ANNUAL REPORT 2005

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 six 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, 2005

Closing price per share	CHF	149.50
Net asset value per share (applying fair values)	CHF	138.17
Exchange rate	USD/CHF	1.3148
Exchange rate	EUR/CHF	1.5570
Number of shares outstanding		3 130 587
Market capitalization	CHF	468 022 756

Swiss Security Number

915.331
ISIN: CH0009153310
Ticker: APEN

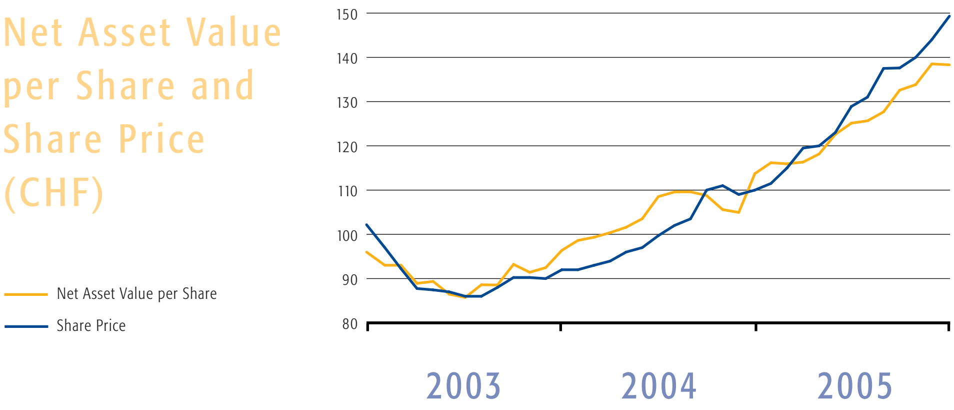
Trading Information

Reuters: APEZn.S
Bloomberg: APEN
Telekurs: APEN

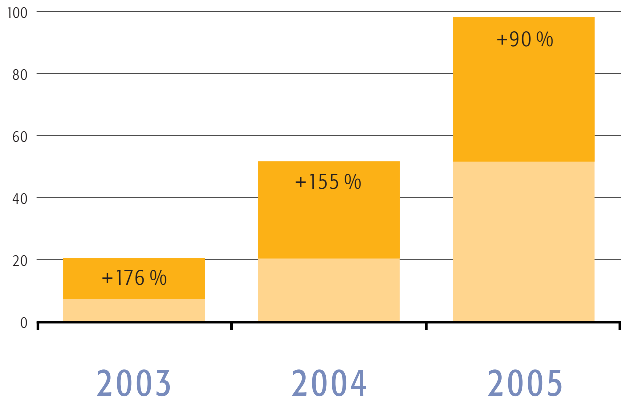
www.aigprivateequity.com

Financial Highlights

Net Asset Value per Share and Share Price (CHF)



Investment Income (TCHF)



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EDUARDO LEEMANN, *Chairman of the Board*

ERICH HORT, *Vice Chairman*

Dear Shareholders

It gives me particular pleasure to report the 2005 results. The excellent private equity markets and the Company's mature portfolio combined to produce record earnings for AIG Private Equity Ltd. The Company's share price rose 36%, outperforming both the SPI and the LPX50® Index. The net asset value increased 22%. Investment income amounted to nearly CHF 100 million, a reflection of the abundant exit activity recorded by the Company in 2005.

Based on cash flow projections, the Company began increasing its new fund commitments in the second half of 2004, and we made a substantial number of new fund commitments and direct investments in 2005. While the majority of the new commitments went to existing fund managers, such as Carlyle and Blackstone, several new private equity managers were added to the portfolio. In line with our strategy to focus our portfolio in fewer funds, we committed larger amounts to the individual funds on average. Due to the increasing demand for top quartile private equity managers, access has become a key factor. In that context we benefited greatly from our relationship with AIG, which afforded us greater access to the most

DR. ERNST MÄDER, *Member*

DR. ROGER SCHMID, *Member*

EDWARD E. MATTHEWS, *Member*

sought-after funds in an environment where many fund managers were able to secure their target commitments from their existing investor base or with only limited marketing activities.

There were a number of changes on the Company's investment committee in 2005. Upon his retirement from AIG after over 50 years of service, Cesar Zalamea also resigned from the Company's investment committee. We thank Cesar for his valuable contributions over the past years and wish him the very best. David Pinkerton is on leave from AIG and will not be serving on the Company's investment committee during this time. Robert Thompson was hired by AIG Global Investment Group in 2005 to head the concern's global alternative investments business and has been appointed to the Company's investment committee. Bob founded, organized, and developed GE Capital's Private Equity activities and brings a wealth of industry knowledge and experience spanning the global private equity markets to his role. Finally, we have added the head of AIG's private equity fund team group, Steven Costabile, and the head of AIG's private equity direct investment team, FT Chong, to the investment committee. They will be active members of the committee as investment opportunities from their respective teams are presented to the investment committee. In 2005 Michael Widmer, one of the Company's three managing directors decided to pursue other challenges within the asset management industry. We wish Michael the best in his new endeavors.

2006 got off to a good start with the share price increasing 14% in the first quarter. The Company is well positioned with its mature and well diversified portfolio for further positive performance and we are excited about the opportunities that we are currently seeing. To all of our shareholders we extend our appreciation for the confidence you have placed in us.

Eduardo Leemann
Chairman of the Board

Review 2005 and Outlook

2005 was an excellent year for AIG Private Equity Ltd. (the "Company"), generating record results by most measures. The Company entered the year with a mature portfolio in what turned out to be an ideal environment for realizing investments. The Company's share price increased CHF 39.50 per share to end the year at CHF 149.50, an increase of 36% in CHF outperforming both the broad Swiss Performance Index and the LPX50® Index. Since the Company's IPO in October 1999, the Company's shares have outperformed the LPX50® Index by 21.1 percentage points on a cumulative basis. The Company's net asset value ("NAV") increased 22% from CHF 113.72 per share to CHF 138.17 per share and profit per share increased 147% to CHF 19.90. Core earnings increased 90% to CHF 98 million.

Private equity market conditions were particularly favorable in 2005. Developed economies remained strong (US) or showed signs of recovery (Europe and Japan). Interest rates continued to be low in Europe while short term rates increased gradually in the US. Divestments and investment activity both reached record levels driven by an abundance of both debt and equity capital. As in 2004, sales to trade buyers, recapitalizations and sales to other private equity sponsors (in that order of importance) represented the primary exit avenues. Positive economic figures as a reflection of the current market environment, purchase valuations and leverage in private equity deals increased in 2005. In this environment, financial engineering and EBITDA multiple expansion, which have contributed to buyout returns historically, will be less of a factor, with more emphasis placed on value creation through operational improvement. Fund raising was at record levels as well, both in the US and Europe, and will continue to be strong in 2006.

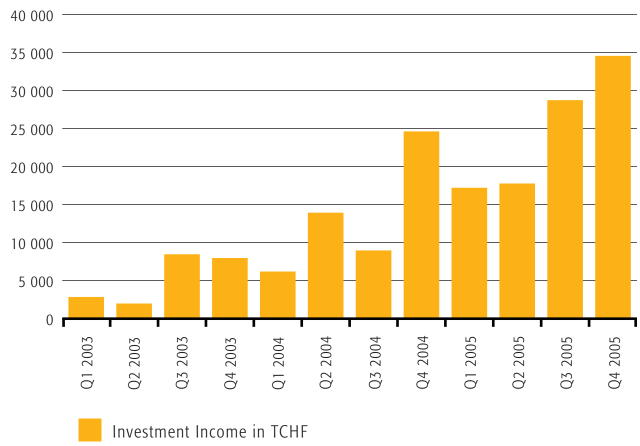
As a reflection of the strong exit activity the Company's investment income increased 90% from CHF 51.5 million to CHF 98.0 million. This figure reflects an earnings generation of over 27% of the Company's CHF 359 million of investment assets at year end 2004 and is nearly equivalent to the sum of investment income for the years 2000–2004 combined. All three investment portfolios (AIG funds portfolio, third party funds portfolio and the direct investment portfolio) contributed to this result with the third party funds portfolio generating particularly strong results.

The weight of the three investment portfolios shifted in 2005. The third party funds portfolio makes up 70% (2004: 54%) of invested assets. The direct investment portfolio gained in weight as well, while the AIG funds portfolio, which (with the exception of AIG Global Emerging Markets II) is in the harvesting phase, continued to lose weight. We anticipate this trend to continue with the third party funds portfolio consolidating its dominant role. The direct investment portfolio is expected to eventually surpass the AIG funds portfolio, reaching the target of approximately 20% of invested assets.

The total return swaps, consisting of funds with vintage years of 1999 and earlier, showed a fair value of CHF 98.2 million at year end 2004. In 2005, that portfolio of funds generated CHF 50.9 million (2004: CHF 25.0 million) in net cash flows. The fair value stood at CHF 61.0 million at year end 2005. This is a very mature part of the portfolio and we expect further strong cash flows from the total return swaps.

The Company's direct investment portfolio saw some of the more mature companies being exited. Accellent and Spirit (for which we received the proceeds in January 2006) were sold

Quarterly Investment Income from 2003 to 2005



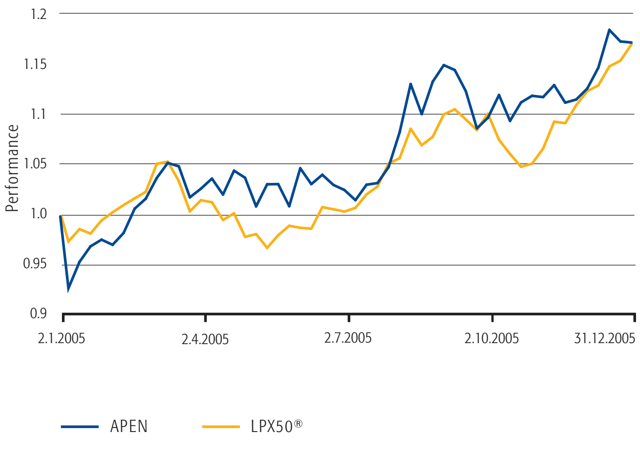
CONRADIN SCHNEIDER

ANDREW FLETCHER

at substantial gains. Based on the overall very strong performance, the Company was charged performance fees on the direct investment portfolio.

The Company still has a mature portfolio with a majority of investments made by funds with vintage years of 2000 or earlier that are now in the harvesting phase. At year end 62.2% (2004: 81.9%) of NAV expressed as a percentage of invested assets applying fair values was invested in such funds. We anticipate continued solid realizations as strategic buyers have recently become more active, and secondary buyouts continue to provide demand.

APEN in comparison with LPX50® Index 2005



Top 20 Investments

The Company recorded substantial activity in its portfolio of top 20 investments. Six top 20 investments were sold during the year, and five recorded partial exits or recapitalizations. Eight companies entered the top 20 during the year.

The aggregate fair value of the top 20 investments makes up 24% (2004: 36%) of the Company's net asset value. The decrease of the portfolio weight is primarily due to the sale of Spirit at the end of 2005.

For further information please refer to the Top 20 Investment section of the annual report on pages 8 to 11.

Impaired Assets

In line with strong markets, write downs of long term assets continued to remain at very low levels. The initial investment in Angiogenix was written off. Additionally, the Company together with its investment advisor elected to accept an offer from a secondary buyer for its investment in Excel Capital Partners III, a fund investment acquired in 1999 through the total return swap agreements. As the sale price was below cost, the transaction resulted in a realized loss.

Liquidity

With portfolio funds making record distributions, liquidity improved further in the course of the year, enabling the Company to fully repay the remaining bank loans in 2005. The existing banking facilities expired and the Company secured a long term committed syndicated back-up facility of USD 35 million. Distributions were further used to fund over CHF 100 million of new investments made by portfolio funds and direct investments.

In spite of new investments and the debt repayment, the Company had a cash balance of CHF 64 million, or 14.8% of NAV as per year-end. We expect this percentage to decrease as capital calls from new fund commitments increase.

