Funds		**121 710**	**30 132**
Third Party Fund Portfolio			
US Funds			
Advanced Technology Ventures VI, L.P.	2000	3 297	241
Arrow Path Venture Capital, L.P.	1999	3 438	1
Baker Communications Fund II, L.P.	2000	2 779	249
Berkshire Fund V, L.P.	1998	3 862	607
Blackstone Mezzanine Partners, L.P.	1999	1 555	715
Boston Millennia Partners II, L.P.	2000	2 157	321
Carlyle Partners III, L.P.	2000	4 113	1 015
Focus Ventures II, L.P.	2000	1 041	213
Heartland Industrial Partners, L.P.	1999	5 818	82
JK&B Capital III, L.P.	2000	2 777	435
KRG Capital Fund I, L.P.	1999	3 327	115

[1] Formerly known as A & A Venture Ltd.

Returned Capital in TCHF	Write-down/write-up of investments in TCHF	Cost Value 31.12.04 in TCHF	Fair Value 31.12.04 in TCHF	Original Currency	Unfunded commitment in TCHF
(1 433)	–	1 480	732	USD	3 445
(1 274)	–	8 791	13 660	USD	3 449
–	–	–	–	USD	14 120
(450)	–	5 183	2 957	USD	988
(882)	–	8 812	6 049	USD	728
(20 181)	–	49 802	43 380	USD	10 865
(22)	–	3 091	1 041	USD	1 217
–	–	26 202	41 263	Euro	830
(1 444)	–	13 704	8 420	Various	392
–	–	10 439	5 268	–	–
(25 686)	**–**	**127 504**	**122 770**		**36 034**
–	–	–	–	Euro	15 450
–	(519)	–	120	CHF	–
–	–	6 608	5 547	Euro	24 594
(276)	–	1 215	1 169	Euro	411
(1 411)	–	5 124	6 522	Euro	2 329
(2 304)	–	14 117	16 251	Euro	6 679
(94)	–	13 370	14 806	Euro	5 676
–	–	184	2	Euro	15 266
(608)	–	1 282	825	Euro	1 421
(8 569)	–	9 623	13 505	USD	3 330
(183)	–	3 163	1 581	USD	1 973
(1 184)	–	5 090	5 299	Euro	4 726
–	–	–	–	YEN	3 295
(12 052)	–	64 866	53 435	Various	4 438
(26 681)	**(519)**	**124 642**	**119 062**		**89 588**
–	–	3 538	621	USD	288
–	–	3 439	946	USD	144
(83)	–	2 945	942	USD	1 197
(1 278)	–	3 191	3 172	USD	285
(902)	–	1 368	1 185	USD	1 241
(90)	–	2 388	920	USD	1 010
(1 841)	–	3 287	3 822	USD	1 051
–	–	1 254	355	USD	189
(86)	–	5 814	3 912	USD	145
(213)	–	2 999	1 455	USD	495
(2 281)	–	1 161	932	USD	327

Investment Schedule as of December 31, 2004

	Vintage Year	Opening Balance in TCHF	Paid in Capital in TCHF
Third Party Fund Portfolio			
US Funds			
Meritage Private Equity Fund, L.P.	1999	1 544	1 112
Mesirow Capital Fund	1997	489	–
North Castle Capital Partners II, L.P.	1999	3 282	46
Questor Partners Fund II, L.P.	1999	4 060	1 280
RCBA Strategic Partners, L.P.	1998	2 983	4
Silver Lake Partners, L.P.	1999	1 844	1 110
Technology Crossover Ventures IV, L.P.	2000	8 707	681
Thayer Equity Investors Fund IV, L.P.	1998	3 623	201
Thomas Weisel Capital Partners, L.P.	2000	3 941	771
TWP CEO Founders' Circle (QP), L.P.	1999	–	32
US Swap Funds Portfolio		71 778	3 863
Subtotal US Funds		**136 415**	**13 093**
Direct Investments Portfolio			
Accellent, Inc. [2]	2000	5 947	–
American Media, Inc.	2003	793	–
AMF Bowling Worldwide	2004	–	1 826
Angionenix, Inc.	2002	215	49
Arriva Pharmaceuticals, Inc.	2002	331	128
Aster	2004	–	1 544
Atlantech International, Inc. ("Tensar")	2000	4 272	538
Avalon Pharmaceuticals, Inc.	2001	376	–
AZ Automotive Corp.	2002	1 843	191
Fresenius Medical Care Cardiovascular Resources Holdings, Inc.	2001	314	–
Fresh Direct Holdings, Inc.	2003	216	–
High Response Holdings, Inc.	2002	473	–
Iomai, Inc.	2003	108	–
Maidenform, Inc.	2004	–	809
Medispectra, Inc.	2001	1 461	335
NexRay, Inc.	2001	258	17
QinetiQ Group plc	2003	1 198	802
Spirit Group	1999	5 337	–
Springs Industries, Inc.	2003	959	–
Teksid Aluminum SPA	2002	870	–
Theravance Inc., (Advanced Medicine Inc.)	2000	4 484	–
Transcore Holdings, Inc.	2001	–	78
Universal Studio Escape	2000	7 464	–
Vanguard Health Systems, Inc.	2004	–	1 867
Subtotal Direct Investments		**36 919**	**8 184**
Total of all Investments		**430 903**	**68 740**

