ANNUAL REPORT 2002

AIG
PRIVATE EQUITY

FACTS AND FIGURES

Company profile

AIG Private Equity Ltd. is a Swiss investment company domiciled in Zug. The company's objective is to achieve long-term capital growth for shareholders by actively managing a well balanced portfolio of private equity funds and direct investments in privately held operating companies. This combination of fund-of-funds and direct investments provides broad diversification and predictable cash flows – key elements in a comprehensive risk management program. While the company is relatively young, having been established in September 1999, many of its investments are mature, and all of them are co-investments with AIG, an established and successful global private equity investor. AIG Private Equity Ltd. is listed on the SWX Swiss Exchange under the ticker symbol "APEN" and is traded daily.

Valuation as of December 31, 2002

Closing price per share	CHF	102.00
Net asset value per share (applying fair values)	CHF	88.39
Exchange rate	CHF/USD	1.3875
Exchange rate	CHF/EUR	1.4550
Number of shares outstanding		3 175 000

Swiss Security Number

915.331
ISIN: CH0009153310
Ticker: APEN

Trading Information

Reuters: APEZn.S
Bloomberg: APEN
Telekurs: APEN

www.aigprivateequity.com

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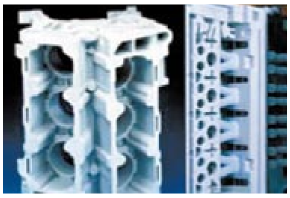
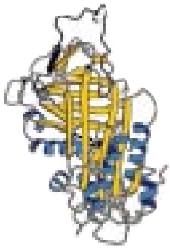
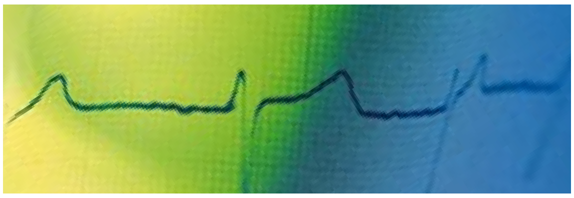






Dear Shareholders

2002 was yet another challenging year. The major world market indices dropped for a third year in a row, continuing their retreat from the highs recorded in spring 2000. The economies of the developed markets continued to be sluggish. Low interest rates have not yet led to increased business investment. Political turmoil and accounting scandals contributed to the difficult environment.

Despite the fact that AIG Private Equity Ltd. earned a consolidated profit for the year, the Company was not immune to the international economic slowdown or the economic and geopolitical turmoil that prevailed throughout the year. The Company's share price fell a disappointing 24% over the year, but this performance still compared favorably with the performance of the Swiss Market Index.

Because of the Company's large foreign currency exposure through its euro and US dollar-denominated investments, and the current volatility in currency markets, we actively monitored the Company's foreign currency position throughout the year. The Board formed a Foreign Exchange Committee (the FX Committee) which met several times during the year to determine the Company's FX hedging strategy. Based on the strategy developed by the FX Committee, the Company hedged the majority of its US dollar exposure by entering into forward sales of the dollar against the Swiss franc. This strategy reduced the impact of the weakening dollar on the company's NAV and produced a sizeable amount of current income for the Company, resulting in the Company's reporting a consolidated net profit for the year.

Investment performance was mixed during 2002. While some of the buyout funds performed well and generated several noteworthy profitable exits, we continued to see valuation erosion in many venture funds. The direct investment portfolio continued to mature more or less in line with expectations, recording three exits at good returns.

With this annual report AIG Private Equity broadens its reporting on corporate governance issues. AIG Private Equity continuously strives to meet or exceed standards for transparency by reporting clearly and frequently to shareholders in accordance with International Financial Reporting Standards and the guidelines of the SWX Swiss Exchange.

The challenging environment for investors in general and particularly for private equity investors has resulted in consolidation in our industry on several levels. A number of banks decided to reduce or sell their private equity operations in

Front: **EDUARDO LEEMANN,** *Chairman of the Board* – **ERICH HORT,** *Vice Chairman*
Rear: **DR. ROGER SCHMID,** *Member* – **DR. ERNST MÄDER,** *Member* – **EDWARD E. MATTHEWS,** *Member*

order to concentrate on core business and to free up equity. There have also been mergers among private equity fund mangers and we expect this trend to continue in 2003. We are seeing private equity managers begin to divide into two general categories. The market seems to be evolving into a structure with a handful of global firms at one end and a large number of specialist boutiques, which include mid-size firms and funds with a country-specific strategy. Barriers to entry have increased.

We have always believed that a long-term commitment to the asset class together with an experienced team implementing a well-established investment strategy are key factors in successful private equity investing. The structure of AIG Private Equity has remained very stable over the past years. In 2002, there were no changes to the composition of board of directors, investment committee and management. We remain committed to our strategy of diversification and a focus on buyouts, which has been in place since AIG Private Equity's inception, and believe that the Company's portfolio is well-positioned to yield solid results.

We thank you for your continued trust and support.

Eduardo Leemann
Chairman of the Board

Review 2002 and Outlook

2002 was the third year of difficult and volatile economic conditions around the world. Global equity markets continued their downward trend, with none of the major economies showing signs of substantial strength. Given the extreme conditions, AIG Private Equity was able to achieve satisfactory results, posting a consolidated profit of CHF 4.5 million and a decline in Net Asset Value (NAV) of –18% for the year. The weakening of the US dollar against the Swiss franc was the main driver for the NAV decline, while weaker valuations reported by portfolio funds had less of an impact. The direct investment portfolio performed well.

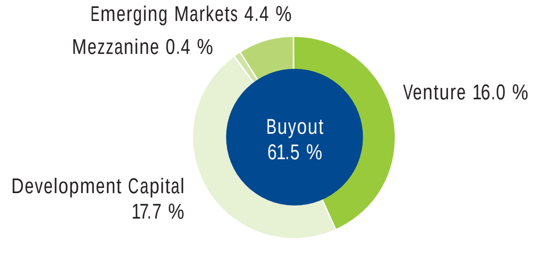
AIG Private Equity earned a consolidated net profit of CHF 4.5 million in 2002 (CHF –16.2 million in 2001). Income was generated primarily by currency hedging transactions that contributed CHF 21.7 million (2001: CHF 0.8 million) and net realized gains and investment income of CHF 7.1 million (2001: CHF 7.9 million). Before the effects of the sale for liquidity purposes of the Company's positions in Schroder Venture International Trust and four funds that had been included in the Total Return Swaps, the Company's total net realized gains and investment income was CHF 12.4 million. The initial public listings of William Hill (held through The Cinven Fund and The Second Cinven Fund) and Punch Taverns (held directly) accounted for approximately half of the realized gains, while the remainder were contributed by a broad range of funds.

During 2002 the company wrote off long-term assets totaling CHF 15.5 million. (2001: CHF 15.3 million). The main contributors were the two largest funds in AIG Private Equity's portfolio that reported several permanently impaired venture capital stage investments. Additionally, the residual values of two funds were written off because they sold all of their investments by year-end 2002 and were liquidated.