New Fund Investments

In order to maintain a fully invested portfolio of private equity assets, the Company continued to make new fund commitments. In line with the long-term goal of the Company to concentrate its portfolio in a smaller number of funds, and due to the increase in the Company's assets, the average commitment size per fund is increasing.

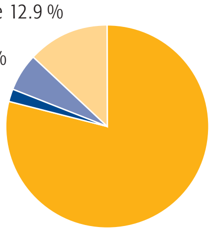
The Company made commitments to a total of seventeen new funds in 2005. Eleven of these funds with total commitments of USD 169 million have an investment focus on North America. Four of the eleven funds are follow-on funds of existing managers of the Company (KRG, Apollo, Blackstone and Carlyle). Specifically, the following funds were added to the portfolio: KRG III (USD 15 million), Charlesbank Equity Fund VI (USD 5 million), Apollo VI (USD 25 million), Cortec Group Fund IV (USD 10 million), HealthCare Ventures VIII (USD 8 million), Wellspring IV (USD 7 million), WestView Capital Partners (USD 10 million), Blackstone Capital Partners V (USD 40 million), Carlyle IV (USD 20 million), CHS V (USD 9 million), TowerBrook Investors II (USD 20 million). The funds' strategies are described in the Company's 2005 quarterly reports.

Five European funds were added to the portfolio with commitments totalling EUR 78 million. Two of these funds are follow-on funds of existing portfolio managers (CVC European Equity Partners and Electra European Fund). Namely the following funds were added to the portfolio: PAI IV (EUR 15 million), Advent V (EUR 15 million for European investments), Sovereign II (GBP 5.25 million), CVC European Equity Partners IV (EUR 20 million), Electra European Fund II (EUR 20 million). The funds' strategies are outlined in the Company's 2005 quarterly reports.

After making three commitments to non-US and non-European funds in 2004, only one commitment of EUR 10 million was added to the Rest-of-the-World part of the portfolio. Emerging Europe Convergence Fund II is a EUR 500 million private equity fund focusing on control or substantial minority investments in companies in Central and Eastern Europe.

Unfunded commitments as of year end amounted to approximately CHF 457 million or 102% of total assets. We expect these commitments to be drawn down over the next five years, since a large portion of the unfunded commitments relate to relatively new commitments.

1. Diversification by Investment Focus as of December 31, 2005
Expressed as % of invested assets applying fair values



2. Investment Framework as of December 31, 2005
Expressed as % of total assets applying fair values

	AIG Funds Portfolio	3rd-Party Funds Portfolio	Direct Investments Portfolio	Total
Developed Markets				
Europe	10.8 %	31.0 %	3.9 %	45.7 %
North America	7.3 %	18.6 %	7.8 %	33.7 %
Other Markets	3.8 %	0.7 %		4.5 %
Total	**21.9 %**	**50.3 %**	**11.7 %**	**83.9 %**

New Direct Investments

The Company added five direct investments to its portfolio with a total value of USD 9.1 million. Four of these investments are co-investments with managers in the Company's portfolio, and the fifth (Xanodyne) is a co-investment with a general partner with whom the Company's investment advisor has a long-standing relationship. Kwik-Fit (USD 3 million) is Europe's leading fast-fit car service business. Hertz (USD 3 million) is the world's largest worldwide general use car rental company and has the third largest equipment rental business in North America. Xanodyne (USD 1.1 million) is a specialty pharmaceutical company focusing on women's health, urology and pain management. SunGuard Data Systems (USD 1.0 million) is a US provider of software and processing solutions and information availability services to the financial service industry. National Bedding (USD 1.0 million) is a US producer of Serta mattresses.

We are seeking to expand the weight of the direct investment portfolio to 20% of invested assets, keeping a close eye on the quality and valuations of each potential direct investment. The Company invested over USD 10 million in direct investments in the first quarter 2006, in line with this objective.

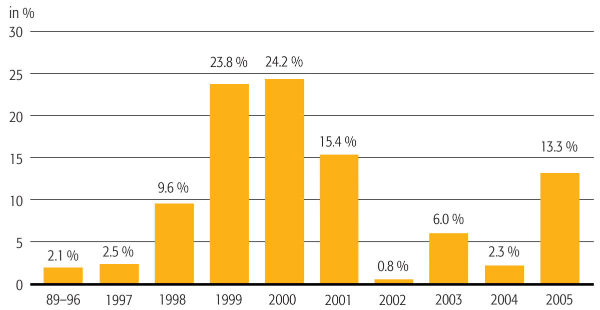
Outlook

The Company made five further fund commitments in the first quarter 2006: Ares Corporate Opportunity Fund II (USD 25 million); VSS Communication Fund IV (USD 15 million); Polaris Ventures X (USD 10 million); Madison Dearborn V (USD 20 million); GMT III (EUR 20 million). Additionally, the Company increased its commitment to Cortec Group Fund IV from USD 10 million to USD 20 million. Based on current cash flow models, we anticipate committing approximately USD 275 million in 2006.

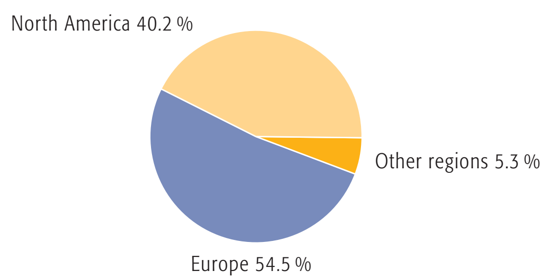
The current environment remains positive for the realization of investments. The Company still has a mature portfolio and is well-positioned to benefit from the current market environment. Preliminary first quarter results are strong. The first quarter will be one of the Company's best ever for the generation of investment income. We are convinced that the Company is well positioned to achieve solid returns for the full year 2006.

The general consent among our portfolio managers is that the US economy remains healthy and is not expected to change dramatically in the next twelve months. European economies have strengthened in 2005 and this trend appears to have continued. Investment activity is expected to remain strong, benefiting from an extended period of very favorable financing conditions, balance sheet restructurings, and accumulated and ongoing gains in earnings and business efficiency. 2005 was an extraordinary year for the private equity industry and the Company. While these results will be challenging to match, we remain optimistic about the coming year.

3. Diversification by Vintage Year as of December 31, 2005
Expressed as % of invested assets applying fair values



4. Diversification by Region as of December 31, 2005
Expressed as % of invested assets applying fair values



Top 20 Investments

The development of the top 20 investments reflects the Company's successful year in 2005. Six of 2004's year-end top 20 companies were exited completely, along with two partial exits and three recapitalizations. The year's most important exit of a top 20 investment was the announced sale of Spirit Group, the Company's largest investment as of December 31, 2004. After the sale of Spirit, Young's Bluecrest is the Company's new number one investment.

As of December 31, 2005, the total fair market value of the Company's twenty largest holdings was CHF 106.2 million (2004: CHF 126.6 million), or 24.4% (2004: 35.8%) of NAV. The top 20 investments portfolio is thus smaller both in absolute value and in percentage of NAV than it was at the end of 2004. This difference is primarily due to the sale of Spirit Group, which had a value of CHF 27.6 million at the end of 2004 and represented nearly 8% of NAV at that time. By contrast, at the end of 2005, our largest investment, Young's Bluecrest, had a fair value of CHF 9.5 million and represented slightly more than 2% of NAV.

Despite the large volume of exit activity in 2005, more than 60% by value of the year-end top 20 portfolio has been held for three years or more and is thus relatively mature. The three most important sectors in the top 20 portfolio are industrial, consumer and services, while leisure-related investments have decreased with the sale of Spirit.

Top 20 portfolio performance

Of the six top 20 exits during 2005, three occurred in the fourth quarter: ***Spirit Group*** (Spirit), ***Accellent*** and ***ComHem***. Spirit, the Company's largest investment as of December 31, 2004, was sold to Punch Group. Including the proceeds from a loan note redemption in January 2005, Spirit generated returns in excess of 2.4 times invested capital. Although the sale of Spirit closed in January 2006, we have excluded it from the top 20 portfolio at year-end due to the pending sale. In November, KRG sold Accellent, Inc. to Kohlberg Kravis Roberts. The investment in the North American medical device manufacturing company returned 2.8 times cost for the Company. Accellent was KRGs second large exit in 2005 after the final sale of ***The Tensar Corporation*** (Tensar), one of the Company's top 20 investments until a recapitalisation in December 2004. Tensar's full exit increased the returns on that investment to 2.3 times cost for the Company. ComHem, a Swedish cable operator the Company held indirectly through EQT, was recapitalized in June and its sale was announced in December 2005. Due to ComHem's very positive operating development, this was a highly successful investment for the Company, returning 6.0 times its invested capital. ComHem's sale closed in January 2006; however, the company is not included in the top 20 due to the pending sale. Since one of the buyers is Carlyle Europe II, the Company continues to hold an interest in ComHem.

Three more full exits of top 20 companies took place in the other three quarters of 2005. The sale of ***Intelsat Ltd.*** had already been announced in the Company's 2004 Annual Report. In the second quarter, EQT III sold ***Dometic***, the Company's number eleven investment as of December 31, 2004. The sale of the leading European supplier of products and systems for use in different types of vehicles and boats returned 2.1 times the Company's cost basis. ***FieldTurf***, the Canadian manufacturer of artificial sports surfaces, was sold in August, generating total returns of 2.5 times cost.

The Company's number one investment as of December 31, 2005 is ***Young's Bluecrest***, the largest seafood company in the UK. Young's was recaptialized in December, generating a distribution of EUR 3.6 million or 2 times cost for the Company. Including the recapitalization proceeds, Young's is now valued at 5.0 times cost. ***AZ Automotive***, the Company's number 14 investment as of December 31, 2005, was recapitalized in September, returning USD 1.2 million for the Company. AZ Automotive is a tier one supplier of highly engineered metal-formed components and other elements for automotive companies, primarily in North America. The company is not related to AZ Electronics, one of the Company's new top 20 investments as of December 31, 2005.

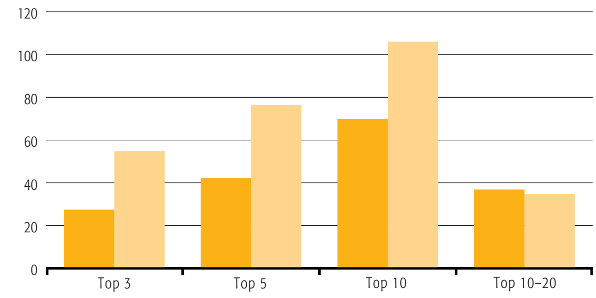
The Company's two quoted top 20 investments both performed well during the year. The only quoted investment that stayed in the top 20 during the entire year was ***Theravance***, the North American pharmaceutical company. Theravance's NASDAQ traded shares (ticker: THRX) gained 24.5% during the year, followed by a further increase in excess of 20% in January 2006. In May, ***Ubiquity Software Corporation*** (Ubiquity), was quoted on the AIM in London (ticker: UBQ). The listing price of 33 pence was below the Company's previous valuation; however, the shares gained 9.1% during the year, partially recovering the loss.

The Company decided to decrease the valuations of Universal Orlando Escape Studios, Teksid Aluminum and Springs Industries at year-end due to the challenging business conditions faced by all three companies. The total decrease amounted to CHF 10.5 million, which was more than offset by the CHF 28.8 million in value increases generated by the other 17 top 20 portfolio companies.