[2] Formerly known as UTI Corporation

Returned Capital in TCHF	Write-down/write-up of investments in TCHF	Cost Value 31.12.04 in TCHF	Fair Value 31.12.04 in TCHF	Original Currency	Unfunded commitment in TCHF
–	–	2 656	2 201	USD	194
(151)	–	338	423	USD	38
(363)	–	2 964	1 368	USD	111
(359)	–	4 981	3 304	USD	389
(1 533)	–	1 454	2 722	USD	72
(1 314)	–	1 640	4 592	USD	512
(910)	–	8 478	5 065	USD	2 175
(125)	–	3 699	1 029	USD	108
(87)	–	4 625	1 828	USD	74
–	–	32	46	USD	69
(11 679)	(44)	63 918	36 361	USD	2 374
(23 295)	**(44)**	**126 169**	**77 201**		**12 488**
(289)	–	5 658	3 932	USD	
–	–	793	729	USD	
–	–	1 826	1 651	USD	
–	–	264	231	USD	
–	–	459	383	USD	
–	–	1 544	1 555	USD	
(3 906)	–	904	280	USD	
–	–	376	255	USD	
–	–	2 034	1 572	USD	
–	–	314	346	USD	
–	–	216	208	USD	
–	–	473	364	USD	
–	–	108	91	USD	
–	–	809	1 195	USD	
–	–	1 796	570	USD	
–	(275)	–	–	USD	
(885)	–	1 115	2 383	USD	
–	–	5 337	9 233	GBP	
–	–	959	1 090	USD	
–	–	870	1 386	USD	
–	–	4 484	3 894	USD	
(71)	–	7	27	USD	
–	–	7 464	11 987	USD	
–	–	1 867	1 711	USD	1 412
(5 151)	**(275)**	**39 677**	**45 073**		**1 412**
(80 813)	**(838)**	**417 992**	**364 106**		**139 522**

Note 2: Cash and Cash Equivalents

in TCHF

	2004	2003
Cash at banks	13 736	20 667
Total	**13 736**	**20 667**

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 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	2004	2003
Year-end rates:		**CHF**	**CHF**
US dollar	1 USD	1.1412	1.2423
Euro	1 EUR	1.5450	1.5595
Average annual rates:			
US dollar	1 USD	1.2373	1.3376
Euro	1 EUR	1.5471	1.5227

Note 4: Derivative Instruments

Options

The Company purchased USD put options (amount USD 20 million; strike price CHF 1.25/USD 1), maturing April 6, 2005, with a market value of TCHF 2 326 per December 31, 2004.

The Subsidiary purchased USD put options (amount USD 30 million; strike price CHF 1.22/USD 1), maturing August 18, 2005, with a market value of TCHF 3 122 per December 31, 2004.

The Subsidiary purchased USD put options (amount USD 25 million; strike price CHF 1.14/USD 1), maturing November 24, 2005, with a market value of TCHF 1 458 per December 31, 2004.

Foreign Exchange Forward

As of December 31, 2004 the Subsidiary had an open foreign exchange forward contract with a notional amount of USD 25 million at a forward rate of 1.14165 and a positive market value of TCHF 231.

As of December 31, 2003 the Company had two open foreign exchange forward contracts with a:

a) Notional amount of USD 25.4 million, a positive replacement value of TCHF 3 492 and maturing January 6, 2004

b) Notional amount of USD 45.0 million, a positive replacement value of TCHF 3 742 and maturing March 26, 2004

Note 5: Receivables and Prepayments

	2004	2003
From third parties	11 086	468
From affiliated parties		
AIG, Inc.	10 674	4 187
AIG Horizon Partners Fund	5 358	–
Subtotal	**16 032**	**4 187**
Total	**27 118**	**4 655**

From the total receivable of TCHF 27 118, TCHF 21 541 represented cash in transit that was credited to the Company's bank account in January 2005.

Note 6: Payables and Accrued Charges

in TCHF

	2004	2003
Accrued service- and management fees	2 412	1 467
Accounts payable and other accrued expenses	17 403	15 808
Total	**19 815**	**17 275**

TCHF 14 246 of the "Account payable and other accrued expenses" relate to the forward sale of its indirect holdings of Punch Tavern shares held through CapVest Equity Partners Fund to American International Underwriters Overseas Ltd. Since the Group's valuation for its interest in CapVest Equity Partners Fund includes the Punch Taverns shares sold forward, an offsetting payable was created for netting purposes. AIG Horizon Partners Fund has sold all of the Punch Taverns shares as of year-end 2004. The accrued payable will diminish as CapVest Equty Partners Fund sells its shares in Punch Taverns.

Note 7: Loans and Long-term Liabilities

in TCHF	2004	2003
Migrosbank	11 412	25 000
AIG, Inc.	21 639	–
Total current liabilities	**33 051**	**25 000**
AIG, Inc.	–	33 843
Total longterm liabilities	**–**	**33 843**

Based on an agreement dated May 29, 2001 and a supplement dated August 9, 2004 the Company has a credit line available with Migrosbank, Zurich of CHF 20 million that will be reduced to CHF 10 million by January 7, 2005. As of December 31, 2004 utilization of the credit line was USD 10 million.

On May 13, 2002 the Subsidiary entered into an agreement with AIG Inc., whereby capital calls received from funds contained in the Total Return Swaps may be deferred up to an amount of USD 20 million. On November 26, 2002 the agreement was amended so that the unused balance of the USD 20 million could be drawn as needed, rather than depending on distributions from underlying funds. On June 13, 2003 the amount drawable was increased to USD 30 million. The agreement matures April 15, 2005. The interest rate has been fixed at USD LIBOR plus 2%.

Note 8: Shareholders' Equity

The share capital of the Company as of December 31, 2004 (and December 31, 2003) amounts to CHF 317 500 000 consisting of 3 175 000 registered shares with a par value of CHF 100 each. Each share entitles the holder to participate in any distribution of income and capital.

Share capital is broken down as follows:	**2004**	**2003**
Number of shares authorized and issued	3 175 000	3 175 000
Number of shares outstanding	3 112 587	3 175 000
Earnings per Share		
Net profit for the period (in TCHF)	25 090	17 043
Weighted average of total number of shares outstanding (in 1 000)	3 114	3 175
Net profit per share outstanding (in CHF)*	8.06	5.37
Net asset value per share (in CHF)	113.72	96.37

* As of December 31, 2004, there are no items with a potentially dilutive effect. As such, basic and diluted earnings per share are the same.