The Company's revaluation reserve for 2002 showed a deficit of CHF –67.8 million (2001: CHF –28.6 million). This deficit is composed of an increase in original currency fair value of CHF 4.3 million (2001: CHF –36.0 million) and a decrease in fair value due to currency effects of CHF –72.1 million (2001: CHF 7.5 million). The small increase in original currency fair value is an encouraging sign of a stabilization in asset valuations. The currency loss was partially off-set by currency hedging transactions. The Company's current strategy is to hedge 50% of its net economic exposure to the US dollar. The focus on net economic exposure may lead to exaggerated short-term fluctuations in reported fair values since many funds report European and other non-US based investments in US dollars. Generally a portion of these short-term fluctuations will be smoothed as we receive updated valuation reports from fund managers and as investments are exited.

AIG Private Equity is fully invested and for that reason did not make any new commitments to private equity funds during 2002 and only added direct investments to its portfolio through existing partnership agreements. As of year-end, AIG Private Equity's portfolio was made up of 83 funds and 17 direct investments.

1. Diversification by Investment Focus as of December 31, 2002
Expressed as % of invested assets applying fair values



2. Investment Framework as of December 31, 2002
Expressed as % of total assets applying fair values

	Fund Investments AIG Portfolio	Fund Investments 3rd-Party Portfolio	Direct Investments Portfolio	Total
Developed Markets				
Europe	10.1 %	30.5 %	1.6 %	42.2 %
North America	12.3 %	28.3 %	7.7 %	48.3 %
Emerging Markets				
Asia	2.4 %			2.4 %
South America	1.2 %		0.1 %	1.3 %
Total	**26.0 %**	**58.8 %**	**9.4 %**	**94.2 %**

We are confident that AIG Private Equity's increasingly mature portfolio is well positioned to benefit from an improvement in market conditions.

ROCCO SGOBBO

CONRADIN SCHNEIDER

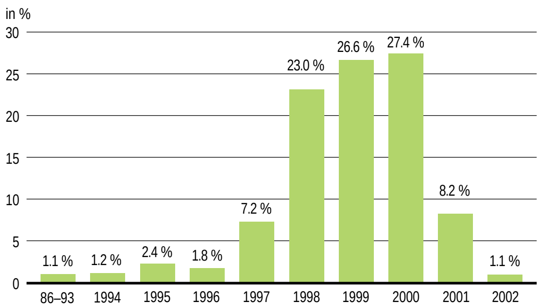
ANDREW FLETCHER

Outlook

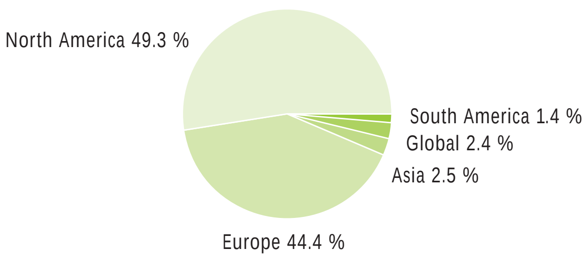
Although the global economy remains weak, equity markets performed well in the first half of 2003. Should this trend persist, there are a number of investments in our portfolio that could become candidates for sale or listing. Moreover, a substantial portion of the Company's assets consists of listed companies. The share price development of the larger listed positions such as William Hill, Expedia, Seagate, Beru etc. are updated on a quarterly basis and any sustained improvement in the market price of these companies will be reflected in the Company's NAV reports, however with a time lag of up to three or more months. There are still a number of factors including very weak core European economies and the weak dollar that could hamper a general recovery in capital markets. Low interest rates are only starting to show desired effects as investments in durable goods and consumer confidence are showing early signs of improving. On the other hand, the net asset value continues to be negatively affected by the weak US dollar in 2003.

We will continue to maintain an investment portfolio that is diversified on multiple levels including geography, manager and maturity and focused on buy-outs. The same process our team has used to build the portfolio will be applied to evaluating potential new investments and exit opportunities. Overall, we are confident that AIG Private Equity's increasingly mature portfolio is well positioned to benefit from an improvement in market conditions.

3. Diversification by Vintage Year as of December 31, 2002
Expressed as % of invested assets applying fair values



4. Diversification by Region as of December 31, 2002
Expressed as % of invested assets applying fair values



Noteworthy Exit Activity

Achievements in a Challenging Environment

AIG Private Equity's investment portfolio continued to mature in 2002. Despite the continued difficult market conditions, the Company saw increased exit activity in both its direct investment and fund portfolios. Most notably, the Company exited a number of its largest investments through IPOs in both Europe and the US – including Punch Taverns and William Hill in the UK and Seagate Technologies in the US. In addition, many other portfolio companies continue to develop well and are likely exit candidates through private sales or IPOs, especially as public equity markets recover.

Some of the more notable exits from the Company's portfolio in 2002 are described in more detail below.

EXITS

Punch Taverns

Punch Group was the Company's first direct investment. In November 1999, the Company invested USD 4.6 million (CHF 7.1 million) in various securities of Punch Group both directly and indirectly through two AIG funds. In November 2000, the Company invested a small additional amount in Punch Group. Early last year, Punch Group was demerged into Punch Taverns, a tenanted pub business, and Spirit Group, consisting of company owned pubs.

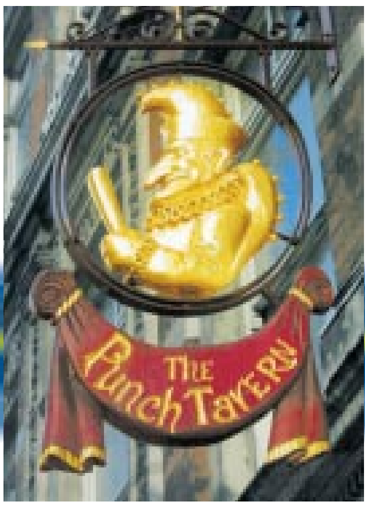
In May 2002, Punch Group was listed on the London Stock Exchange. In connection with the IPO, the Company received total distributions of CHF 4.9 million between May and September 2002. Also, in January 2003, the Company sold its indirect interest in Punch Group for CHF 6.1 million. The Company continues to hold a direct and indirect interest in Spirit Group with a fair market value at year end of CHF 4.9 million. Spirit Group continues to perform well and exit opportunities are being explored.

William Hill

William Hill is the second largest operator of licensed betting offices in the UK, with over 1 600 locations. The Company invested in William Hill through The Cinven Fund and The Second Cinven Fund. Cinven made the original investment in March 1999, and the Company acquired its interest through the Total Return Swaps in December 1999. William Hill was listed on the London Stock Exchange in June 2002, and the IPO was oversubscribed 10 times despite the difficult market climate. On a cost basis of CHF 3.6 million, the Company received cash distributions following the IPO of CHF 6.1 million and still had an indirect interest in William Hill worth approximately CHF 0.8 million as of year end 2002. The interim return on this investment was thus 1.9x cost.