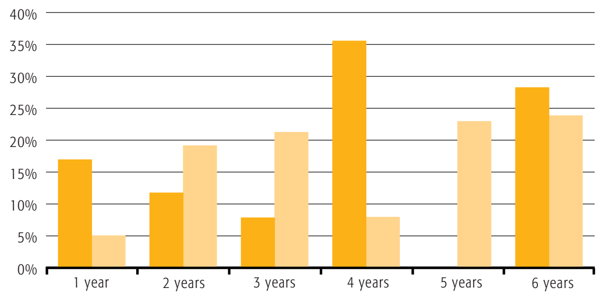
New top 20 investments

Eight of the Company's top twenty investments as of December 31, 2005 are new compared to the prior year. Five of these companies, ***QinetiQ, AZ Electronic Materials, Diana Ingredients*** (Diana), ***Aliplast,*** and ***BWG Holdings*** (BWG), were already in the Company's investment portfolio as of December 31, 2004, and entered the top 20 during the year due to strong operational performance. Three of the new entrants, ***Hertz, Kwik-Fit,*** and ***ISS,*** became top twenty companies due to the size of the initial investment. During the

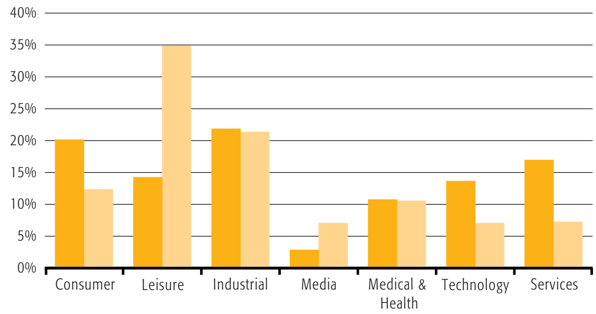
Distribution of value in Top 20 2005 vs. 2004 (in million CHF)



Comparison Top 20 by Maturity 2005 vs. 2004 (in CHF)



Comparison Top 20 2005 vs. 2004 by Industry (in CHF)



2005 — 2004 adjusted for currency differences year, the Company increased the valuation of QinetiQ, a UK provider of a broad range of technological services set up as a joint venture between the English Ministry of Defence and the Carlyle Group, to 5.0 times cost. In February 2006, QinetiQ had its IPO on the London Stock Exchange (ticker: QQ/), increasing the total value for the Company to 8.5 times cost. The valuation of AZ Electronic Materials, a European manufacturer of photoresist, anti-reflective coatings and ancillary chemicals, was increased to 3.0 times cost. In February 2006, AZ Electronic Materials was recapitalized, resulting in distributions of EUR 1.2 million for the Company. Three Electra European Fund I investments entered the Company's top 20 list during the year due to valuation increases that resulted from positive operative developments. Diana, a French manufacturer of food and pet food components, has leading positions in various sophisticated niche markets such as palatability enhancers for the pet food industry, natural extracts for savory, seasonings etc . BWG is a holding company for several food retail brands such as Spar and Mace, the leading Irish convenience stores franchises. Through Newhill, BWG owns 153 retail stores which are leased out to the Spar franchise. Aliplast is a supplier of aluminum components for use in conservatories, windows and doors that has expanded from its headquarters in Belgium and now has operations in the UK, France and Poland as well as China. In December, the Company made two direct investments of USD 3 million each in Hertz, the car rental company, and Kwik-Fit, a leading European fast-fit car service business. Hertz and its independent licensees and associates currently have activities

TOP 20 INVESTMENTS

	Investment Date	Portfolio Company	Fair Value (CHF million)
1	March 2002	Young's Bluecrest Limited	9.5
2	July 2000	Universal Orlando Escape	9.4
3	September 2002	Teksid Aluminum	8.3
4	December 2005	Hertz	7.7
5	September 2000	Theravance *	7.1
6	August 2005	Kwik-Fit	7.0
7	February 2004	AMF Bowling Worldwide	5.7
8	February 2003	Springs Industries	5.2
9	May 2002	QinetiQ	5.0
10	September 2004	AZ Electronic Materials	4.7
11	August 2000	Ubiquity Software *	4.7
12	September 2004	Vanguard Health Systems	4.3
13	October 2002	Symrise	4.1
14	June 2002	AZ Automotive Corporation	3.7
15	July 2002	Diana Ingredients	3.6
16	August 2002	BWG Holdings	3.5
17	February 2004	Aliplast	3.4
18	April 2005	ISS	3.2
19	April 2003	Fresh Direct	3.1
20	November 1999	American Community Newspapers	3.0
Totals Top 20 Investments			**106.2**

* Denotes publicly traded company (Theravance's NASDAQ ticker: THRX; Ubiquity's AIM ticker: UBQ)

in more than 150 countries. Kwik-Fit is present in Europe's most important markets under different brand names such as Speedy (France) and Pit-Stop (Germany). Both companies are held indirectly through funds as well (Kwik-Fit through PAI Partners and AIG Horizon, Hertz through Carlyle Partners, Carlyle Europe Partners II and AIG Horizon). This resulted in large total investment sizes and made Hertz the Company's new number four investment as per December 31, 2005, whereas Kwik-Fit was the seventh largest holding at that time. In April, the Company invested EUR 2.1 million in ISS, one of the world's largest facilities services companies, through EQT III and IV. Though cleaning remains ISS' largest service offering, in the past five years the company has focused on positioning itself away from contract cleaning into an integrated services company providing integrated facilities management (IFM) as well as performing many of the underlying services in more than 40 countries worldwide. ISS was the Company's number eighteen investment as of year end.

Outlook

The Company's top 20 portfolio as of year end 2005 is well diversified both by industry and by vintage years. The majority of the private investments display solid EBITDA margins and healthy financial performance, and in light of the overall positive macroeconomic outlook we do not expect that to change. Since many of the current top 20 investments are in a mature stage, we expect additional exit activity from the top 20 portfolio in 2006.

Percentage of NAV	Type	Industry	Geography
2.2%	Buyout	Consumer	Europe
2.2%	Buyout	Leisure	North America
1.9%	Buyout	Industrial	Global
1.8%	Buyout	Services	Global
1.6%	Venture Capital	Medical & Health	North America
1.6%	Buyout	Services	Europe
1.3%	Buyout	Leisure	Global
1.2%	Buyout	Consumer	North America
1.2%	Buyout	Technology	Global
1.1%	Buyout	Technology	Global
1.1%	Venture Capital	Technology	Europe
1.0%	Buyout	Medical & Health	North America
0.9%	Buyout	Industrial	Europe
0.8%	Mezzanine	Industrial	North America
0.8%	Buyout	Industrial	Europe
0.8%	Buyout	Consumer	Europe
0.8%	Buyout	Industrial	Europe
0.7%	Buyout	Services	Global
0.7%	Development Capital	Consumer	North America
0.7%	Buyout	Media	North America
24.4%			

1 Young's Bluecrest

Young's Bluecrest Limited is the largest seafood company in the UK. The company produces the broadest range of frozen and chilled seafood of any company in the UK. Young's frozen products include breaded and battered fillets, breaded scampi, prawns, pies and recipe meals, while chilled products include whole fish, pre-packaged fillets & steaks, smoked fish, breaded fillets, shellfish and recipe meals. The Young's brand is one of the top 15 food brands in the UK. At the end of January it was announced that the Young's Bluecrest holding company had acquired Findus. Findus develops, produces and markets a full range of branded frozen food products, focused on the ready meals, seafood, and vegetables segments. Findus has its primary activities in the Nordic region and France with a growing market position in Eastern Europe. Young's Bluecrest, the market leader in the UK for frozen and chilled seafood products, combined with Findus will be the market leader in the European frozen and chilled seafood sector.

www.youngsbluecrest.co.uk

2 Universal Studios Escape

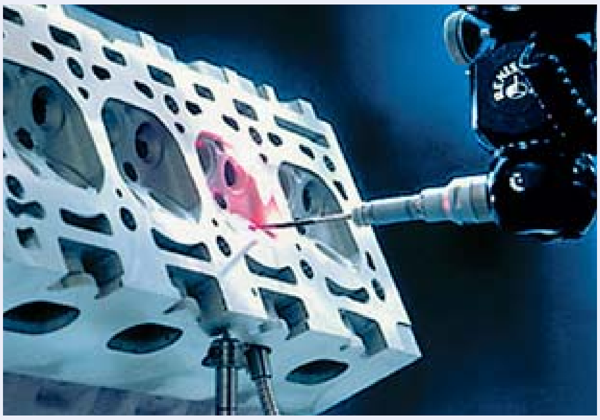
Universal Studios Escape consists of two theme parks, Universal Studios Florida and Island of Adventure, and City Walk, a dining, retail and entertainment complex. Universal Studios Florida is a movie-based theme park designed to allow guests to become a part of their favorite movies. Islands of Adventure, opened in 1999, has 16 rides shows and attractions along with a façade of famous film locations. City Walk is a diverse collection of restaurants, retail outlets and night-clubs, and includes a 20-screen Cineplex.

www.universalorlando.com

3 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). The company originally emerged as a spinout of Fiat. Teksid manufactures complex aluminum castings for automobile engines and other parts supplied mainly to automotive manufacturers (Fiat, Renault, GM, Daimler-Chrysler, Ford and 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, and has annual revenues of approximately EUR 900 million.

www.teksidaluminum.com



4 Hertz

Hertz is the world's largest worldwide general use car rental company and the third largest equipment rental business in North America. The Company and its independent licensees and associates currently rent cars at approximately 7 800 locations in over 150 countries. Hertz also rents equipment from over 360 branches in North America, France and Spain. Hertz has been in the car rental business since 1918 and in the equipment rental business for over 40 years.

www.hertz.com

5 Theravance

Theravance is a pharmaceutical company focused on the discovery, development and commercialization of small molecule medicines across a number of therapeutic areas including respiratory disease, bacterial infections and gastrointestinal disorders. Of the five programs in development, two are in late stage – the telavancin program focusing on treating serious Gram-positive bacterial infections with Astellas Pharma Inc. and the Beyond Advair collaboration with GlaxoSmithKline. On October 4, 2004 Theravance successfully completed its IPO at USD 16 per share and showed strong performance closing at USD 22.47 per share as per year end 2005.

www.theravance.com

6 Kwik-Fit

Kwik-Fit is the European market leader in automotive fast-fit services. Kwik-Fit's core product and service offering is the sale and fitting of replacement tires and mechanical parts, on a drive-in "while you wait" basis through its network of conveniently located centers. Kwik-Fit is a specialist in tires, emission systems, brakes and shock absorbers and continues to expand its product offering in related categories such as government tests and servicing, air conditioning servicing and glass repair. The Kwik-Fit network encompasses 1 685 centers and 215 mobile units and is the market leader in the UK, the Netherlands and France (trading as Speedy), and has a significant presence in Germany (trading as Pit-Stop). In the UK, Kwik-Fit also operates an insurance brokerage business, Kwik-Fit Financial Services.

www.kwik-fit.com

7 AMF Bowling Worldwide

AMF Bowling Worldwide, Inc, is the world's largest owner and operator of bowling centers with over 350 centers in the United States. After selling its UK and Australia business in 2004, the company now mainly focuses on the US market. AMF is also a market leader in the manufacturing and distribution of bowling products such as lanes, bowling bags, pins, and pinspotters.

www.amf.com

8 Springs Industries

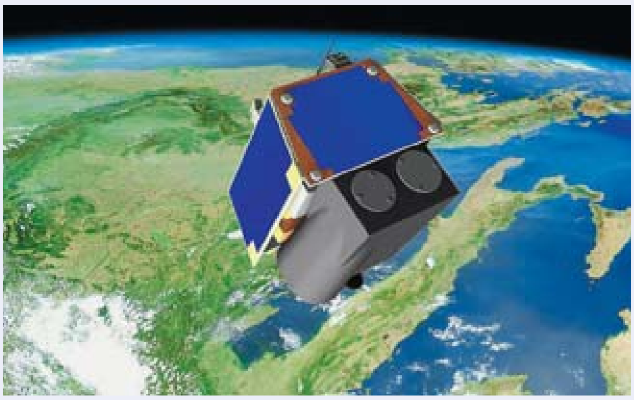
Springs is a leading US producer of home textiles, specializing in bedding, bath, decorative windows and decorative flooring products. It sells to leading "big box" retailers such as Wal Mart, Home Depot and Lowe's, as well as to specialty retailers such as Bed Bath & Beyond and Linens n' Things. Notable brands produced by the company include Wamsutta and Springmaid. With the expiration of WTO quotas on textiles, Springs reorganized by separating its windows business from the textiles business, which was brought into a joint venture with a leading and low-cost global textiles supplier headquartered in Brazil.