The following major shareholders held shares and voting rights of 5% and more as of December 31, 2004:

	Number of Shares **2004**	Participation in % **2004**	Number of Shares **2003**	Participation in % **2003**
American International Underwriters Overseas Ltd.	561 489	17.68%	561 489	17.68%
AIG Private Bank Ltd.	320 080	10.05%	385 042	12.13%
MIGROSBANK	NA *	NA	278 570	8.77%
Ernst Göhner Stiftung	267 000	8.41%	267 000	8.41%
SUVA, Schweiz. Unfallversicherungsanstalt	170 000	5.35%	170 000	5.35%
Winterthur Leben	167 000	5.26%	167 000	5.26%

* On September 21, 2004 Migrosbank informed the Company that its shareholding had dropped below 5%

Note 9: Write-downs of Long-term Assets

in TCHF

For the year ended December 31, 2004 write-downs on long-term assets were as follows. For details please see note 1 to the investment table.

	2004	**2003**
Direct investments	275	621
Funds	519	2 481
Contractual agreements	44	223
Total	**838**	**3 325**

As explained in the accounting policies on impairment of assets, write-ups in the carrying value of investments which were depreciated in prior periods are credited to income to the extent that they offset the write-downs previously recorded.

The write-downs in Tullis-Dickerson Capital Focus fund became necessary since the fund was liquidated as of December 31, 2004.

Note 10: Interest Income, Net and Dividends from Long-term Assets and Net Realized Gains on Investments

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

	2004	2003
Interest income, net and dividends from long-term assets:		
AIG Funds	9 751	1 201
Third Party Funds	3 895	1 322
Direct Investments	3 507	441
Net realized gains on investments:		
AIG Funds	8 112	109
Third Party Funds	25 515	16 581
Direct Investments	706	578
Total	**51 486**	**20 232**

Note 11: Related Party Transactions

The AIG Private Equity Group has entered into several agreements with various companies of the American International Group, Inc., New York ("AIG"). AIG is the world's leading US-based international insurance and financial services organization, with operations in approximately 130 countries and jurisdictions.

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 for an annual fee of TUSD 50 (TCHF 62; 2003: TCHF 67). 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 AIG Private Equity Group. Compensation for these services in 2004 was TCHF 301 (2003: TCHF 303). 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 AIG Private Equity Group has entered into a Management Agreement with AIG Private Equity Management Ltd. Bermuda ("the Manager"), a wholly owned subsidiary of AIG Private Bank Ltd., Zurich. For services rendered, the Manager is entitled to receive a management fee at an annual rate equal to 2% (before management and performance fee) 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 matures December 31, 2005. Thereafter the agreement will automatically renew for five years.

In addition to the management fee, the Manager is entitled to 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. Thereafter the agreement will automatically renew for five years.

In 2004 the management agreement resulted in AIG receiving management fees amounting to TCHF 7 001 (2003: TCHF 5 778) and performance fees amounting to TCHF 2 526 (2003: TCHF 0) from the Group.

Refer to notes 1, 4, 5, 6, 7, 10, 12 and 14 for more information on related parties.

MATERIAL TRANSACTIONS

Cash and Cash Equivalents

As of December 31, 2004 the Group had cash and cash equivalents totaling TCHF 13 736 (TCHF 20 667) on a current account basis with AIG Private Bank Ltd., Zurich and Bank of Bermuda Ltd. In 2004, the Group earned TCHF 160 (2003: TCH 47) in interest from cash held with the aforementioned banks.

Capital Calls from AIG Fund Investments

Investments (in million)

	2004		2003	
	CHF	USD	CHF	USD
AIG Horizon Partners Fund L.P.	8.6	7.0	15.5	11.4
AIG Brazil Special Situations Fund L.P.	2.1	1.8	1.7	1.2
AIG Orion Fund L.P.	0.3	0.2	0.0	0.0
AIG Blue Voyage Fund L.P.	0.3	0.2	0.5	0.3
AIG Global Sports & Entertainment L.P.	0.3	0.3	0.3	0.3
AIG Highstar Capital L.P.	1.1	0.9	0.4	0.3
AIG Private Equity Portfolio L.P.	17.5	15.1	9.9	7.4

Personnel

Two members of the Board of Directors of AIG Private Equity Ltd. 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.

Note 12: Contractual Agreements ("Total Return Swaps")

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 (the "Total Return Swaps").

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

As of December 31, 2004, the Total Return Swaps were valued at TCHF 98 216 (2003 TCHF 118 269). In Note 1 the funds held through the Total Return Swaps are grouped into the AIG Swap Fund Portfolio, the International Swap Portfolio and the US Swap Funds Portfolio. The following table provides detail of the various funds contained in the three contractual agreements.

AIG Swap Funds Portfolio	Original commitment (in USD million)
AIG Asian Opportunity Fund	14.5
AIG Orion Fund	0.7
Subtotal	**15.2**

International Swap Funds Portfolio	Original commitment (in USD million)
AEA Scandinavia I	5.1
AEA Scandinavia II	5.1
Baring Communications Equity Limited	2.6
Carlyle Europe Partners L.P.	12.8
Doughty Hanson & Co. III	8.7
Excel Capital Partners III, L.P.	5.1
Palamon European Equity Fund L.P.	5.1
Schroder German LBO	2.7
Permira VT	0.5
The Cinven Fund I	5.1
The Cinven Fund II	14.6
Subtotal	**67.4**