Seagate Technology

Seagate Technology, the biggest maker of computer disk drives worldwide, was taken public in December 2002 on the New York Stock Exchange (ticker symbol STX). The transaction was by far the largest US technology IPO in 2002. The Company invested in Seagate indirectly in March 2000 through its participation in Silver Lake Partners, L.P., with a cost basis of CHF 0.9 million. The Company received cash proceeds following the IPO of CHF 0.6 million, and retained an indirect interest in Seagate shares worth approximately CHF 4.9 million as of year end 2002.



Global Asia
North America - Europe

Expedia, Inc.

Expedia, Inc. provides branded online travel services for leisure and small business travelers and has established itself as one of the leaders in the online travel industry, one of the few internet-based business models that has thrived following the collapse of the technology bubble in March 2000. Expedia is a public company, and the Company had an indirect investment through Technology Crossover Ventures IV, L.P. (TCV IV). The Company's cost basis for this investment was CHF 0.2 million. During 2002 the Company received distributions of CHF 0.3 million as TCV IV sold a portion of its Expedia shares in the market. In March 2003, USA Interactive announced a tender offer for all outstanding shares of Expedia at a 32% premium to the prior day's closing price. The deal is expected to close in the summer 2003. Based on the price, the Company's return on the investment, when it receives a distribution from TCV IV, will be in excess of 10x invested capital.

Magnetic Data Technologies ("MDT")

At the end of May 2000, the Company invested USD 1.0 million in MDT, a leading international provider of outsourced repair and after-sales services for the communications, computer and electronic storage markets. MDT was sold to Solectron Corporation, a NYSE listed company, in June 2002, resulting in proceeds to the Company of about USD 1.21 million, representing a cost multiple in USD terms of 1.2.

Autoimmune Diseases Research & Development Corp. ("ADRD")

In January 2002, the Company invested approximately CHF 1 million in ADRD, which is a pharmaceutical development company with a number of compounds in various stages of clinical trials. The position was sold in June 2002 for a USD IRR of approximately 30%. The Company held an additional indirect interest in ADRD through AIG Horizon Partners Fund.

Additional Investments

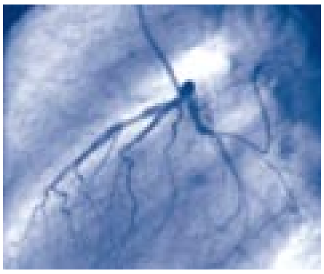
The Company participated in two additional IPOs in 2002 through TCV IV – NetFlix.com, Inc. and Altiris, Inc. NetFlix is the world's largest online entertainment subscription service, with more than 500 000 subscribers, while Altiris provides desktop management software. The Company received some distributions from these IPOs during 2002, and continues to hold positions in both companies, which have performed well in 2003.

Finally, the Company had an indirect interest in Le Figaro Group through Carlyle Europe Partners, L.P. In June 2002, the position was sold and the Company received proceeds of CHF 1.4 million, or 2.9x its cost basis in CHF terms.

Many other portfolio companies continue to develop well and are likely exit candidates.

Life Sciences Investments

AIG Private Equity has built-up a portfolio of direct co-investments in companies in the life sciences sector. The objective is to strike a balance among companies that are developing new drugs and those that develop and produce medical equipment and related services. During 2002, two additional companies, Angiogenix and Arriva Pharmaceuticals, both biopharmaceutical developers have been added to the portfolio, while the investment in Autoimmune Diseases Research & Development Corp. was sold and our investment in FMCR was partially exited through the redemption of preferred shares. Overall, we are satisfied with the development of our life sciences direct investment portfolio.



NexRay, Inc.

NexRay, founded in 1992 and based in Los Gatos, California, addresses the $1 billion global interventional cardiology imaging market. In the past decade, interventional cardiology procedures have become widespread and are now growing at a rate of 10–15% annually. Although these procedures have been popular, both patients and doctors are concerned about the hazardous side effects of the x-ray fluoroscopy that is routinely used in interventional cardiology. Patients have been known to suffer severe radiation burns, and both patients and doctors increase their risk of developing cancer due to radiation exposure. NexRay has developed a new technology which was granted clearance by the FDA in 1998. This technology will produce equivalent or superior images relative to current x-ray fluoroscopy, but will lower radiation exposures to physicians and patients by 80–90%. It is expected to begin the roll-out phase late in 2003.

NEXRAY

Angiogenix, Inc.

Angiogenix is a privately held, biopharmaceutical company developing products for peripheral and cardiac ischemia. Ischemia refers to oxygen deprivation or oxygen starvation in tissue due to inadequate blood flow. Angiogenix is developing two products – one in Phase 2 and the other in pre-clinical – to treat acute heart failure, chronic angina, and other ischemic diseases. Angiogenix's first product, ACCLAIM™, is a second generation nitrate focused on replacing a significant share of existing generic nitrate products with worldwide sales of about $3 billion. ACCLAIM™ is being developed in oral form for angina and intravenous (IV) form for heart failure. Oral ACCLAIM™ will commence pivotal trials by the end of 2003. Angiogenix's second product, Vasotrophin®, is a novel angiogenic growth factor that stimulates both angiogenesis and arteriogenesis to produce robust new blood vessels and is in the pre-clinical stage.

Angiogenix

Theravance Inc. (formerly, Advanced Medicine Inc.)

Theravance is an emerging pharmaceutical company that is using proprietary technology to discover, develop and market best-in-class therapies for a wide variety of serious medical conditions. Founded in California in 1996, the company is using its drug design technology to develop multivalent drugs – i.e., drugs comprised of two or more components, each joined by a linking element, which can bind simultaneously to multiple sites on a biological target. The end product would be medicines with stronger and longer-lasting therapeutic effects. The company employs an R&D team of over 150 people, whose current efforts address bacterial infections, asthma and incontinence. Some of the company's compounds are undergoing pre-clinical trials, while a few have already reached the clinical trial stage.

Theravance

Cognetix, Inc.

Based in Salt Lake City, Utah, Cognetix is a biopharmaceutical company that is developing therapeutic products based on "conopeptides" or small proteins derived from the venom of the Conus species of predatory sea snails. Over 50 million years of evolution, these snails have perfected venoms containing hundreds of pharmacologically active molecules with exquisite specificity. Research has shown that these molecules are able to hit targets in the body related to disease and thus produce a defined therapeutic effect. Cognetix has re-focused its research on pain management based on a promising proprietary compound it has developed.