www.springs.com

9 QinetiQ

QinetiQ is one of the world's leading defence technology and security companies. QinetiQ is the world's first top flight national defence laboratory to transition to the private sector and has developed rapidly into a commercial organization present in the UK and North America with a breadth and depth of innovative technologies, services, customers contracts and geographies. QinetiQ had its IPO on the London Stock Exchange in February 2006 (ticker: QQ/).

www.qinetiq.com



10 AZ Electronic Materials

AZ develops, manufactures and markets photoresist, anti-reflective coatings and ancillary chemicals for use in electronics applications to the integrated circuit (semi-conductor) and flat panel display sectors. The company also supplies other materials, such as liquid crystals, wafer polishing slurries, insulation coatings and light management films to the same sectors. The remaining sales relate to a small printing business. AZ Electronic Materials' activities are spread among Asia, Europe and US.

www.az-em.com

11 Ubiquity

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. In May 2005, the company went public on the Alternative Investments Market in Londen where it is now listed under the ticker symbol UBQ.

www.ubiquity.net

12 Vanguard Health Systems

Vanguard Health Systems, formed in 1997, 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 47 000 members in metropolitan Chicago, Illinois. Vanguard's strategy relies on local management and aims to deploy long-term local experience.

www.vanguardhealth.com

13 Symrise

With a share of approximately 9% of the global flavor and fragrance market, Symrise is the world's fourth largest player in this field. Symrise benefits 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

14 AZ Automotive

AZ Automotive is an integrated full-service, Tier 1 supplier of highly engineered metal-formed components, complex modules and mechanical assemblies for automotive companies, primarily in North America. 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

15 Diana Ingredients

Diana Ingredients is a global supplier of natural ingredients for a number of attractive and sophisticated niche markets in the food and pet food industries. Diana Ingredients has leading positions in the following markets: palatability enhancers for the pet food industry, natural extracts for savory, seasonings, flavor and confectionary, beverage, baby foods, health markets and culinary products for sauces and traditional flavors for the ready-meals and meat industries.

DIANA INGREDIENTS

www.diana-ingredients.com

16 BWG Holdings

BWG's principle business is the wholesaling of food, drinks and tobacco to convenience stores which operate under franchise using retail brands owned by BWG. The operating units are BWG Foods (Ireland), which operates Spar and Mace, the leading Irish convenience store franchises, Appleby Westward (UK), which operates the Spar franchise serving approximately 330 stores in southwest England, and Newhill (Ireland) which owns 153 retail stores in Ireland, leasing them out to the Spar franchise.

BWG Group Ltd.

17 Aliplast

Aliplast is an aluminum system supplier for conservatories, windows and doors. The company has expanded both through acquisitions and organic growth from its headquarters in Belgium, including operations in the UK and France as well as, at a later stage, China and Poland. The typical customers are fabricators who not only buy the Aliplast system but also in some cases receive computerized cutting equipment as well as technical and marketing training and support. Aliplast's market segment faces a situation of good growth in Europe with an ageing population and increasing affluence driving home improvement. Another favorable factor are the advantages that aluminum has over PVC.

aliplast

www.aliplast.com

18 ISS A/S

ISS is one of the world's largest facilities services companies with approximately 300 000 employees in 43 countries worldwide. ISS' most important business line are facility services, which cover a range of business support services within cleaning, property management, office management and catering. Cleaning is the company's largest service offering. Other business activities include damage control, food hygiene and healthcare. Since 2001, ISS has focused on positioning the Company away from contract cleaning into an integrated facilities services company, providing integrated facilities management ("IFM") as well as performing many of the underlying services.

www.issworld.com

19 Fresh Direct Holdings

FreshDirect Holdings, Inc. 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. FreshDirect'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 FreshDirect 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

20 American Community Newspapers

American Community Newspapers, formerly known as Lionheart 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 Newspapers has a total circulation of over 820 000.

www.americancommunitynewspapers.com

FINANCIAL REPORT 2005

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2005 AND DECEMBER 31, 2004

in TCHF

	Note	2005	2004
Assets			
Current assets			
– Cash and cash equivalents	2	63 953	13 736
– Derivative instruments (foreign exchange forward, options)	4	1 227	7 136
– Receivables and prepayments	5	6 954	27 118
		72 134	**47 990**
Long-term assets			
– Loans	1	4 297	8 115
– Investments			
Direct investments	1	47 928	36 961
Funds	1	262 526	215 546
Contractual agreements	1, 14	61 012	98 216
		375 763	**358 838**
Total Assets		**447 897**	**406 828**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges	6	15 350	19 815
– Loans	7	–	33 051
		15 350	**52 866**
Shareholders' Equity			
– Share capital	8	317 500	317 500
– Share capital premium		94 340	93 588
– Treasury stock (at cost)		(3 775)	(5 305)
– Reserve for stock option plan	15	78	–
– Revaluation reserve	9	(50 786)	(64 874)
– Accumulated surplus/(deficit) brought forward		13 053	(12 037)
– Net profit for the year		62 137	25 090
		432 547	**353 962**
Total Liabilities and Shareholders' Equity		**447 897**	**406 828**
Net asset value per share			
Number of shares outstanding at year-end	8	3 130 587	3 112 587
Net asset value per share (in CHF)	8	138.17	113.72

The accompanying notes on pages 24 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2005 AND JANUARY 1 TO DECEMBER 31, 2004

in TCHF

	Note	2005	2004
Income			
Interest income from long-term assets	11	8 808	12 061
Dividend income from long-term assets	11	1 842	5 092
Realized gains on investments, net	11	87 375	34 333
Total Income		**98 025**	**51 486**
Write-Downs			
Write-down of long-term assets	10	(1 056)	(838)
Expenses			
Management fees	13	(7 832)	(7 001)
Performance fees	13	(4 898)	(2 526)
Service fees	13	(364)	(363)
Other operating expenses		(2 599)	(1 857)
Total Expenses		**(15 693)**	**(11 747)**
Financial Income/(expense)			
Interest income		837	160
Foreign currency exchange gain (loss), net		(8 623)	(15 738)
Interest expenses		(693)	(1 548)
Gain (loss) on derivative financial instruments, net		(10 660)	3 315
Total Financial Income, net		**(19 139)**	**(13 811)**
Net profit for the year before taxes		62 137	25 090
Tax expenses	12	–	–
Net profit for the year		**62 137**	**25 090**
Net profit per share (in CHF) – basic	8	**19.90**	**8.06**
Net profit per share (in CHF) – diluted	8	**19.89**	**8.06**
Comprehensive Statement of Income			
Net profit from consolidated statement of income		62 137	25 090
Revaluation reserve (deficit) from fair value valuation of investments credited to equity, net	9	(32 527)	35 649
Revaluation reserve (deficit) from foreign exchange gains of investments credited to equity, net	9	46 615	(7 677)
Total Comprehensive Income, net		**76 225**	**53 062**

The accompanying notes on pages 24 to 41 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2005 AND JANUARY 1 TO DECEMBER 31, 2004

in TCHF

	2005	2004
Cash Flows from Operating Activities		
Purchase of long-term assets	(102 713)	(67 680)
Proceeds from return of invested capital in long-term assets	96 126	46 797
Interest income received from current assets	837	160
Interest income received from long-term assets	8 900	5 750
Dividend income received from long-term assets	1 842	4 129
Realized gains on investments, net	91 721	34 314
Operating costs	(4 495)	(2 354)
Management and Performance fees	(13 566)	(6 806)
Changes in other current assets and liabilities	2 633	5 575
Total Cash Flows generated by/(used in) Operating Activities	**81 285**	**19 885**
Cash Flows from Financing Activities		
Repayment of loans	(33 909)	(26 166)
Treasury share purchase	–	(6 026)
Treasury share sale	2 282	938
Total Cash Flows generated by/(used in) Financing Activities	**(31 627)**	**(31 254)**
Foreign Exchange Effect	**559**	**4 438**
Increase (decrease) in Cash and Cash Equivalents	**50 217**	**(6 931)**
Cash and Cash Equivalents as of January 1	**13 736**	**20 667**
Cash and Cash Equivalents as of December 31	**63 953**	**13 736**

The accompanying notes on pages 24 to 41 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2005

in TCHF

	Share Capital	Share Capital Premium	Less treasury stock (at cost)	Reserve for stock option plan	Revaluation Reserve	Accumulated Surplus/ (Deficit)	Total Equity
Shareholders' Equity							
Balance January 1, 2003	317 500	93 588	–	–	(101 157)	(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**	**–**	**–**	**(92 846)**	**(12 252)**	**305 990**
Balance January 1, 2004	317 500	93 588	–	–	(92 846)	(12 252)	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			(5 305)			217	(5 088)
Net profit for the year						25 090	25 090
Total Shareholders' Equity as of December 31, 2004	**317 500**	**93 588**	**(5 305)**	**–**	**(64 874)**	**13 055**	**353 964**
Balance January 1, 2005	317 500	93 588	(5 305)	–	(64 874)	13 055	353 964
Value decrease on investments					(32 527)		(32 527)
Value increase on investment due to currency differences					46 615		46 615
Transaction in treasury shares		752	1 530				2 282
Transaction in reserve for stock option plan				78			78
Net profit for the year						62 137	62 137
Total Shareholders' Equity as of December 31, 2005	**317 500**	**94 340**	**(3 775)**	**78**	**(50 786)**	**75 192**	**432 549**

[1] The value difference of TCHF 2 is due to a rounding difference in the annual report 2003.

The accompanying notes on pages 24 to 41 form an integral part of these consolidated financial statements.

NOTES TO THE 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 funds sponsored by AIG companies as well as partnerships managed by other leading private equity managers. The Company may also make direct investments in operating companies. Although the Company invests directly in funds and companies, most 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, 2005 the Company did not employ any employees (2004: none). For information on the Group's management please refer to Note 13, Management and Advisory Agreement.

ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements of the Group for the year ended December 31, 2005 have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) and comply with Swiss Law and the accounting provisions of the additional rules for the listing of investment companies of the SWX Swiss Exchange.

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

The consolidated financial statements are presented in Swiss Francs (CHF) which is the Company's functional and presentation currency.

Use of Estimates

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

Adoption of revised and new standards

In 2005, the Group adopted the revised and new standards below, which are relevant to its operations. An amendment of comparative figures for the year 2004 was not necessary.

IAS 1	(revised 2003)	Presentation of Financial Statements
IAS 8	(revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	(revised 2003)	Events after the Balance Sheet Date
IAS 21	(revised 2003)	The Effects of Changes in Foreign Exchange rates
IAS 24	(revised 2003)	Related Party Disclosures
IAS 27	(revised 2003)	Consolidated and Separate Financial Statements
IAS 28	(revised 2003)	Investments in Associates
IAS 32	(revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33	(revised 2003)	Earnings per Share
IAS 39	(revised 2003)	Financial Instruments: Recognition and Measurement
IFRS 2	(issued 2004)	Share-based payments

The adoption of the above standards did not result in substantial changes of the Group's accounting policies. In summary:

- IAS 1, 8, 10, 21, 27, 28, 32, 33 and 39 had no material effect on the Group's accounting policy
- IAS 24 has affected the identification of related parties and some other related party disclosures
- the first adoption of IFRS 2 does not have any material effect on the Group's accounts.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but which the Group has not early adopted. The only standards which will be relevant to the Group are the following:

- IFRS 7 "Financial Instruments: Disclosures", and a complementary Amendment to IAS 1 "Presentation of Financial Statements – Capital Disclosures" (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions", and disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Presentation". It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group is in the process to assess the impact of IFRS 7 and the amendment to IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- IAS 39 (Amendment) "The Fair Value Option" (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit or loss. The Group will apply this amendment from annual periods beginning 1 January 2006.