United States Swap Funds Portfolio	**Original commitment (in USD million)**
AEA Investors, Inc. I	1.5
AEA Investors, Inc. II	3.7
American Industrial Partners Capital Fund II, L.P.	1.2
Apollo Investment Fund III, L.P.	1.2
Apollo Investment Fund IV, L.P.	4.6
Bain Capital Fund VI, L.P.	0.3
Bain Capital VI Coinvestment Fund, L.P.	0.3
Berkshire Fund III, L.P.	0.9
Berkshire Fund IV, L.P.	1.3
Blackstone Capital Partners II	1.2
Blackstone Capital Partners III	4.6
Carlyle Partners II, L.P.	1.8
Charterhouse Equity Partners II, L.P.	0.9
Clayton & Dubilier Private Equity Fund IV, L.P.	0.6
DLJ Merchant Banking Partners II, L.P.	1.2
Dubilier CRM Fund I, L.P.	0.3
Evercore Capital Partners, L.P.	0.6
Fenway Capital Partners Fund II, L.P.	1.8
Fenway Capital Partners Fund, L.P.	1.8
GKH Investments, L.P.	1.5
Greenwich Street Capital Partners, L.P.	1.5
Hoak Communications Partners, L.P.	0.2
Kelso Investment Associates VI, L.P.	1.8
KRG Capital Fund I, L.P.	0.9
Morgan Stanley Capital Partners III, L.P.	1.2
Morgan Stanley Leveraged Equity Fund II, L.P.	1.5
North Castle Capital Partners II, L.P.	1.5
Odyssey Investment Partners Fund, L.P.	0.6
Questor Partners Fund II, L.P.	3.7
Questor Partners Fund, L.P.	2.3
RCBA Strategic Partners, L.P.	1.8
Sandler Mezzanine Partners	1.2
Sankaty High Yield Asset Partners	0.5
Silver Lake Partners, L.P.	3.0
Stonington Capital Appreciation 1994 Fund, L.P.	1.8
Thayer Equity Investors Fund IV, L.P.	1.8
Thayer Equity Investors III, L.P.	1.2
Tullis-Dickerson Capital Focus, L.P.	0.3
Warburg Pincus Equity Partners, L.P.	6.1
WPG Corporate Development Associates IV, L.P.	0.6
WPG Corporate Development Associates V, L.P.	1.2
Subtotal	**66.0**

In total 12 private equity funds were either sold or have liquidated all of their portfolio companies.

Note 13: Financial Instruments and Associated Risks

Disclosures about fair value of financial instruments

International Accounting Standards No. 32 "Financial Instruments: Disclosure and Presentation" requires the disclosure of fair value information about financial instruments, whether or not recognized in the financial statements, for which it is practicable to estimate the value. The carrying amounts of all financial instruments in the financial statements are reasonable estimates of fair values.

Financial Instruments and Associated Risks

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.
- 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.
- Currency risk – most of the investment activities of the Group are denominated in US Dollars. Part of the non-CHF investments are hedged into Swiss francs. 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 14: 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 no off-balance-sheet transactions open as of December 31, 2004 (2003: no 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 15: Subsequent Events

The Group has made the following new capital commitments from January 2005 through March 31, 2005:

PAI Europe IV	EUR	15 million
Advent International GPE V–C	EUR	15 million
Sovereign Capital II	GBP	5.25 million
Carlyle IV	USD	20 million
KRG Capital Fund III	USD	15 million
CHS Private Equity V	USD	9 million

Between December 31, 2004 and March 31, 2005, the following capital calls and capital distributions have been made by the partnerships under the commitments existing as of December 31, 2004:

Capital Calls (TEUR, TUSD, TSEK, TJPY)	Currency	Amount
TCV IV	USD	200
Third Cinven Fund	EUR	527
AIG Global Sports and Entertainment Fund	USD	307
Unison Capital Partners	JPY	6 032
AIG Brazil Special Situations Fund	USD	386
Astorg III	EUR	4 494
CVC European Equity Partners III	USD	781
Lexington Capital Partners IV	USD	330
Electra European Fund	EUR	848
Carlyle Europe Partners II	EUR	463
AIG Blue Voyage Fund	USD	53
EQT III	EUR	1 724
EQT III	SEK	1 608
EQT IV	EUR	1 594
AIG Horizon Partners Fund	USD	1 271

Capital Distributions (TEUR, TUSD)	Currency	Amount
AIG Highstar Fund	USD	134
Third Cinven Fund	EUR	279
CapVest Equity Partners	EUR	4 821*
Lexington Capital Partners IV	USD	1 155
Astorg III	EUR	1 700
Electra European Fund	EUR	2 398
Carlyle Europe Partners II	EUR	1 280
AIG Blue Voyage Fund	USD	405
AIG Brazil Special Situations Fund	USD	1 309
AIG Global Sports and Entertainment Fund	USD	572
CVC European Equity Partners III	EUR	254
AIG Horizon Partners Fund	USD	3 701

* EUR 1 474 are proceeds from the sale of Punch shares which are subject to the forward agreement discussed in note 6.

On January 7, 2005 the credit line maintained with Migrosbank was reduced to TCHF 10 000. At the same time the Company reduced the utilization of the credit line to TUSD 7 800.

In the course of the first quarter 2005 the utilization of the credit line with AIG, Inc. was reduced through various payments. The credit line was fully repaid March 31, 2005.

The consolidated financial statements are authorized for issue on April 21, 2005 by the Board of Directors. The annual general meeting called for May 25, 2005 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of December 31, 2004, 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 auditors of the Group, we have audited the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of changes in shareholders' equity, consolidated statement of cash flows and notes to the consolidated financial statements) of AIG Private Equity AG on pages 18 to 36 for the year ended 31 December 2004.

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

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

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

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements. As indicated in Note 1, the financial statements include unquoted investments stated at their fair value of CHF 358.8 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 realisable 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 underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgement which is not capable of independent verification.

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

PricewaterhouseCoopers Ltd.

Thomas Romer Thomas Brunschwiler

Zurich, April 21, 2005

CORPORATE GOVERNANCE AT AIG PRIVATE EQUITY LTD.