COGNETIX

UTI Corporation

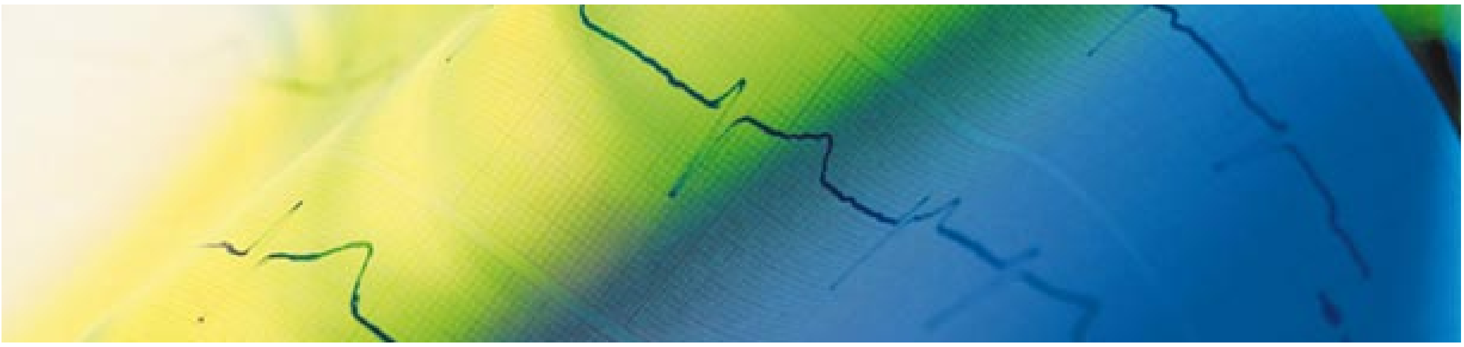
UTI Corporation is one of the world's top providers of high-precision metal components and services for the medical equipment industry. Its products are tailor-made, and as a result customers benefit from huge savings in terms of the amount of time and money spent on development.

Avalon Pharmaceuticals, Inc.

Avalon Pharmaceuticals is a genomics-based company utilizing proprietary methods to accelerate the drug discovery process. The company first mines the genome for targets against cancer and other diseases, and then uses a novel assay technology to find small-molecule drug candidates. Founded in Maryland in 1999, the company is led by an excellent management team and includes in its staff many first-rate scientists with strong research and commercial track records. Avalon continues to make good technical and strategic business progress and is well funded.

MediSpectra, Inc.

Medispectra is focused on the early detection and effective management of cervical cancer. Both of the current lead methods used to detect cervical cancer have a decent level of effectiveness, they nonetheless suffer from the problem of generating too many false positives (i.e., detecting abnormalities where there is no real disease). MediSpectra has developed a device that uses fluorescent light to distinguish healthy from cancerous tissue. In pilot trials involving 600 patients, the device showed excellent performance in generating fewer false positives compared to colposcopy. The device is currently in pivotal clinical trials. Because MediSpectra's device removes the need for tissue samples, it promises an easier, quicker, cheaper and, potentially, more effective way to diagnose cervical cancer.



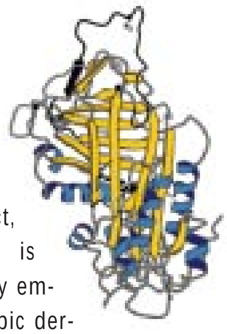
Fresenius Medical Care Ltd.

Fresenius Medical Care (FMC) is a global market leader in dialysis products and services. It provides supplies and services for more than 100,000 patients at 1 375 clinics, and also offers a broad selection of dialysis machines and related products. The company continued its rapid growth in 2002 and is well positioned for 2003. Moreover, FMC has achieved a breakthrough on resolving legal disputes that had cast a shadow of uncertainty over the company. As a result, the FMC's share price has risen considerably.

Fresenius Medical Cardiovascular Resources Holdings

Fresenius Medical Cardiovascular Resources Holdings (FMCR) is the largest U.S. player in perfusion services, which includes primarily the operation and maintenance of heart/lung machines used in open-heart surgeries. Many hospitals are opting increasingly to outsource their perfusion services – hence, FMCR has a large and growing market. FMCR provides services to approximately 500 U.S. hospitals that carry out over 110 000 surgical interventions every year and continued to expand its business in 2002. Along with services, FMCR supplies the necessary consumables for perfusion and sells a range of innovative blood transfusion equipment.

Arriva Pharmaceuticals, Inc.



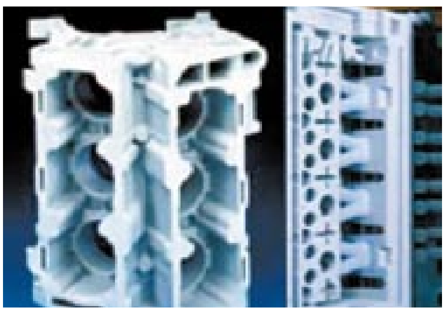
Arriva Pharmaceuticals, Inc., is a privately held biopharmaceutical company. The company's goals are to develop, manufacture and market clinical grade recombinant protease inhibitors. Its lead product, recombinant alpha-1 antitrypsin (rAAT), is now in Phase I clinical trials for hereditary emphysema (partnered with Baxter) and atopic dermatitis. The current version of alpha-1 antitrypsin, marketed by Bayer, is sourced from human plasma, is constantly in short supply, and has occasional problems with purity. Unlike this product, Arriva's rAAT is produced in yeast using the company's proprietary technology, can be scaled up and has no problems regarding purity. Other potential indications for rAAT are asthma, cystic fibrosis, chronic obstructive pulmonary disease (COPD), other respiratory indications and psoriasis.

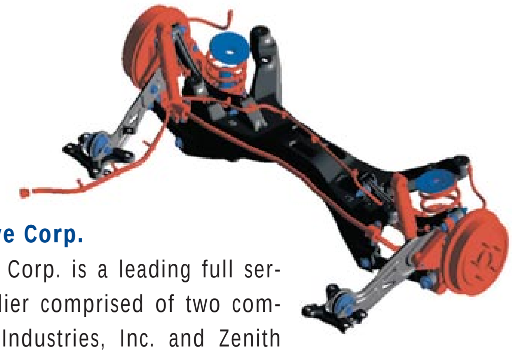
Buyout Investments

One of the strengths of AIG Private Equity is its access to a very wide range of transactions, which allows for the selective construction of a broadly diversified investment portfolio. The core elements of the portfolio are buyout oriented funds and direct investments. Our portfolio of direct buy-out investments has been steadily built over the last three years and in 2002 several milestones were reached, including two significant exits, Punch and MDT, and the addition of three new companies.

Teksid Aluminum SpA

Teksid Aluminum is the leading independent manufacturer of aluminum castings; primarily cylinder heads, cylinder blocks, gearboxes and transmission cases as well as suspension and other components, supplied mainly to automobile companies. Teksid is also the most diversified in its market, both in terms of customers and casting technologies. Based in Turin, Italy, Teksid is operating 16 plants in 13 locations throughout the world (NAFTA, Europe, Latin America and Asia). Major customers include Fiat, Renault, GM, Daimler-Chrysler, Ford and Volvo (OEMs).





AZ Automotive Corp.

AZ Automotive Corp. is a leading full service auto-supplier comprised of two companies, Aetna Industries, Inc. and Zenith Industrial Corporation, which have been operating independently. AZ Automotive manufactures highly engineered modular assemblies, large stamped components, medium sized stampings and small subassemblies for car manufacturers in the US and Canada. Products include floor pan modules, large rails, suspension supports, cross member assemblies, roof structural assemblies and fender brackets.