Principles of Consolidation

The consolidated financial statements of the Group include AIG Private Equity Ltd. and the companies that it controls. This control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or it is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. Subsidiaries are consolidated from the date on which effective control is transferred to the Group and are no longer consolidated from the date that control ceases. The consolidation is performed using the purchase method. All intercompany transactions and balances are eliminated. All Group companies have a 31 December year-end. 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, 2005 the Group holds ownership interests of 20% or more in AIG Horizon Partners Fund (36.57%; 20.50% including side-by-side vehicle). According to the limited partnership agreement of this fund, the Group does not have the power to participate in the financial and operating policy of the fund. Therefore, this investment is excluded from equity accounting and also accounted for in accordance with IAS 39.

Foreign currency transactions

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. Gains and losses resulting from transaction of foreign currency balances are recognized in the income statement.

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

Cash and Cash Equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change of value. For the purpose of the cash flow statement, cash and cash equivalents also comprise bank overdrafts, which are included in short term loans and borrowings in the balance sheet.

Loans

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

Direct Investments and Fund Investments

The Group classifies its investments as available-for-sale. Available-for-sale securities are initially recorded at fair value including transaction costs. 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".

An investment, including contractual rights is recognized where the Group deems it probable that future economic benefits associated with an investment will flow to the entity, and it has a cost or value than can be measured reliably. The future economic benefit of an investment is its potential to contribute, directly or indirectly, to the flow of cash and cash equivalents to the entity. A financial asset is derecognized when, and only when, the contractual rights to the cash flows from the investment expire as the Group transfers the financial asset in the manner stated below.

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

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 using generally accepted valuation techniques as described in detail below. The responsibility for determining the fair values lies exclusively with the Board of Directors. There is no independent external valuation of the investments conducted. All fair valuations may differ significantly from values that would have been used had ready markets existed, and the differences could be material.

Direct Investments:

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

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

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

Fund Investments:

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

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

Investments in securities and in other financial instruments, 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. Investments are valued on a regular basis. In accordance with IAS 39 no discount is applied to the bid price of quoted investments, even in cases where such investments are subject to a restriction on their sale or where the number of shares held is high in relation to the trading volumes.

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

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 the 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.

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. Basic earnings per share are calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options.

Taxes

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

Provisions for taxes payable on profits earned in the 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.

In the case of equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. Impairment losses recognized in the income statement on equity investments are not reversed through the income statement but through equity.

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

Contractual Agreements (see also note 14)

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 Total Return Swap 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 Total Return Swap will not cover its costs.

Fund Investments

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 recognized in net profit or loss for the period.

Segment Reporting

The sole business segment is investing in private equity, resulting in no primary segment disclosure reporting as per IAS 14. Therefore, the results published in this report correspond to the primary segment-reporting format. The geographical analysis of assets and income is disclosed in Note 18.

Contingencies

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

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.

Share-based compensation plans

Stock option plan

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

Cost is defined as the difference between the fair market value of the options at grant date and the price for the options to be paid by the management. The fair market value is determined by using a recognized option pricing model.

Share appreciation rights (SARs)

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

Critical accounting estimates

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

Fair value of non-quoted investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are not always supported by observable market prices or rates. The use of valuation techniques requires management to make estimates. Changes in assumptions could affect the reported fair value of these investments. The carrying amounts of investments for which fair values were determined using valuation techniques amounted to CHF 216.6 million (2004: CHF 189.4 million).

1. Long-term assets Investment Schedule as of December 31, 2005

	Vintage Year	Opening Balance at Cost in TCHF	Paid in Capital in TCHF
AIG Fund Portfolio			
AIG Blue Voyage Fund L.P.	2000	1 480	84
AIG Brazil Special Situations Fund L.P.	2000	8 791	2 374
AIG Global Emerging Markets Fund II, L.P.	2005	–	1 558
AIG Global Sports & Entertainment Fund, L.P.	2000	5 183	794
AIG Highstar Capital, L.P.	2000	8 812	284
AIG Horizon Partners Fund, L.P.	1999	49 802	6 071
AIG Orion Fund L.P.	1999	3 091	72
CapVest Equity Partners L.P.	2000	26 202	629
AIG Swap Funds Portfolio	NA	13 704	251
AIG Private Equity Portfolio L.P. (other assets & liabilities)	NA	10 439	4 501
Subtotal Affiliate Funds		**127 504**	**16 618**
Third Party Fund Portfolio			
International Funds			
Advent International GPE V-C LP	2005	–	1 982
Astorg III	2003	–	9 329
Carlyle Europe Partners II, L.P.	2003	6 608	4 328
Carlyle Europe Venture Partners, L.P.	2000	1 215	167
CVC Capital Partners Asia Pacific II, L.P.	2005	–	1 743
CVC European Equity Partners III, L.P.	2001	5 124	2 356
CVC European Equity Partners IV, L.P.	2005	–	3 224
Electra European Fund, L.P.	2001	14 117	4 478
Electra European Fund II, L.P.	2005	–	4 053
EQT III, L.P.	2001	13 370	4 819
EQT IV, L.P.	2005	184	5 910
Emerging European Convergence Fund II, L.P.	2006	–	–
GMT Communications Partners II, L.P.	2000	1 282	1 324
Lexington Capital Partners IV, L.P.	2000	9 623	2 376
PAI Europe IV, L.P.	2005	–	12 833
Sovereign Capital II, L.P.	2005	–	456
TH Lee.Putnam Internet Partners, L.P.	1999	3 163	35
The Third Cinven Fund	2001	5 090	2 851
Unison Capital Partners II, L.P.	2005	–	500
International Swap Funds Portfolio	NA	64 866	1 527
Subtotal International Funds		**124 642**	**64 291**
Third Party Fund Portfolio			
US Funds			
Advanced Technology Ventures VI, L.P.	2000	3 538	157
Apollo VI, L.P.	2006	–	–
Arrow Path Venture Capital, L.P.	1999	3 439	–
Baker Communications Fund II, L.P.	2000	2 945	715
Berkshire Fund V, L.P.	1998	3 191	67
Blackstone Capital Partners V, L.P.	2006	–	–
Blackstone Mezzanine Partners, L.P.	1999	1 368	372
Boston Millennia Partners II, L.P.	2000	2 388	413
Carlyle Partners III, L.P.	2000	3 287	821
Carlyle Partners IV, L.P.	2005	–	5 709
Charlesbank Equity Partners VI, L.P.	2005	–	1 021
CHS V, L.P.	2005	–	725
Cortec Group Fund IV, L.P.	2006	–	–
Focus Ventures II, L.P.	2000	1 254	130
HealthCare Ventures VIII, L.P.	2005	–	304
Heartland Industrial Partners, L.P.	1999	5 814	–

Returned Capital in TCHF	Total of Write-downs and Realized Losses in TCHF	Cost Value 31.12.05 in TCHF	Fair Value 31.12.05 in TCHF	Original Currency	Outstanding Commitments in TCHF
(309)	–	1 255	459	USD	3 879
(2 434)	–	8 731	4 538	USD	1 462
–	–	1 558	1 289	USD	14 826
(466)	–	5 511	3 776	USD	1 190
(6 828)	–	2 268	849	USD	882
(9 829)	(792)	45 252	44 453	USD	4 412
–	–	3 163	1 000	USD	1 326
(6 621)	–	20 210	35 840	Euro	1 230
(3 568)	–	10 387	6 032	Various	243
–	–	14 940	2 061	–	–
(30 055)	**(792)**	**113 275**	**100 297**		**29 449**
(105)	–	1 877	1 695	Euro	21 842
(3 114)	–	6 215	5 913	Euro	7 838
(2 768)	–	8 168	9 892	Euro	22 397
(493)	–	889	1 216	Euro	294
(584)	–	1 159	1 010	USD	18 549
(1 552)	–	5 928	8 562	Euro	–
–	–	3 224	3 130	Euro	28 350
(1 260)	–	17 335	24 634	Euro	4 358
–	–	4 053	3 715	Euro	27 083
(4 529)	–	13 660	16 154	Euro	2 523
(426)	–	5 668	5 342	Euro	14 819
–	–	–	–	Euro	15 580
(292)	–	2 314	2 835	Euro	243
(6 580)	–	5 419	15 057	USD	1 363
(3 955)	–	8 878	8 781	Euro	14 446
–	–	456	254	GBP	11 480
(473)	–	2 725	1 925	USD	590
(2 113)	–	5 828	6 329	Euro	1 930
–	–	500	2 002	JPY	2 890
(19 914)	–	46 479	23 664	Various	4 318
(48 158)	**–**	**140 775**	**142 108**		**200 893**
–	–	3 695	695	USD	166
–	–	–	–	USD	32 870
(771)	–	2 668	472	USD	166
(559)	–	3 101	1 790	USD	610
(2 359)	–	899	3 061	USD	260
–	–	–	–	USD	52 568
(1 019)	–	721	1 054	USD	1 045
(45)	–	2 756	1 348	USD	731
(1 115)	–	2 993	5 113	USD	378
–	–	5 709	5 434	USD	27 088
–	–	1 021	988	USD	5 540
–	–	725	652	USD	11 106
–	–	–	–	USD	13 148
(13)	–	1 371	531	USD	85
–	–	304	172	USD	10 203
(6)	–	5 808	2 649	USD	167

Investment Schedule as of December 31, 2005

	Vintage Year	Opening Balance at Cost in TCHF	Paid in Capital in TCHF
Third Party Fund Portfolio			
US Funds			
JK&B Capital III, L.P.	2000	2 999	131
KRG Capital Fund I, L.P.	1999	1 161	14
KRG Capital Fund III, L.P.	2005	–	1 980
Meritage Private Equity Fund, L.P.	1999	2 656	–
Mesirow Capital Fund, L.P.	1997	338	–
North Castle Capital Partners II, L.P.	1999	2 964	20
Questor Partners Fund II, L.P.	1999	4 981	–
RCBA Strategic Partners, L.P.	1998	1 454	–
Silver Lake Partners, L.P.	1999	1 640	–
Technology Crossover Ventures IV, L.P.	2000	8 478	784
Thayer Equity Investors Fund IV, L.P.	1998	3 699	46
Thomas Weisel Capital Partners, L.P.	2000	4 625	–
TowerBrook Capital Investors II, L.P.	2006	–	–
TWP CEO Founders' Circle (QP), L.P.	1999	32	–
Wellspring Capital Partners IV, L.P.	2006	–	–
WestView Capital Partners, L.P.	2005	–	2 142
US Swap Funds Portfolio	NA	63 918	1 261
Subtotal US Funds		**126 169**	**16 812**
Direct Investments Portfolio (including loans)			
Accellent (fka. UTI Corporation)	2000	5 658	–
American Media	2003	793	–
AMF Bowling Worldwide	2004	1 826	–
Angionenix	2002	264	–
Arriva Pharmaceuticals	2002	459	–
Atlantech International, Inc. (fka. Tensar)	2000	904	10
Avalon Pharmaceuticals	2001	376	90
AZ Automotive Corp.	2002	2 034	114
Fresenius Medical Care Cardiovascular Resources Holdings	2001	314	–
Fresh Direct	2003	216	–
Hertz	2005	–	3 867
High Response Holdings	2002	473	–
Iomai Corporation	2003	108	–
Kwik-Fit	2005	–	3 940
Maidenform	2004	809	–
Medispectra	2001	1 796	238
National Bedding Company	2005	–	1 255
NovaRay (fka. NexRay)	2001	–	226
QinetiQ	2003	1 115	–
Spirit	1999	5 337	–
Springs Industries	2003	959	–
SunGard Data Systems	2005	–	1 236
Teksid Aluminum	2002	870	87
Theravance, (fka. Advanced Medicine)	2000	4 484	–
Transcore Holdings	2001	7	–
Universal Studio Escape	2000	7 464	–
Vanguard Health Systems	2004	1 867	–
Xanodyne	2005	–	1 374
Xsys (fka. Aster)	2004	1 544	–
Subtotal Direct Investments		**39 677**	**12 437**
Total of all Investments		**417 992**	**110 158**