1. GROUP STRUCTURE AND SHAREHOLDERS

AIG Private Equity Ltd. (the Company) is a holding company according to Swiss law and domiciled in Zug. Its 100% subsidiary AIG Private Equity Ltd. (Bermuda) holds all investments on its behalf.

The investments are made in one the following 3 portfolios:

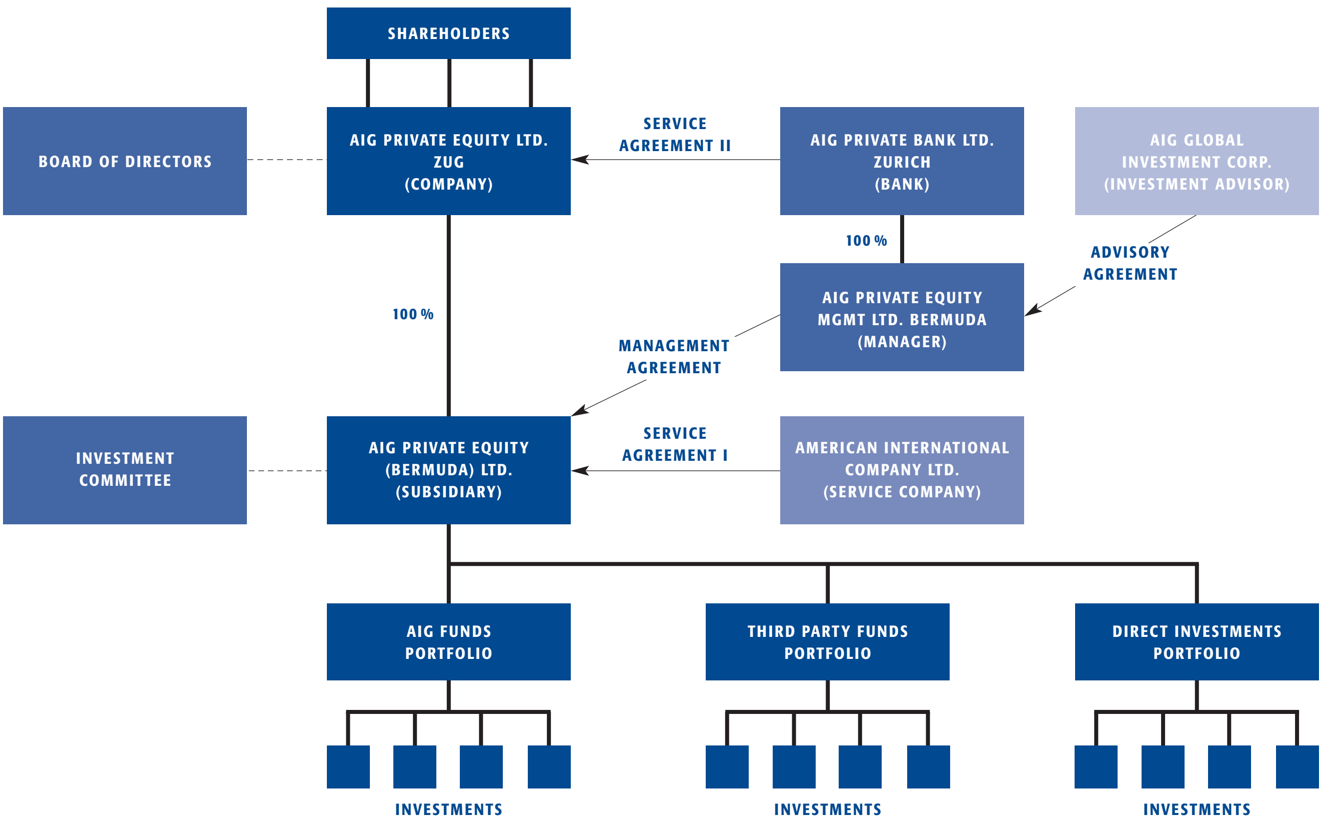
- AIG Funds Portfolio
- Third Party Funds Portfolio
- Direct Investments Portfolio

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

Significant Shareholders

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

Organisational Structure



BOARD OF DIRECTORS
Eduardo Leemann, Chairman
Erich Hort
Dr. Ernst Mäder
Edward E. Matthews
Dr. Roger Schmid

INVESTMENT COMMITTEE
Dr. Thomas Lips, Chairman
Win Neuger
David Pinkerton
Cesar Zalamea

MANAGEMENT COMMITTEE
Andrew Fletcher
Conradin Schneider
Michael Widmer

INVESTOR RELATIONS
Conradin Schneider

AUDITORS
PricewaterhouseCoopers Ltd.
Stampfenbachstrasse 73
8035 Zürich

2. CAPITAL STRUCTURE

Capital

As of December 31, 2004 the issued share capital of AIG Private Equity Ltd. was CHF 317 500 000, divided into 3 175 000 fully paid registered shares with a nominal amount of CHF 100 each. As per the same date 3 112 587 shares were outstanding. The market capitalization of the Company per year-end amounts to CHF 342 million.

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 1 334 000 fully paid-in shares with a nominal value of CHF 100 at a price of CHF 150 per share. For changes after the year 2002 see the statement of changes in consolidated shareholders' equity on page 21.

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 Sega-Intersettle 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 and Conditional Capital in Particular

The Board of Directors is entitled to an increase in authorized capital up to a maximum amount of CHF 158 750 000 by issuing no more than 1 587 500 shares with a nominal of CHF 100.

The duration of the authorization period expires June 23, 2005.

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

The pre-emptive rights of the shareholders can be excluded in case of acquisitions of other companies or additional listings to 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 4 lit. b of the Articles of Association (available at www.aigprivateequity.com),

Limitations of Transferability and Nominee Registrations

AIG Private Equity's shares are freely transferable, without any limitations, provided that the buyers declare they are the 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 AIG Private Equity's share register as shareholders with voting rights up to a maximum of 3% of the outstanding capital available at the time.