Spirit

Spirit Group, is one of the UK's largest privately owned managed pub companies. Spirit owns and manages more than 1,000 pubs in the UK with brands including Mr. Q's, Big Steak and Wacky Warehouse. The Spirit Group employs 17,000 people and sells approximately 125 million pints annually. In March 2003 Spirit concluded its first major acquisition: Tom Cobleigh, which operates 75 well invested, food-led local managed pubs within the UK. The estate includes 48 pubs under the Tom Cobleigh brand and 27 under the Mighty Nice Pub badge. In addition, Tom Cobleigh operates 29 Playbarns which, when added to Spirit's existing 97 Wacky Warehouses, will bring the total number of children's playbarns operated by the enlarged group to 126.

Atlantech International, Inc.

Atlantech International Inc. has successfully positioned itself as a specialist in complex earth-moving and stabilization operations. The group arose from the merger of a number of innovative companies, and is now the world's largest manufacturer of plastic meshes. These high-tech materials are being used increasingly in roadbuilding, ground stabilization and the construction of residential and commercial buildings. They make ground-level work faster, more durable and thus more cost-effective.

Universal Studios Escape

Universal Studios Escape runs two theme parks in Orlando, Florida: Universal Studios Florida and Island of Adventure. Both parks give visitors a look-behind-the-scenes in the movie industry with exciting entertainment, rollercoaster rides, theme restaurants, cinemas, a City Walk and other exciting attractions. Although the negative impact on attendance caused by the terrorist attacks of September 11th and the economic down-turn lingered throughout 2002, Universal Studios Escape gained market share and improved margins leading to results that were in line with plan for the year.

High Response Holdings, Inc.

High Response Holdings is a leading direct mail marketer of value-oriented products targeted at the large and growing lower and middle income, mature "over 55" demographic. The company operates two catalog titles, Dr. Leonard's and Carol Wright Gifts, and has a syndication agreement to mail a co-branded catalog titled Roaman's Healthcare Catalog by Dr. Leonard's. Dr. Leonard's Catalog provides a wide variety of value-oriented home healthcare, comfort and convenience products, targeting the lower and middle income segment of the mature American market. The Carol Wright Gifts catalog provides a variety of products including housewares, gifts, apparel, collectibles, health and beauty aids, and toys, targeting the lower and middle income mature market.

FINANCIAL REPORT 2002

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2002

in 1000 CHF

	Note	2002	2001
Assets			
Current assets			
– Cash and cash equivalents	2, 11	604	10 286
– Derivative instruments (foreign exchange forward)	5	9 638	–
– Receivables and prepayments	6	7 543	216
		17 785	**10 502**
Long-term assets	1		
– Loans		4 962	7 595
– Investments			
Direct investments		26 413	32 042
Funds		158 663	153 464
Contractual agreements	11	126 641	159 103
		316 679	**352 204**
Total Assets		**334 464**	**362 706**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges	4	2 866	5 730
– Derivative instruments (foreign exchange forward)	5	–	3 158
– Loans	7	24 500	15 000
		27 366	**23 888**
Long-term liabilities	7	**26 462**	**–**
Shareholders' Equity			
– Share capital	8	317 500	317 500
– Share capital premium		93 588	93 588
– Treasury stock (at cost)		–	(5 788)
– Revaluation deficit		(101 157)	(33 350)
– Accumulated deficit		(33 773)	(16 932)
– Net Profit/(loss) for the year		4 478	(16 200)
		280 636	**338 818**
Total Liabilities and Shareholders' Equity		**334 464**	**362 706**
Net asset value per share			
Number of shares outstanding	8	3 175 000	3 136 867
Net asset value per share (in CHF)	8	88.39	108.01

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

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2002 AND JANUARY 1 TO DECEMBER 31, 2001

in 1000 CHF

	Note	2002	2001
Income			
Interest income from current assets	11	22	871
Interest income, net and dividend from long-term assets		2 635	1 040
Net realized gains on investments	10	4 431	6 820
Foreign currency exchange gain, net		21 694	775
Other Income		277	–
Total Income		**29 059**	**9 506**
Expenses			
Management fees	11	6 288	7 667
Service fees	11	403	288
Write-down of long-term assets	9	15 454	15 257
Other operating expenses		1 663	1 819
Interest expenses		733	118
Tax expenses		40	557
Total Expenses		**24 581**	**25 706**
Net profit (loss) for the year		**4 478**	**(16 200)**
Comprehensive statement of income/(loss)			
Revaluation Reserve (deficit) from fair value valuation of investments			
credited to equity, net		4 319	(36 009)
Revaluation Reserve (deficit) from foreign exchange gains of investments			
credited to equity, net		(72 126)	7 457
		(67 807)	**(28 552)**
Total Comprehensive loss, net		**(63 329)**	**(44 752)**
Earnings/(loss) per share (in CHF)	8	**1.41**	**(5.17)**
Earnings/(loss) per share diluted (in CHF)	8	**1.41**	**(5.17)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2002 AND JANUARY 1 TO DECEMBER 31, 2001

in 1000 CHF

	2002	2001
Cash Flows from Operating Activities		
Interest income received from current assets	22	871
Interest income, net and dividends received from long-term assets	156	959
Dividends received	47	–
Net realized gains on investments	7 525	5 159
Operating costs	(1 905)	(1 741)
Management & Performance fees	(6 949)	(5 780)
Tax Expense	(46)	(343)
Changes in other current assets and liabilities	(419)	808
Total Cash Flows from Operating Activities	**(1 569)**	**(67)**
Cash Flows from Investing Activities		
Increase in long term-assets	(39 526)	(67 715)
Total Cash Flows from Investing Activities	**(39 526)**	**(67 715)**
Cash Flows from Financing Activities		
Proceeds from loans	18 751	15 000
Treasury share sale/(repurchase)	5 148	(1 502)
Total Cash Flows from Financing Activities	**23 899**	**13 498**
Foreign Exchange Effect	**7 514**	**4 497**
Decrease in Cash and Cash Equivalents	**(9 682)**	**(49 787)**
Cash and Cash Equivalents as of January 1	**10 286**	**60 073**
Cash and Cash Equivalents as of December 31	**604**	**10 286**

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

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY AS OF DECEMBER 31, 2002

in 1000 CHF

	Share Capital	Share Capital Premium	Revaluation Reserve (Deficit) on Investments	Revaluation Reserve (Deficit) on Currency	Accumulated (Deficit)	Less treasury stock (at cost)	Total Equity
Shareholders' Equity							
Balance January 1, 2001 as previously reported	317 500	93 588			(16 932)	(4 286)	389 870
Effect of adopting IAS 39:							
Adjustment of investments to fair value (only shown in notes in prior year)			(4 798)				(4 798)
Balance January 1, 2001 as restated	317 500	93 588	(4 798)		(16 932)	(4 286)	385 072
Value decrease investments							
Value decrease on Investments			(36 009)				(36 009)
Value increase on investment due to currency differences				7 457			7 457
Purchase treasury stock, net						(1 502)	(1 502)
Net loss for the year					(16 200)		(16 200)
Total Shareholders' Equity as of December 31, 2001	**317 500**	**93 588**	**(40 807)**	**7 457**	**(33 132)**	**(5 788)**	**338 818**
Balance January 1, 2002 as previously reported	317 500	93 588	(40 807)	7 457	(33 132)	(5 788)	338 818
Value decrease investments							
Value decrease on Investments			4 319				4 319
Value decrease on investment due to currency differences				(72 126)			(72 126)
Sale treasury stock, net					(641)	5 788	5 147
Net profit for the year					4 478		4 478
Total Shareholders' Equity as of December 31, 2002	**317 500**	**93 588**	**(36 488)**	**(64 669)**	**(29 295)**	**–**	**280 636**

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

GENERAL

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

The Group's investment objective is to achieve long-term capital growth for shareholders by investing in private equity funds sponsored by companies of AIG as well as partnerships managed by other leading private equity managers. The Group may also make direct investments in operating companies. Although the Group may invest directly in Fund Investments or companies, it is anticipated that investments will generally be made through the Subsidiary.