Returned Capital in TCHF	Total of Write-downs and Realized Losses in TCHF	Cost Value 31.12.05 in TCHF	Fair Value 31.12.05 in TCHF	Original Currency	Outstanding Commitments in TCHF
(177)	–	2 953	1 562	USD	436
(281)	–	894	374	USD	361
–	–	1 980	1 758	USD	17 673
(185)	–	2 471	2 250	USD	224
(185)	–	153	348	USD	44
–	–	2 984	1 585	USD	107
(2 166)	–	2 815	3 627	USD	448
(707)	–	747	1 123	USD	83
(940)	–	700	5 220	USD	590
(379)	–	8 883	4 817	USD	1 673
(32)	–	3 713	1 586	USD	76
(185)	–	4 440	1 894	USD	85
–	–	–	–	USD	26 284
–	–	32	52	USD	79
–	–	–	–	USD	9 204
–	–	2 142	1 720	USD	10 963
(8 844)	–	56 335	31 316	USD	2 418
(19 968)	**–**	**123 013**	**83 194**		**226 878**
(5 658)	–	–	–	USD	
–	–	793	840	USD	
–	–	1 826	2 854	USD	
–	(264)	–	–	USD	
–	–	459	220	USD	
(325)	–	589	–	USD	
–	–	466	122	USD	
(605)	–	1 543	1 325	USD	
(25)	–	289	–	USD	
–	–	216	259	USD	
–	–	3 867	3 944	USD	
(204)	–	269	184	USD	
–	–	108	105	USD	
–	–	3 940	3 945	USD	
(588)	–	221	1 676	USD	
–	–	2 034	918	USD	
–	–	1 255	1 315	USD	
(205)	–	21	37	USD	
–	–	1 115	4 973	USD	
(3 680)	–	1 657	5 895	GBP	
–	–	959	934	USD	
–	–	1 236	1 288	USD	
–	–	957	1 078	USD	
–	–	4 484	5 588	USD	
–	-	7	31	USD	
–	–	7 464	8 976	USD	
–	–	1 867	2 625	USD	
–	–	1 374	1 447	USD	
–	–	1 544	1 645	Euro	
(11 290)	**(264)**	**40 560**	**52 224**		
(109 471)	**(1 056)**	**417 623**	**377 823**		**457 220**

Note 2: Cash and Cash Equivalents

in TCHF

	2005	2004
Cash at banks	63 953	13 736
Total	**63 953**	**13 736**

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 an original maturity of three months or less. Cash and cash equivalents are recorded at nominal value.

Note 3: Foreign Exchange Rates

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

	Unit	2005	2004
Year-end rates:		**CHF**	**CHF**
US dollar	1 USD	1.3148	1.1412
Euro	1 EUR	1.5570	1.5450
Yen	100 Yen	1.1153	–
Average annual rates:			
US dollar	1 USD	1.2507	1.2373
Euro	1 EUR	1.5483	1.5471
Yen	100 Yen	1.1299	–

Note 4: Derivative Instruments

Options

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

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

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 and a positive market value of TCHF 231.

As of December 31, 2005 there were no foreign exchange forward contracts outstanding.

Note 5: Receivables and Prepayments

in TCHF	2005	2004
From third parties	2 315	11 086
From affiliated parties		
AIG, Inc.	3 277	10 674
AIG Global Investment Group	1 362	–
AIG Horizon Partners Fund	–	5 358
Subtotal	**4 639**	**16 032**
Total	**6 954**	**27 118**

From the total receivable of TCHF 6 954, TCHF 4 639 represented cash in transit that was credited to the Company's bank account in January 2006.

Note 6: Payables and Accrued Charges

in TCHF

	2005	2004
Accrued service and management fees	2 304	2 412
Accounts payable and other accrued expenses	13 046	17 403
Total	**15 350**	**19 815**

TCHF 9 540 (2004: TCHF 14 246) of the "Accounts payable and other accrued expenses" relate to the forward sale of its indirect holdings of Punch Taverns 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. The accrued payable will diminish as CapVest Equity Partners Fund sells its shares in Punch Taverns. As of December 31, 2004 the forward sale also related to Punch Taverns shares held by AIG Horizon Partners, all of which shares were sold in 2005.

Note 7: Loans and Long-term Liabilities

in TCHF	2005	2004
Migrosbank	–	11 412
AIG, Inc.	–	21 639
Total current liabilities	**–**	**33 051**

The credit agreement with AIG Inc. matured April 15, 2005.

In 2005, the Company entered into a long-term committed syndicated USD 35 million back-up credit facility with Zürcher Kantonalbank and Migrosbank. No amounts were drawn under this facility in 2005.

Note 8: Shareholders' Equity

The share capital of the Company as of December 31, 2005 (and December 31, 2004) 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:	2005	2004
Number of shares authorized and issued	3 175 000	3 175 000
Number of shares outstanding	3 130 587	3 112 587
Earnings per Share		
Net profit for the period (in TCHF)	62 137	25 090
Weighted average of total number of shares outstanding – basic	3 123 823	3 113
Weighted average of total number of shares outstanding – diluted	3 123 266	3 113
Net profit per share outstanding (in CHF) – basic	19.90	8.06
Net profit per share outstanding (in CHF) – fully diluted	19.89	8.06
Net Asset Value per Share (in CHF)	138.17	113.72

The following major shareholders held shares and voting rights of 5% and more as of December 31, 2005:

	Number of Shares 2005	Participation in % 2005	Number of Shares 2004	Participation in % 2004
American International Underwriters Overseas Ltd.	411 489	12.96%	561 489	17.68%
AIG Private Bank Ltd.	NA*	NA	320 080	10.05%
AIG Life (Ireland) Ltd.	318 983	10.04%	–	–
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 August 15, 2005 AIG Private Bank informed the Company that its shareholding had dropped below 5%.

Note 9: Revaluation Reserve

in TCHF

	2005	2004
Revaluation reserve from currency	(44 848)	(91 463)
Revaluation reserve from investments	(5 938)	26 589
Total revaluation reserve at December 31	**(50 786)**	**(64 874)**
Revaluation reserve from currency		
– at January 1	(91 463)	(83 786)
– currency translation differences during the year	46 615	(7 677)
– at December 31	**(44 848)**	**(91 463)**
Revaluation reserve from investments		
– at January 1	26 589	(9 060)
– Impairments transferred to income statement	1 056	838
– net realized (gains)/losses transferred to income statement	(83 823)	(36 351)
– net realized gains/(losses) from changes in Fair Value	50 240	71 162
– at December 31	**(5 938)**	**26 589**

Note 10: Write-downs of Long-term Assets

For the year ended December 31, 2005 write-downs on long-term assets were as follows:

in TCHF	2005	2004
Direct investments	264	275
Funds	792	519
Contractual agreements	–	44
Total	**1 056**	**838**

For details please see note 1 to the investment table.

Note 11: 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:

in TCHF	2005	2004
Interest income from long-term assets:		
AIG Funds	3 993	8 447
Third Party Funds	3 556	3 508
Direct Investments	1 259	106
Total interest income from long-term assets	**8 808**	**12 061**
Dividend income from long-term assets:		
AIG Funds	983	1 374
Third Party Funds	859	–
Direct Investments	–	3 718
Total dividend income from long-term assets	**1 842**	**5 092**
Total interest income & dividend income from long-term assets	**10 650**	**17 153**
Net realized gains on investments:		
AIG Funds	42 528	8 112
Third Party Funds	39 337	25 515
Direct Investments	5 510	706
Total net realized gains on investments	**87 375**	**34 333**
Total Income	**98 025**	**51 486**

Note 12: Taxes

in TCHF

	2005	2004
Current income tax	–	–
Reconciliation of income tax calculated with the applicable tax rate:		
Profit before income tax	62 137	25 090
Applicable tax rate	7.8%	7.8%
Income tax	4 847	1 957
Effect from:		
– not capitalized deferred taxes		
– non-taxable profits	(4 847)	(1 957)
Total income tax expenses	**–**	**–**

The Group paid no income tax in 2005 (2004: 0).

Note 13: 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”).

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 63; 2004: TCHF 62). 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 2005 was TCHF 301 (2004: TCHF 301). This agreement is entered into for an indefinite period of time. Either party is entitled to terminate the agreement with advance notice of 6 months.

Management and Advisory Agreement

The 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 ended December 31, 2005 and was automatically renewed for five years until December 31, 2010.

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

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

The Manager has entered into an advisory agreement with AIG Global Investment Corp., New York, a wholly owned subsidiary of AIG, to act as investment advisor with respect to the Third Party Funds Portfolio and Direct Investments Portfolio. For its services provided under the management agreement, the advisor is entitled to receive an advisory fee from the Manager. The initial term of the advisory agreement matured December 31, 2005 and was automatically extended until December 31, 2010.

In 2005 the management agreement resulted in AIG receiving management fees amounting to TCHF 7 832 (2004: TCHF 7 001) and performance fees amounting to TCHF 4 898 (2004: TCHF 2526) from the Group.

Refer to notes 1, 4, 5, 6, 7 and 11 for more information on related parties.

MATERIAL TRANSACTIONS

Cash and Cash Equivalents

As of December 31, 2005 the Group has cash and cash equivalents totaling TCHF 589 (2004: TCHF 1 014) on a current account basis with AIG Private Bank Ltd., Zurich. In 2005, the Company earned no interest (2004: 0) from cash held with AIG Private Bank Ltd.

Capital Calls from AIG Fund Investments

	2005		2004	
Investments (in million)	**CHF**	**USD**	**CHF**	**USD**
AIG Horizon Partners Fund L.P.	6.1	4.8	8.6	7.0
AIG Brazil Special Situations Fund L.P.	2.4	1.9	2.1	1.8
AIG Orion Fund L.P.	0.1	0.1	0.3	0.2
AIG Blue Voyage Fund L.P.	0.1	0.1	0.3	0.2
AIG Global Sports & Entertainment L.P.	0.7	0.5	0.3	0.3
AIG Highstar Capital L.P.	0.3	0.2	1.1	0.9
AIG Private Equity Portfolio L.P.	5.6	4.4	17.5	15.1
AIG Global Emerging Markets L.P., II	1.6	1.2	–	–

Personnel

One member of the Board of Directors of AIG Private Equity Ltd. is an employee 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 14: 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, 2005, the Total Return Swaps were valued at TCHF 61 012 (2004 TCHF 98 216). 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 details of the various funds contained in the three Total Return Swaps.