See also Article 4 of the articles of association.

3. BOARD OF DIRECTORS

Responsibilities

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 management under its control. The Board approves all compensation upon proposal of the chairman.

Meeting Rhythm

The Board usually meets four times per year in person (minimum twice). The regular meetings are typically held in January, April, August and October. Additional meetings are called on short notice if and when required. Each of the Board meetings has a special focus which is basically connected to AIG Private Equity's reporting rhythm. Such focuses are the financial statements, the analysis of internal results, the interim results, the medium-term plan, investments, the annual general meeting and corporate governance. 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, non-executive member, term of office expires in 2006.

Mr. Leemann joined AIG Private Bank Ltd. in 1997 as Chief Executive Officer. Mr. Leemann started with Bank Julius Baer in Zurich in 1981 as an associate private banker in the Latin American group. In 1985 he took over the responsibility for the private banking operation of Bank Julius Baer's New York based branch. Mr. Leemann was a member of the local management committee, the Chief Investment Officer of the branch and the Deputy Branch Manager when he was called back to Zurich in 1990. He was appointed deputy to the Head of Private Banking world-wide with direct responsibilities for the Western Hemisphere and Switzerland as well as the overall marketing effort for Private Banking. Mr. Leemann joined Goldman, Sachs & Co. Bank, Zurich, in 1992 as Head of Private Banking and Member of the Management Committee. Mr. Leemann is a graduate of the Swiss School of Economics and Business Administration (SEBA) as well as the Advanced Executive Program of the J. L. Kellogg Graduate School of Management at Northwestern University in Chicago, USA.

Mr. Leemann became Chairman of AIG Private Equity's Board of Directors in September 1999.

Mr. Leemann also serves on the Board of Directors of AIG International Real Estate GmbH & Co. KgaA, a listed real estate company in Frankfurt, Germany.

Erich Hort, born 1942, Swiss citizen, non-executive member, term of office expires in 2006.

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 became Vice Chairman of AIG Private Equity's Board of Directors in September 1999.

Mr. Hort also serves as Vice Chairman of the Board of Olymp Asset Management and 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 Viseca Card Services SA, and is a member of the Board of Directors of Comit Holding AG.

Dr. Ernst Mäder, born 1954, Swiss citizen, non-executive member, term of office expires in 2006.

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 the 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 AIG Private Equity's Board of Directors in December 2000.

Edward E. Matthews, born 1931, US citizen, non-executive member, term of office expires in 2006.

Mr. Matthews was elected Senior Vice Chairman of AIG, Inc. on May 1989 and is a Senior Advisor since 2003. He joined AIG in 1973 as Vice President and was promoted to Executive Vice President in 1982. Prior to joining AIG, Mr. Matthews worked at Morgan Stanley & Co. and became a Partner in 1967 and a Managing Director in 1970 upon that firm's incorporation. Mr. Matthews is a Charter Trustee of Princeton University and a member of the Board of Directors of Princeton Investment Company, the managing company for Princeton University's over USD 5 billion endowment. He is also a Trustee of the Princeton Medical Center and The Robert Wood Johnson Foundation. Mr. Matthews received a B.A. degree in Applied Mathematics and Statistics from Princeton University and an M.B.A. with high distinction from Harvard University.

Mr. Matthews joined AIG Private Equity's Board of Directors in September 1999.

Mr. Matthews also serves on the Board of Directors 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 2006.

Mr. Schmid joined Ernst Goehner Foundation in 1996 as Managing Director. 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 also serves as a non-executive member on the Board of Directors of Panalpina Welttransport (Holding) AG.

Internal Organisation and Definition of Areas of Responsibility

The Board of Directors delegates some important foreign exchange decisions to the FX committee. 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 further committees.

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

Information and Control Instruments vis-à-vis the Management Board

In order to allow fulfillment 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 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.

4. 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.

Win J. Neuger

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 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).