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

Among the responsibilities of the Board of Directors is taking investment decisions and appointing members of the investment committee. The investment committee 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.

As of December 31, 2002 the Group did not have any employees.

ACCOUNTING POLICIES AND VALUATION PRINCIPLES

Basis of presentation

The accompanying consolidated financial statements of the Group for the year ended December 31, 2002 have been prepared in accordance with International Financial Reporting Standards (IFRS) formulated by the International Accounting Standards Board (IASB) effective as of December 31, 2002 and comply with Swiss Law and the accounting guidelines laid down in the SWX Swiss Exchange's supplementary listing rules for investment companies.

The consolidated financial statements are prepared under the historical cost convention, except that investments held for trading and available-for-sale are stated at their fair value (see investment schedule) as disclosed in the accounting policies hereafter.

In accordance with IAS 39, Financial Instruments: Recognition and Measurement of all available-for-sale investments are carried at fair value and all derivative financial instruments are recognized as assets or liabilities.

Use of estimates

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

Principles of consolidation

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

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

As of December 31, 2002, the Group holds ownership interests of 20% or more in the following fund investments:

AIG Horizon Partners Fund	36.37%
AIG Private Equity Portfolio	31.93%

According to the Limited Partnership Agreements of both funds, the Group does not have the power to participate in the financial and operating policy of these two funds. Therefore, these investments are excluded from equity accounting and also accounted for in accordance with IAS 39.

Measurement currencies

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

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

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

Derivative financial instruments

The Company enters into foreign exchange forward contracts to partially macro-hedge its net exposure in private equity investments denominated in foreign currency. These investments are held by AIG Private Equity Ltd. The derivative financial instruments are held-for-trading, initially recognized at cost and subsequently re-measured at fair value. Changes in the fair value of those forward contracts are recorded into the income statement.

Cash and Cash Equivalents

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

Loans

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

Direct investments and Fund Investments

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

As mentioned above these investments are mainly non-current financial assets and market quotations are not readily available, therefore these investments are valued at their fair value as determined in good faith by the Board of Directors in consultation with the investment manager. No third party valuations are used. In this respect, investments in other investment companies which are not publicly traded are normally valued at the underlying net asset value as advised by the managers or administrators of these investment companies, unless the Board of Directors are aware of good reasons why such a valuation would not be the most appropriate indicator of fair value. All fair valuations may differ significantly from values that would have been used had ready markets existed, and the differences could be material.

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

- Result of multiple analysis;
- Result of discounted cash flow analysis
- Reference to transaction prices (including subsequent financing rounds);
- Reference to the valuation of other investors;
- Result of operational and environmental assessment.

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

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

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

All purchases and sales of investments are recognized on the trade date, which is the date that the Group commits to purchase or sell the asset. Cost of purchase includes transaction cost. Prior to the adoption of IAS 39 the Group showed the cumulative fair values in the notes.

- Investments in securities and in other financial instruments, which are traded on recognized exchanges (including bonds, equities, futures contracts, options and funds), are valued at the last reported bid price on the valuation date. Investments in securities and in other financial instruments traded in the over-the-counter market and listed securities for which no trade is reported on the valuation date are valued at the last reported bid and ask price for long and short positions, respectively. The valuation of the investments is done on a regular basis.
- Dividends are recognized in the statement of income at the time upon the declaration of such dividends.

Net Asset Value per Share and Earnings/Loss per Share

The net asset value per share is calculated by dividing the net assets included in the balance sheet by the number of participating shares in issue the year end. Earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Contractual Agreements (Total Return Swaps)

The contractual agreements (total return swap) are valued with the same principles as the direct investments and the fund investments. On December 22, 1999 Group entered into three contractual agreements with AIG that entitles the Group to receive payments equal to a pro rata share of all distributions from a specified list of funds, while obligating the Group to make payments equally to a pro rata share of all draw-downs of committed capital to the same underlying funds.

Taxes

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

Loans include short-term borrowing granted by third parties and related 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 assets

Financial instruments are reviewed for impairment at each balance sheet date. For available-for-sale investments, the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period when there is objective evidence that the asset is impaired. The value of expected future cash flows discounted at the current market interest is recorded when the decrease in the impairment loss can be objectively related to an event occurring after the write down. Such reversal is recorded in income.

Segment reporting

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

Contingencies

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

Related Parties

Related Parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or to exercise significant influence over the other party in making financial and operating decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Long-term assets Investment Schedule as of December 31, 2002