Fair Value (in TCHF)	2005	2004
AIG Swap Funds Portfolio		
AIG Asian Opportunity Fund	5 913	8 235
AIG Orion Fund	119	185
Subtotal	**6 032**	**8 420**

Fair Value (in TCHF)	2005	2004
International Swap Funds Portfolio		
AEA Scandinavia I	662	2 644
AEA Scandinavia II	2 489	5 630
Baring Communications Equity Limited	97	1 428
Carlyle Europe Partners L.P.	4 656	12 058
Doughty Hanson & Co. III	3 285	7 695
Excel Capital Partners III, L.P.	–	4 448
Palamon European Equity Fund L.P.	4 139	6 002
Schroder German LBO	–	31
Permira VT	148	149
The Cinven Fund I	678	1 188
The Cinven Fund II	7 510	12 163
Subtotal	**23 664**	**53 435**

Fair Value (in TCHF)	2005	2004
United States Swap Funds Portfolio		
AEA Investors Inc. II	1 473	1 932
American Industrial Partners Capital Fund II, L.P.	689	399
Apollo Investment Fund III, L.P.	435	430
Apollo Investment Fund IV, L.P.	4 063	4 782
Bain Capital Fund VI, L.P.	125	125
Bain Capital VI Coinvestment Fund, L.P.	162	171
Berkshire Fund III, L.P.	155	107
Berkshire Fund IV, L.P.	909	613
Blackstone Capital Partners II	165	154
Blackstone Capital Partners III	3 350	4 071
Carlyle Partners II, L.P.	387	738
Charterhouse Equity Partners II, L.P.	151	157
Clayton & Dubilier Private Equity Fund IV, L.P.	29	24
DLJ Merchant Banking Partners II, L.P.	262	627
Dubilier CRM Fund I, L.P.	15	58
Evercore Capital Partners, L.P.	166	229
Fenway Capital Partners Fund II, L.P.	1 847	1 081

Fair Value (in TCHF)	2005	2004
Fenway Capital Partners Fund, L.P.	178	171
GKH Investments, L.P.	1	3
Greenwich Street Capital Partners, L.P.	766	749
Hoak Communications Partners, L.P.	8	28
Kelso Investment Associates VI, L.P.	516	898
KRG Capital Fund I, L.P.	354	707
Morgan Stanley Capital Partners III, L.P.	324	336
Morgan Stanley Leveraged Equity Fund II, L.P.	–	76
North Castle Capital Partners II, L.P.	1 113	895
Odyssey Investment Partners Fund, L.P.	381	328
Questor Partners Fund II, L.P.	3 433	3 231
Questor Partners Fund, L.P.	–	35
RCBA Strategic Partners, L.P.	1 089	3 185
Sandler Mezzanine Partners	37	33
Sankaty High Yield Asset Partners	413	247
Silver Lake Partners, L.P.	2 323	2 532
Stonington Capital Appreciation 1994 Fund, L.P.	1 348	1 894
Thayer Equity Investors Fund IV, L.P.	1 146	689
Thayer Equity Investors III, L.P.	389	174
Warburg Pincus Equity Partners, L.P.	2 680	3 768
WPG Corporate Development Associates IV, L.P.	27	39
WPG Corporate Development Associates V, L.P.	407	644
Subtotal	**31 316**	**36 361**
Total	**61 012**	**98 216**

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

Unfunded commitments (in TCHF)	2005	2004
AIG Swap Funds Portfolio	243	392
International Swap Funds Portfolio	4 318	4 438
US Swap Funds Portfolio	2 418	2 374

Note 15: Share-Based Compensation Plans

Stock Option Plan

The Company entered into the following stock option agreement in May 2005:

Number of options	Year of grant	Vesting date	Expiry date	Subscription ratio	Strike price
7 000	2005	31.5.2006	13.6.2008	1:1	125
7 000	2005	31.5.2007	13.6.2008	1:1	125
7 000	2005	31.5.2008	13.6.2008	1:1	125

Valuation parameters:

Option pricing model used:	Black-Scholes
Share price (at grant)	CHF 123.00
Estimated volatility	15.21%
Risk free interest rate	1.52%
Expected dividend yield	–
Total charged to equity	**CHF 77 883.40**

The options were granted free of charge. Each option entitles the holder to buy one share of AIG Private Equity AG at the exercise price. A third of the options are each exercisable after a vesting period of one, two and three years. In case of a termination of the working contract during the vesting period, the options are cancelled. As at 31 December 2005 the Company held no shares specifically in connection with the stock option plan.

Share Appreciation Rights (SARs)

Number of options	Year of grant	Vesting date	Expiry date	Subscription ratio	Strike price
1367	2003	31.5.2006	13.6.2006	1:1	CHF 87
4666	2003	31.5.2005	13.6.2006	1:1	CHF 87
1000	2004	31.05.2005	13.6.2007	1:1	CHF 97
2666	2004	31.05.2006	13.6.2007	1:1	CHF 97
2666	2004	31.05.2007	13.6.2007	1:1	CHF 97

Valuation parameters:

Pricing model used:	Black-Scholes
Share price (at balance sheet date)	CHF 149.50
Estimated volatility	'03 Grant: 12.15% / '04 Grant: 12.15%
Risk free interest rate	'03 Grant: 1.03% / '04 Grant: 1.44%
Expected dividend yield	–
Total expenses	**CHF 735 505.62**

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

Note 16: 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-Swiss franc 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 17: 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, 2005 (2004: 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 18: Segment Reporting

The geographical analysis of the long-term assets is as follows:

in TCHF	2005	2004
North America	150 713	144 971
Europe	204 834	186 955
Rest of the World	20 296	26 913
Total	**375 763**	**358 838**

The geographical analysis of the revenues for 2005 is as follows:

in TCHF	2005
North America	51 974
Europe	38 365
Rest of the World	7 686
Total	**98 025**

Note 19: Subsequent Events

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

Cortec IV	USD	10 million
Ares Corporate Opportunity Fund II	USD	25 million
VSS Communication Fund IV	USD	15 million
Polaris Ventures X	USD	10 million
Madison Dearborn V	USD	20 million
GMT III	EUR	20 million

Between December 31, 2005 and March 31, 2006, the following capital calls and capital distributions have been made by the partnerships under the commitments existing as of December 31, 2005:

Capital Calls (TEUR, TUSD, TSEK, TJPY)	Currency	Amount
Lexington Capital Partners IV	USD	330
EQT III	EUR	70
CB Offshore Equity Fund VI	USD	111
EQT IV	EUR	101
Electra European Fund II	EUR	1 201
Emerging Europe Convergence Fund II	EUR	2 194
Unison Capital Partners II	JPY	8 786
AIG Blue Voyage Fund	USD	34
CVC Capital Partners Asia Pacific II	USD	497
PAI Europe IV	EUR	90
HealthCare Ventures VIII	USD	180
WestView Capital Partners	USD	705
Blackstone Capital Partners V	USD	144
Carlyle Partners IV	USD	938
Third Cinven Fund	EUR	297
CVC European Equity Partners IV (C)	EUR	4 110
AIG Brazil Special Situations Fund	USD	99
TowerBrook Investors II	USD	632

Capital Distributions (TEUR, TUSD, TJPY)	Currency	Amount
Lexington Capital Partners IV	USD	990
EQT III	SEK	29'761
Carlyle Europe Partners II	EUR	91
TCV IV	USD	128
AIG Global Sports and Entertainment Fund	USD	164
CVC European Equity Partners III	EUR	209

The consolidated financial statements were authorized for issue on April 21, 2006 by the Board of Directors. The annual general meeting called for May 31, 2006 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of December 31, 2005, there have been no material events that could impair the integrity of the information presented in the financial statements.

REPORT OF THE GROUP AUDITORS

As group auditors, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows, statement of changes in shareholders' equity and notes to the consolidated financial statements) of AIG Private Equity Ltd., Zug on pages 20 to 41 for the year ended 31 December 2005.

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

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

In accordance with Article 20 of the Additional Rules for the Listing of Investment Companies of SWX Swiss Exchange we draw attention to Note 1 of the consolidated financial statements. As indicated in Note 1, the financial statements include unquoted investments stated at their fair value of CHF 375.8 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these fair values may differ from their realizable values, and the difference could be material. The fair values of these investments have been determined by the Board of Directors and have been disclosed in Note 1. We have reviewed the procedures applied by the Board of Directors in valuing such investments and have viewed the underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, the determination of fair values involves subjective judgment which cannot be independently verified.

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

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

PricewaterhouseCoopers Ltd.

Thomas Romer　　　Thomas Brunschwiler

Zurich, April 21, 2006

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 the vast majority of investments on its behalf.

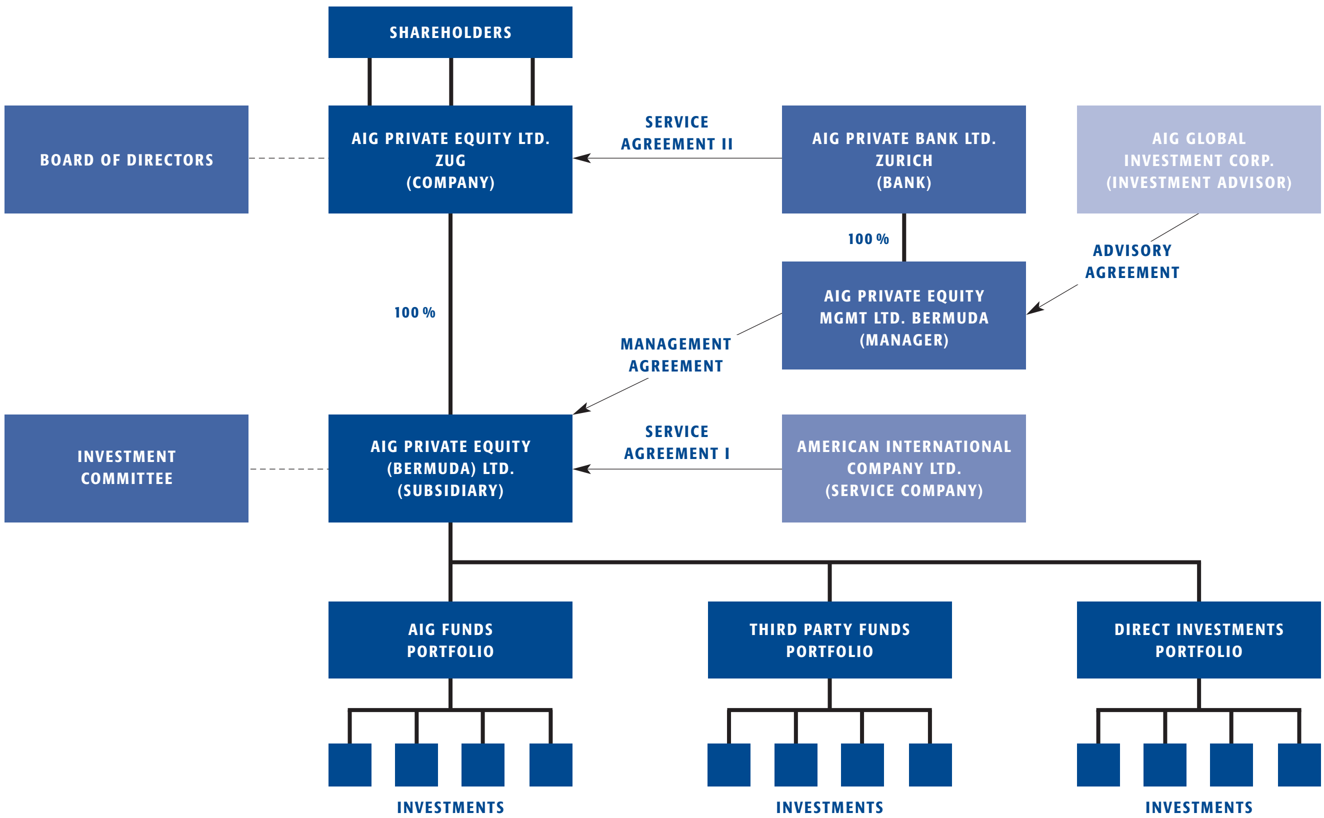
The investments are divided in the following 3 portfolios:
- AIG Companies Funds
- Third Party Funds
- Direct Investments

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

Significant Shareholders

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

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
Robert Thompson

MANAGEMENT COMMITTEE
Andrew Fletcher
Conradin Schneider

INVESTOR RELATIONS
Conradin Schneider

AUDITORS
PricewaterhouseCoopers Ltd.
Birchstrasse 160
CH-8050 Zürich

2. CAPITAL STRUCTURE

Capital

As of December 31 2005 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 3 130 587 shares were outstanding. The market capitalization of the Company per year-end amounts to CHF 468 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 3 175 000 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 2003 see the statement of changes in consolidated shareholders' equity on page 23.

Shares and Participation Certificates

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

There are neither participation certificates nor profit sharing certificates.

Authorized 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 May 25, 2007.

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

They are furthermore summarized in Article 13 of the articles of association (available at www.aigprivateequity.com).

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 Chairman of the Board of the Centre for Young Professionals in Banking, as Vice President of the Board of Directors of the Pfandbriefbank Schweizer Hypothekarinstitute and the Board of Directors of Aduno Group (Viseca Card Services SA & Aduno SA).