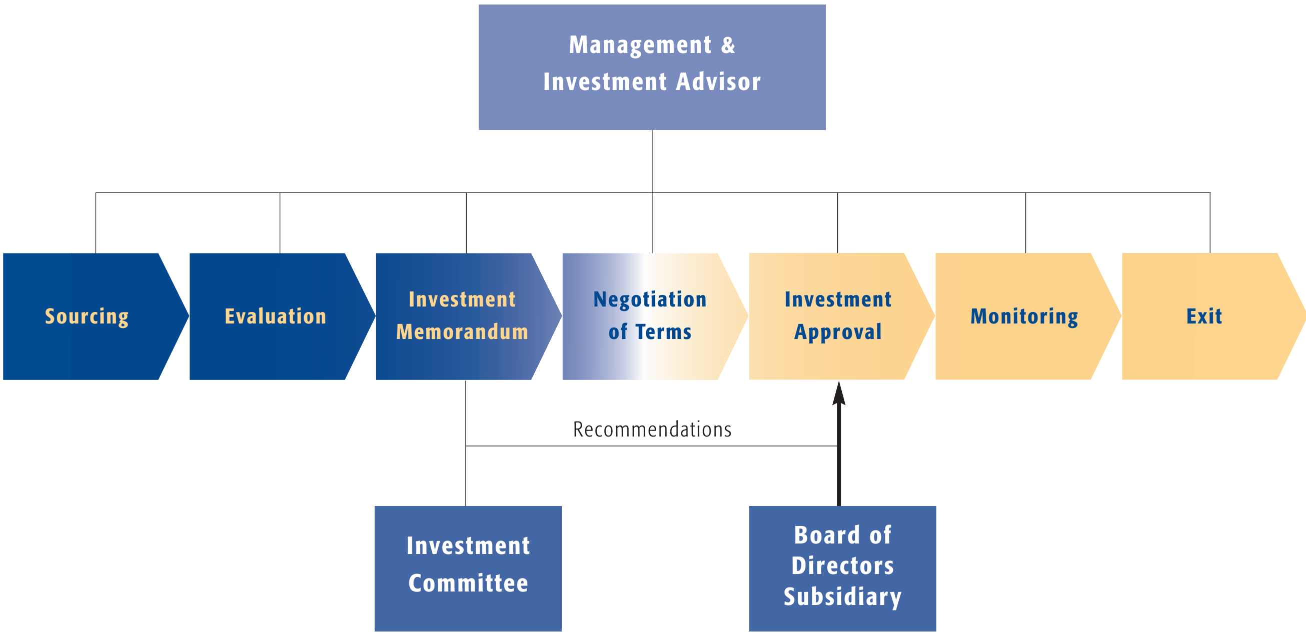
David Pinkerton

Mr. Pinkerton joined AIG Global Investment Group as a public equities analyst in 1985. He has managed AIGGIG's developed markets alternative investment portfolios since their formation in 1988. These portfolios include private equity, direct investments, leveraged buyouts, venture capital partnerships and hedge fund positions. Mr. Pinkerton has led AIGGIG's growth in these areas, and today AIGGIG manages over $10 billion in alternative investment strategies in the developed markets. Mr. Pinkerton has spent his entire career in the alternative investments area and has led numerous transactions on behalf of AIG and AIGGIG's clients. In addition, he serves on the Investment Committees for the approval of investments by AIGGIG and for AIGGIG's developed markets private equity and hedge fund products. He received a BS in Finance and Economics from the University of Delaware and a JD from Brooklyn Law School. He is admitted to practice law in New York and New Jersey.

Cesar C. Zalamea

Mr. Zalamea has global responsibility for listed and direct investments and regional responsibility for investment and corporate finance activities in the Asia Pacific region. Mr. Zalamea joined the AIG Companies in 1954. During his tenure with the AIG Companies, he was asked to serve as Deputy Director General of the Economics Staff to the President of the Philippines. He also served as Chairman and CEO of the Development Bank of the Philippines, President and CEO of Philippine American Life and General Insurance Co., and Chairman of Manila Electric Company. Mr. Zalamea currently holds directorships in numerous AIG member and investee companies in Southeast Asia, including AIA Co., AIA Capital Corporation and SCB Asset Management. He holds a B.A. degree in Accounting and Banking from Letran College of the Philippines and an M.B.A. from New York University.

Investment Process Diagram



The Investment Committee is appointed by the Subsidiary's 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 of the Subsidiary for approval by the latter.

It also has to be noted that two members of the Investment Committee (W. Neuger and David Pinkerton) of AIG Private Equity Ltd. are senior executives and members of the Investment Committee of AIG.

5. MANAGEMENT BOARD

Members of the Management Board

Andrew Fletcher, born 1964, US citizen.
Mr. Fletcher joined AIG Private Equity Ltd. 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.

Conradin Schneider, born 1962, Swiss citizen.
Mr. Schneider joined the AIG Companies in 1999. He was involved in establishing and listing AIG Private Equity Ltd., a Swiss listed private equity investment company, on the SWX Swiss Exchange. With AIG Private Equity Ltd. 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 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 AIG Mezz-Vest Partners Ltd. and a member of the management board of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany and its subsidiaries. He is also a member of the management board of AIG Private Bank Ltd., Zurich.

Michael Widmer, born 1967, Swiss citizen.
Mr. Widmer joined AIG Private Bank and AIG Private Equity Ltd. in 2005. Prior to joining AIG Private Equity Ltd., Mr. Widmer worked for four years for Eurex as a member of the executive committee overseeing Eurex's operations in the US and was a non-executive director of Eurex US. Prior to his assignment with Eurex, he was in private practice as a corporate lawyer in Zurich for seven years. Mr. Widmer received a Ph.D. in law from University of Zurich and an MBA from University of Rochester and is admitted to the Bar Association of Zurich.

Mr. Widmer is a member of the management board of AIG Privat Bank Ltd. Zurich.

6. COMPENSATION, SHAREHOLDINGS AND LOANS

Content and Method of Determining Compensations

The Board of Directors approves compensation (including the share option plan) for the management board upon proposal of the Chairman.

Mr. E. Leemann and Mr. E. Matthews from the Board of Directors as well as all members of the Management Board have employment contracts within the AIG Group.

Total of Compensations for Both Boards

Erich Hort	CHF 32 500
Dr. Ernst Mäder	CHF 32 500
Dr. Roger Schmid	CHF 32 000
Eduardo Leemann	CHF 62 500
Edward Matthews	CHF 0
Total Board of Directors:	**CHF 159 500 (non-executive)**

The Management Board did not receive compensation from the Company in 2004.

Share allotment to both Boards

No shares have been alloted in the year under review.

Share ownership of both Boards

	Number of shares held on December 31, 2004
Management Board (3 members)	0
Board of Directors (5 members)	1 205
Total	**1 205**

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.

Options

The members of Management of AIG Private Equity Ltd. have the option to exercise an aggregate of 24 500 stock appreciation rights of the Company over a period of 3 years.

As of December 31, 2004, they held the following stock appreciation rights:

Number of options	Year of grant	Vesting date	Expiry Date	Subscription ratio	Strike Price
2 166	2003	31.5.2004	13.6.2006	1:1	CHF 87
4 666	2003	31.5.2005	14.6.2006	1:1	CHF 87
4 666	2003	31.5.2006	15.6.2006	1:1	CHF 87
2 666	2004	31.5.2005	13.6.2007	1:1	CHF 97
2 666	2004	31.5.2006	13.6.2007	1:1	CHF 97
2 666	2004	31.5.2007	13.6.2007	1:1	CHF 97

14 000 stock appreciation rights granted during 2001 lapsed during the year. 2 500 stock appreciation rights were exercised in 2004. No other options to purchase shares of AIG Private Equity Ltd. have been issued by the Company.