	Opening Balance in 1000 CHF	Paid in Capital in 1000 CHF	Returned Capital in 1000 CHF
AIG Fund Portfolio			
AIG Asian Opportunity Fund L.P.	11 483	1 815	(1 359)
AIG Blue Voyage Fund L.P.	2 364	74	(292)
AIG Brazil Special Situations Fund L.P.	4 550	2 029	(311)
AIG Global Sports & Entertainment Fund, L.P.	3 812	1 504	(76)
AIG Highstar Capital, L.P.	1 842	8 484	(70)
AIG Horizon Partners Fund, L.P.	49 591	12 628	(5 572)
AIG Orion Fund L.P.	3 333	236	–
CapVest Equity Partners L.P.	28 875	9 609	(1 433)
AIG Private Equity Portfolio L.P. (other assets and liabilities)	2 346	4 650	–
Subtotal Affiliate Funds	**108 196**	**41 029**	**(9 113)**
Third Party Fund Portfolio			
International Funds			
A & A Venture Ltd.	3 000	–	–
AEA Scandinavia I	3 848	44	(344)
AEA Scandinavia II	7 580	105	–
Baring Communications Equity Limited	2 716	–	–
Carlyle Europe Partners L.P.	12 175	4 542	(843)
Carlyle Europe Venture Partners, L.P.	139	725	–
CVC European Equity Partners III, L.P.	488	1 650	(282)
Doughty Hanson & Co. III	8 990	2 222	–
Electra Eruopean Fund, L.P.	2 970	3 627	–
EQT Northern Europe, L.P.	5 450	6 341	–
Excel Capital Partners III, L.P.	4 586	1 949	–
GMT Communications Partners II, L.P.	573	189	–
Lexington Capital partners IV, L.P.	8 540	6 887	(3 805)
Palamon European Equity Fund L.P.	3 016	756	–
Schroder Venture International Trust Plc	8 162	–	(8 163)
Permirar German Buy-Outs	3 260	–	–
Permira VT	1 110	–	(123)
TH Lee.Putnam Internet Partners, L.P.	2 179	239	–
The Cinven Fund	2 157	476	(811)
The Second Cinven Fund	20 169	301	(1 624)
The Third Cinven Fund	–	2 434	–
Subtotal International Funds	**101 108**	**32 487**	**(15 995)**
Third Party Fund Portfolio			
US Funds			
Advanced Technology Ventures VI, L.P.	2 641	394	–
AEA Investors, Inc. I	200	157	(36)
AEA Investors, Inc. II	4 898	936	–
American Industrial Partners Capital Fund II, L.P.	1 952	29	–
Apollo Investment Fund III, L.P.	891	50	(8)
Apollo Investment Fund IV, L.P.	8 119	–	(572)
Arrow Path Venture Capital, L.P.	3 590	187	(411)
Bain Capital Fund VI, L.P.	397	23	(16)
Bain Capital VI Coinvestment Fund, L.P.	305	3	(3)
Baker Communications Fund II, L.P.	2 079	295	–
Berkshire Fund II, L.P.	235	–	(50)
Berkshire Fund III, L.P.	1 049	4	(159)
Berkshire Fund IV, L.P.	2 166	90	(60)
Berkshire Fund V, L.P.	6 206	1 575	(3 714)
Blackstone Capital Partners II, L.P.	767	22	(241)
Blackstone Capital Partners III, L.P.	6 163	1 810	(1 002)
Blackstone Mezzanine Partners, L.P.	1 150	468	(153)
Boston Millennia Partners II, L.P.	1 682	169	(8)
Carlyle Partners II, L.P.	1 447	36	(176)
Carlyle Partners III, L.P.	2 153	1 080	–
Charterhouse Equity Partners II, L.P.	772	5	(167)
Clayton & Dubilier Private Equity Fund IV, L.P.	138	2	(11)
Clayton, Dubilier & Rice Fund V, L.P.	1 657	14	(1 671)
Clayton, Dubilier & Rice Fund VI, L.P.	812	568	(1 380)
DLJ Merchant Banking Partners II, L.P.	1 294	103	(32)

Write-down/write-up of investments in 1000 CHF	Cost Value 31.12.02 in 1000 CHF	Fair Value 31.12.02 in 1000 CHF	Original Currency	Unfunded commitment in 1000 CHF
(288)	11 651	8 175	USD	5 150
–	2 146	1 421	USD	5 004
–	6 268	4 154	USD	8 389
–	5 240	3 440	USD	2 872
–	10 256	8 828	USD	718
(4 194)	52 451	38 148	USD	38 223
(319)	3 250	1 537	USD	2 041
(9 691)	27 358	21 161	Euro	5 492
–	6 996	1 720	USD	–
(14 492)	**125 616**	**88 584**		**67 889**
–	3 000	1 567	CHF	–
–	3 548	3 819	USD	–
–	7 685	7 521	USD	431
–	2 716	899	Euro	–
–	15 874	14 957	Euro	1 696
–	864	739	Euro	1 422
–	1 856	1 567	Euro	6 941
–	11 212	11 977	USD	2 642
–	6 597	8 716	Euro	15 675
–	11 791	11 198	Euro	6 647
–	6 535	4 031	ESP	186
–	762	300	Euro	2 368
–	11 622	12 667	USD	13 528
–	3 772	2 934	USD	3 247
–	–	–	GBP	–
–	3 260	510	DM	–
–	987	157	Lira	–
–	2 418	1 277	USD	1 563
–	1 822	1 682	GBP	–
–	18 846	17 285	GBP	2 175
–	2 434	2 266	GBP	6 994
–	**117 601**	**106 069**		**65 515**
–	3 035	1 244	USD	964
–	321	302	USD	–
–	5 834	4 171	USD	198
–	1 981	1 435	USD	–
–	933	801	USD	–
–	7 547	5 470	USD	527
–	3 366	2 065	USD	316
–	404	267	USD	–
–	305	220	USD	59
–	2 374	591	USD	2 210
(185)	–	–	USD	–
–	894	306	USD	–
–	2 196	939	USD	125
–	4 067	3 048	USD	3 143
–	548	852	USD	–
–	6 971	4 757	USD	808
–	1 465	1 163	USD	2 544
–	1 843	861	USD	1 929
–	1 307	1 980	USD	–
–	3 233	2 827	USD	2 761
–	610	342	USD	–
–	129	77	USD	–
–	–	–	USD	–
–	–	–	USD	–
–	1 365	911	USD	134

Investment Schedule as of December 31, 2002

	Opening Balance in 1000 CHF	Paid in Capital in 1000 CHF	Returned Capital in 1000 CHF
Third Party Fund Portfolio			
US Funds			
Dubilier CRM Fund I, L.P.	286	–	(46)
Evercore Capital Partners, L.P.	644	63	(4)
Fenway Capital Partners Fund II, L.P.	1 409	181	–
Fenway Partners Capital Fund, L.P.	2 149	86	(17)
Focus Ventures II, L.P.	846	159	(8)
GKH Investments, L.P.	884	–	(338)
Greenwich Street Capital Partners, L.P.	1 530	4	–
Heartland Industrial Partners, L.P.	5 021	1 106	(346)
Hoak Communications Partners, L.P.	774	10	(9)
JK&B Capital III, L.P.	2.453	287	–
Kelso Investment Associates V, L.P.	2 898	9	(2 907)
Kelso Investment Associates VI, L.P.	1 282	551	–
KRG Capital Fund I, L.P.	5 448	161	(248)
LJM2 Co-investment Fund, L.P.	391	–	–
Meritage Private Equity Fund, L.P.	1 098	309	–
Merrill Lynch Capital Appreciation Fund II, L.P.	447	1	(62)
Morgan Stanley Capital Partners III, L.P.	1 714	12	(60)
Morgan Stanley Leveraged Equity Fund II, L.P.	413	–	(190)
North Castle Capital Partners II, L.P.	5 521	326	(522)
Odyssey Investment Partners Fund L.P.	620	25	–
Questor Partners Fund II, L.P.	2 031	4 170	(31)
Questor Partners Fund, L.P.	672	–	–
RCBA Strategic Partners, L.P.	6 054	9	(195)
Sandler Mezzanine Partners, L.P.	653	–	(143)
Sankaty High Yield Partners, L.P.	1 151	–	–
Silver Lake Partners, L.P.	6 133	152	(1 277)
Stonington Capital Appreciation 1994 Fund, L.P.	2 317	17	–
Technology Crossover Ventures IV, L.P.	7 754	1 294	(274)
Thayer Equity Investors Fund IV, L.P.	5 367	814	(226)
Thayer Equity Investors III, L.P.	2 194	36	(126)
Thomas Weisal Capital Partners, L.P.	3 523	218	(20)
Tullis-Dickerson Capital Focus, L.P.	45	–	–
Warburg Pincus Equity Partners, L.P.	8 762	685	(729)
WPG Corporate Development Associates IV, L.P.	325	–	(75)
WPG Corporate Development Associates V, L.P.	1 473	76	–
Subtotal US Funds	**137 045**	**18 781**	**(17 723)**
Direct Investments Portfolio			
Angionenix, Inc.	–	74	–
Arriva Pharmaceuticals, Inc.	–	331	–
Atlantech International, Inc. ("Tensar")	4 145	92	–
Autoimmune Diseases Research & Development Corp.	–	887	(884)
Avalon Pharmaceuticals, Inc.	376	–	–
AZ Automotive Corp.	–	1 733	–
Cognetix, Inc.	1 127	–	–
High Response Holdings, Inc.	–	473	–
Fresenius Medical Cardiovascular Resources Holdings, Inc.	1 253	–	(939)
Fresenius Medical Care	4 160	–	–
Magnetic Data Technologies, LLC	1 690	–	(1 690)
Medispectra, Inc.	916	237	–
NexRay, Inc.	258	–	–
Punch Group Ltd	8 163	–	(8 163)
Punch Taverns	–	3 971	(3 971)
Spirit	–	4 787	–
Teksid Aluminum	–	870	–
Theravance Inc., (Advanced Medicine Inc..)	4 484	–	–
Universal Studio Escape	6 998	466	–
UTI Corp.	5 634	–	–
Subtotal Direct Investments	**39 204**	**13 921**	**(15 647)**
Total of all Investments	**385 553**	**106 218**	**(58 481)**