Dr. Ernst Mäder, born 1954, Swiss citizen, non-executive member, term of office expires in 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 is President of C.V. Starr & Co., Inc., a private investment company. Mr. Matthews was previously Senior Vice Chairman of AIG, Inc. from May 1989 and a Senior Advisor from 2003 to April 2005. 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 Trustee Emeritus of Princeton University and a former chairman of the Board of Directors of Princeton Investment Company, the managing company for Princeton University's over USD 12 billion endowment. He is also Vice Chairman of Princeton HealthCare System and a trustee of 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 Supervisory Board of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany.

Dr. Roger Schmid, born 1959, Swiss citizen, non-executive member, term of office expires in 2006.

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

Mr. Schmid 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 principal responsibilities of the board of directors encompass

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

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

The board delegated foreign exchange decisions to the FX committee. The FX committee consists of the following persons:

- Dr. Thomas Lips
- Erich Hort
- Dr. Ernst Mäder
- Additional members of the management board and the investment committee

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

For the tasks and responsibilities of the board see 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 fulfilment of its supervising duties, the board of directors is provided with the following information:

- Monthly information on the Company's Net Asset Value (NAV) per share
- Discussions with the management 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.

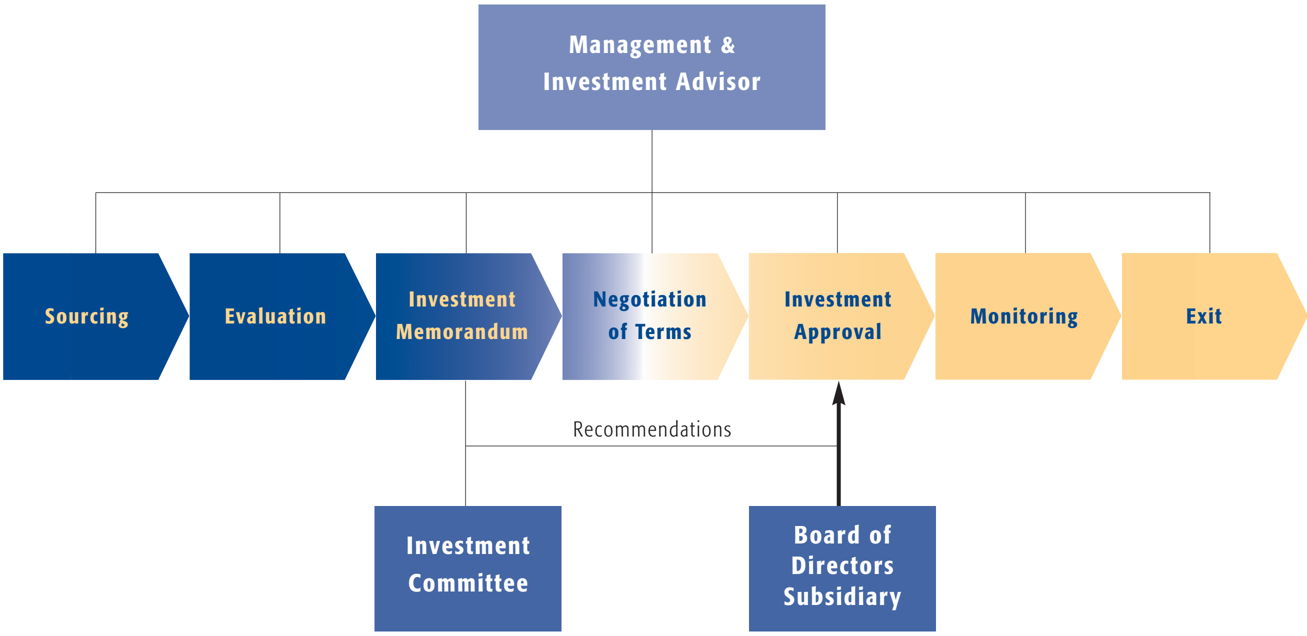
Win J. Neuger

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).

Robert Thompson

Mr. Thompson is the Head of AIG Global Investment Group's worldwide Alternative Investments business, having joined AIGGIG in 2005. Mr. Thompson was a co-founder and managing member of Ferrer Freeman Thompson & Co., LLC, ("FFT") a private equity firm dedicated to investing in the Health Care industry. Prior to FFT, he was Managing Director and Equity Group Leader at GE Capital. Mr. Thompson founded, organized, and developed GE Capital's Private Equity activities throughout the U.S., Europe and Asia. Mr. Thompson has over 15 years experience in all segments of the private equity business including mezzanine, direct investments, joint ventures, leveraged buyouts and fund investments. Mr. Thompson has also held various positions at Bain & Co. and Chemical Bank. He currently serves on Investment Committees for AIGGIG's alternative investments activities. Mr. Thompson received an A.B. in Economics from Harvard College and an M.B.A. from Stanford University.

Investment Process Diagram



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

It also has to be noted that one member of the Investment Committee (W. Neuger) of AIG Private Equity Ltd. is a 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. 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 UBS-Aventic, he worked 8 years as a corporate banker with UBS with a focus on Swiss multinationals. Mr. Schneider received his graduate degree from the University of St. Gall, Switzerland, specializing in banking and economics.

Mr. Schneider is also a member of the board of AIG Mezz-Vest Partners Ltd. I and II, 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.

6. COMPENSATION, SHAREHOLDINGS AND LOANS

Content and Method of Determining Compensations

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

Mr. E. Leemann 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 2005.

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, 2005
Management Board	0
Board of Directors	1 255
Total	**1 255**

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

Share-based compensation plans

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

As of 31 December 2005, they held the following stock appreciation rights and stock options:

Number of options	Year of grant	Vesting date	Expiry Date	Subscription ratio	Strike Price
1367	2003	31.5.2005	14.6.2006	1:1	CHF 87
4667	2003	31.5.2006	15.6.2006	1:1	CHF 87
1000	2004	31.05.2005	13.6.2007	1:1	CHF 97
2667	2004	31.05.2006	13.6.2007	1:1	CHF 97
2667	2004	31.05.2007	13.6.2007	1:1	CHF 97
7000	2005	31.05.2006	13.6.2008	1:1	CHF 125
7000	2005	31.05.2007	13.6.2008	1:1	CHF 125
7000	2005	31.05.2008	13.6.2008	1:1	CHF 125

7 432 stock appreciation rights were exercised in 2005. 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 of the Company is entitled to one vote. See also Article 7 section 1 in the articles of association. Voting rights may be exercised only after a shareholder has been registered in the Company's share register with voting rights.

Rules on participating the general meeting if different from law

No restrictions. See Article 7 Abs. 2 in the articles of association.

Statutory quorums

The statutory quorums comply with the applicable legal regulations. See Article 8 in the articles of association.

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

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

Registration in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the Annual General Meeting. In 2006, the qualifying date is May 5, while the Annual General Meeting will be held on May 31.

8. CHANGES OF CONTROL AND DEFENCE MEASURES

Duty to Make an Offer

The company refrains from the duty to make an offer (opting-out; see also Article 23 in the articles of association) pursuant to Article 32 of the Federal Stock Exchange Act (SESTA).

9. AUDITORS

Date of Assumption of the Existing Auditing Mandate

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

Responsible Partner: Thomas Romer, since 2004

Total of Auditing Honorariums 2005

TCHF 149

Additional Honorariums

Tax-consulting TCHF 32

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

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

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

10. INFORMATION POLICY

The Company aims to offer the shareholders a high degree of transparency. In this respect the Company publishes an annual report, a semi-annual report and four 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, 2005 AND DECEMBER 31, 2004

in TCHF

	Note	2005	2004
Assets			
Current Assets			
– Cash and cash equivalents		589	1 014
– Derivative instruments (options; foreign exchange forwards)	5	1 107	2 326
– Receivables and prepayments		122	307
– Own shares	3	3 775	5 305
		5 593	**8 952**
Long-term Assets			
– Participation	1	423 850	362 692
– Direct Investments	8	3 944	–
– Funds	8	477	–
		428 271	**362 692**
Total Assets		**433 864**	**371 644**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges		1 350	907
– Bank loans		–	11 412
		1 350	**12 319**
Shareholders' Equity			
– Share capital	7	317 500	317 500
– Legal reserve		63 500	63 500
– Other reserve	2	26 313	24 783
– Reserve for own shares	4	3 775	5 305
– Reserve for stock option plan		78	–
– Accumulated deficit brought forward		(51 763)	(103 925)
– Net profit for the year		73 111	52 162
		432 514	**359 325**
Total Liabilities and Shareholders' Equity		**433 864**	**371 644**

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2005 AND JANUARY 1 TO DECEMBER 31, 2004

in TCHF

	Note	2005	2004
Income			
Foreign currency exchange gain		215	5 887
Gains on financial instruments		–	1 548
Gains on sale of own shares		752	217
Gains on participation		77 869	53 767
Total Income		**78 836**	**61 419**
Expenses			
Service fees		301	301
Other operating expenses		1 949	1 245
Interest expenses		502	543
Foreign currency exchange loss		1 174	7 331
Losses on financial instruments	5	1 744	–
Tax expenses		55	(163)
Total Expenses		**5 725**	**9 257**
Net profit for the year		**73 111**	**52 162**
Accumulated Deficit			
Balance, beginning of the year		(51 763)	(103 925)
Net profit for the year		73 111	52 162
Balance, end of the year	6	**21 348**	**(51 763)**

NOTES TO THE FINANCIAL STATEMENTS

in TCHF

	Location	Capital held in %	Nominal Value in TUSD	Paid in TUSD	Book value in TCHF 31.12.05	Book value in TCHF 31.12.04
1. Participation						
AIG Private Equity (Bermuda) Ltd.	Pembroke, Bermuda	100	483 770	324 354	423 850	362 692

2. Other Reserve and Authorized Share Capital

	Amount TCHF
Balance as of January 1, 2005	24 783
Decrease of reserve for own shares	1 530
Balance as of December 31, 2005	**26 313**

As of December 31, 2005 the Company has CHF 158.75 million authorized share capital outstanding. This authorized share capital will expire in May 25, 2007.

3. Own Shares

	Number	Amount CHF
Balance as of January 1, 2005	62 413	5 305 105
Disposals (sold at CHF 126.79)	(18 000)	(2 282 195)
Total	**44 413**	**3 022 910**
Realized gains on sale of own shares 2005		752 195
Book value as of December 31, 2005 (44 413 x 85.00)		**3 775 105**

5. Derivative Instruments

Options

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

The 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.

6. Application of Retained Earnings (Proposal of the Board of Directors)

(in TCHF)	2005	2004
Net profit for the year	73 111	52 162
Accumulated deficit brought forward	(51 763)	(103 925)
Retained earnings/accumulated deficit	**21 348**	**(51 763)**
To be carried forward	**21 348**	**(51 763)**

7. Shareholders' Equity

The following major shareholders held shares and voting rights of 5% and more as of December 31, 2005:

	Number of Shares 2005	Participation in % 2005	Number of Shares 2004	Participation in % 2004
American International Underwriters Overseas Ltd.	411 489	12.96%	561 489	17.68%
AIG Private Bank	NA*	NA	320 080	10.05%
AIG Life Ireland Holding	318 983	10.04%	NA	NA
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 August 15, 2005 AIG Private Bank informed the Company that its shareholding had dropped below 5%.

4. Reserve for Own Shares

The Reserve for Own Shares amounting to CHF 3 775 105 (the acquisition value of the Own Shares held) was reduced by CHF 1 530 000 against Other Reserve.

8. Investments

Please refer to Note 1 of the Consolidated Financial Statement on Page 30–33.

9. Subsequent Events

Since the balance sheet date of December 31, 2005, there have been no material events that could impair the integrity of the information presented in the financial statements.

REPORT OF THE STATUTORY AUDITORS

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of AIG Private Equity AG on page 54 to 55 for the year ended 31 December 2005.

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

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

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

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

PricewaterhouseCoopers Ltd.

Thomas Romer Thomas Brunschwiler

Zurich, April 21, 2006

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