Highest total compensation of Board of Directors member

See above, total of compensations for both Boards.

7. SHAREHOLDER'S PARTICIPATION RIGHTS

Voting-rights Restrictions and Representations

Each registered share in AIG Private Equity Ltd. 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 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

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.

Registrations 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 2005, the qualifying date is April 30, while the Annual General Meeting will be held on May 25.

8. CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to Make an Offer

The company has opted out from mandatory tender offer provisions; (see also Article 23 in the articles of association) pursuant to Article 32 of the Federal Stock Exchange Act (SESTA).

9. AUDITORS

Date of Assumption of the Existing Auditing Mandate

PricewaterhouseCoopers Ltd. (PwC), 17.09.1999, re-elected for another 3 years at the general meeting in June 2002.

Responsible Partner: Thomas Romer, since 2004

Total of Auditing Fees 2004

TCHF 153

Additional Fees

Tax-consulting TCHF 8

Supervisory and Control Instruments vis-à-vis the Auditors

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, the responsible Auditor will participate in the annual general meeting and will be available 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.

In between the quarterly report publications relevant information (including information subject to Ad-hoc publicity according to section 72 of listing regulation) is published in the form of press releases and available at www.aigprivateequity.com.

BALANCE SHEET AS OF DECEMBER 31, 2004 AND DECEMBER 31, 2003

in TCHF

	Note	2004	2003
Assets			
Current Assets			
– Cash and cash equivalents		1 014	42
– Derivative instruments (options; foreign exchange forwards)	5	2 326	7 234
– Receivables and prepayments		307	117
– Own shares	3	5 305	–
		8 952	**7 393**
Long-term Assets			
– Participation	1	362 692	325 426
		362 692	**325 426**
Total Assets		**371 644**	**332 819**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges		907	656
– Bank loans		11 412	25 000
		12 319	**25 656**
Shareholders' Equity			
– Share capital		317 500	317 500
– Legal reserve		63 500	63 500
– Other reserve	2	24 783	30 088
– Reserve for own shares	4	5 305	–
– Accumulated deficit brought forward		(103 925)	(130 395)
– Net profit for the year		52 162	26 470
		359 325	**307 163**
Total Liabilities and Shareholders' Equity		**371 644**	**332 819**

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2004 AND JANUARY 1 TO DECEMBER 31, 2003

in TCHF

	2004	2003
Income		
Foreign currency exchange gain, net	5 887	20 193
Gains on financial instruments	1 548	–
Gains on sale of own shares	217	–
Gains on participation	53 767	17 492
Total Income	**61 419**	**37 685**
Expenses		
Service fees	301	303
Other operating expenses	1 245	776
Interest expenses	543	441
Foreign currency exchange loss, net	7 331	9 659
Tax expenses	(163)	36
Total Expenses	**9 257**	**11 215**
Net profit for the year	**52 162**	**26 470**

NOTES TO THE FINANCIAL STATEMENTS

in TCHF

	Location	Capital held in %	Nominal Value in USD	Paid in USD	Book value in CHF 31.12.04	Book value in CHF 31.12.03
1. Participation						
AIG Private Equity (Bermuda) Ltd.	Pembroke, Bermuda	100	270 000	317 614	362 692	325 426

2. Share Capital Premium and Authorized Share Capital

	Amount CHF
Balance as of January 1, 2004	30 088
Increase of reserve for own shares	(5 305)
Balance as of December 31, 2004	**24 783**

As of December 31, 2004 the Company has CHF 158.75 million authorized share capital outstanding. This authorized share capital will expire in June 2005.

3. Own Shares

	Number	Amount CHF
Balance as of January 1, 2004	–	–
Additions (purchased at CHF 85.00)	70 900	6 026
Disposals (sold at CHF 110.52)	(8 487)	(938)
Total	**62 413**	**5 088**

Realized gains on sale of own shares 2004	217
Book value as of December 31, 2004	**5 305**

4. Reserve for Own Shares

A reserve for own shares in the amount of TCHF 5 305 (the acquisition value of the own shares held) was created against share capital premium.

5. Derivative Instruments

Options

The Company purchased USD put options (amount USD 20 million; strike price CHF 1.25/USD 1), maturing April 6, 2005, with a market value of TUSD 2 038 per December 31, 2004.

Foreign Exchange Forward

As of December 31, 2003 the Company had two open foreign exchange forward contracts with a:

a) Notional amount of USD 25.4 million, a positive replacement value of TCHF 3 492 and maturing January 6, 2004

b) Notional amount of USD 45.0 million, a positive replacement value of TCHF 3 742 and maturing March 26, 2004

6. Shareholders' Equity

The following major shareholders held shares and voting rights of 5% and more as of December 31, 2004:

	Number of Shares 2004	Participation in % 2004	Number of Shares 2003	Participation in % 2003
American International Underwriters Overseas Ltd.	561 489	17.68%	561 489	17.68%
AIG Private Bank	320 080	10.05%	385 042	12.13%
MIGROSBANK	NA *	NA	278 570	8.77%
Ernst Göhner Stiftung	267 000	8.41%	267 000	8.41%
SUVA, Schweiz. Unfallversicherungsanstalt	170 000	5.35%	170 000	5.35%
Winterthur Leben	167 000	5.26%	167 000	5.26%

* On September 21, 2004 Migrosbank informed the Company that its shareholding had dropped below 5%

7. Subsequent Events

On January 7, 2005 the credit line maintained with Migrosbank was reduced to TCHF 10 000. At the same time the Company reduced the utilization of the credit line to TUSD 7 800.

REPORT OF THE STATUTORY AUDITORS

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes) of AIG Private Equity Ltd. on pages 48 to 49 for the year ended 31 December 2004.

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

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

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

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

PricewaterhouseCoopers Ltd.

Thomas Romer Thomas Brunschwiler

Zurich, April 21, 2005

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