Write-down/write-up of investments in 1000 CHF	Cost Value 31.12.02 in 1000 CHF	Fair Value 31.12.02 in 1000 CHF	Original Currency	Unfunded commitment in 1000 CHF
–	240	194	USD	–
–	703	646	USD	223
–	1 590	1 151	USD	1 104
–	2 218	1 571	USD	43
–	997	202	USD	550
–	546	253	USD	–
–	1 534	908	USD	–
–	5 781	3 869	USD	301
–	775	236	USD	22
–	2 740	1 684	USD	1 839
–	–	–	USD	–
–	1 833	1 732	USD	899
–	5 361	6 481	USD	1 081
(391)	–	–	USD	–
–	1 407	541	USD	210
(386)	–	–	USD	–
–	1 666	530	USD	–
–	223	91	USD	–
–	5 325	3 441	USD	62
–	645	318	USD	266
–	6 170	4 689	USD	3 932
–	672	502	USD	–
–	5 868	4 697	USD	1 070
–	510	123	USD	–
–	1 151	141	USD	–
–	5 008	5 333	USD	4 421
–	2 334	1 065	USD	11
–	8 774	4 563	USD	4 413
–	5 955	2 725	USD	1 251
–	2 104	465	USD	31
–	3 721	1 576	USD	1 380
–	45	44	USD	–
–	8 718	5 455	USD	–
–	250	76	USD	–
–	1 549	720	USD	189
(962)	**137 141**	**90 651**		**39 016**
–	74	74	USD	
–	331	310	USD	
–	4 237	3 743	USD	
–	3	–	USD	
–	376	310	USD	
–	1 733	1 628	USD	
–	1 127	915	USD	
–	473	443	USD	
–	314	198	USD	
–	4 160	2 570	USD	
–	–	–	USD	
–	1 153	514	USD	
–	258	222	USD	
–	–	–	GBP	
–	–	–	GBP	
–	4 787	4 924	GBP	
–	870	929	USD	
–	4 484	3 661	USD	
–	7 464	6 270	USD	
–	5 634	4 664	USD	
–	**37 478**	**31 375**		
(15 454)	**417 836**	**316 679**		**172 420**

The investment schedule reflects the Group's economic interest in funds and direct investments rather than its legal interest. As a consequence the investments held through the Total Return Swaps and AIG Private Equity Portfolio L.P. (see Note 11) are disclosed on this table as if they were held directly.

Note 2: Cash and Cash Equivalents

in 1000 CHF

	31.12.02	31.12.01
Cash	604	2 286
Time Deposit	–	8 000
Total	**604**	**10 286**

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

Note 3: Foreign Exchange Rates

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

	Unit	2002	2001
Year-end rates:			
United States Dollar	1 USD	1.3875	1.6825
Euro	1 EUR	1.4550	1.4825

Note 4: Payables and accrued charges

in 1000 CHF

	2002	2001
Account payable AIG Global Investment Corp.	–	2 021
Accrued service- and management fees	1 490	2 101
Accounts payables and other accrued expenses	1 376	1 608
Total	**2 866**	**5 730**

Note 5: Derivative instruments

Foreign Exchange Forward

As of December 31, 2002 the Company has one open foreign exchange forward contract with a notional-amount of USD 67.1 million (2001: USD 61.3 million) and a positive replacement value of TCHF 6 873 (2001: TCHF –3 158). In addition the Company had a foreign exchange contract with a notional amount of USD 67.3 million which was closed on November 8, 2002 resulting in a profit of TCHF 2.765. This amount was settled on March 31, 2003.

Note 6: Receivables and Prepayments

	2002	2001
From third parties	101	90
From affiliated parties		
AIG, Inc.	7 215	–
AIG Horizon Partners Fund	227	–
AIG Highstar Capital	–	126
Subtotal	**7 442**	**126**
Total	**7 543**	**216**

For 2001, TCHF 2 346 of receivables and prepayments were reclassified as long-term assets.

Note 7: Loans

in 1000 CHF	2002	2001
Migrosbank	24 500	15 000
AIG, Inc.	26 462	–
Total	**50 962**	**15 000**

Based on an agreement dated May 29, 2001 and a supplement dated May 6, 2002 the Company has a credit line available with Migrosbank, Zurich of CHF 25 million. As of December 31, 2002 the credit line was used up to CHF 24.5 million. The interest rate has been fixed at CHF LIBOR plus 1%.

The Subsidiary entered May 13, 2002 into an agreement with AIG Inc., whereby capital calls received from funds contained in the Total Return Swaps may be deferred up to an amount of USD 20 million. On November 26, 2002 the agreement was amended so that the unused balance of the USD 20 million could be drawn as needed, rather than depending on distributions from underlying funds. The agreement matures March 31, 2004. The interest rate has been fixed at USD LIBOR plus 2%.

Note 8: Shareholders' Equity

in CHF

The share capital of the Company as of December 31, 2002 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:	**2002**	**2001**
Number of shares authorized and issued	3 175 000	3 175 000
Number of shares outstanding	3 175 000	3 136 867
Earnings/(loss) per Share		
Earnings/(loss) for the period (in 1000 CHF)	4 478	(16 200)
Weighted average of total number of shares outstanding (in 1000)	3 174	3 136
Earnings/(loss) per share outstanding (in CHF) *	1.41	(5.17)
Net Asset Value per Share (in CHF)	88.39	108.01

* As of December 31, 2002 and 2001, there are no items with a potentially dilutive effect. As such, basic and diluted earnings/(loss) per share are the same.

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

	Number of Shares 2002	Participation in % 2002	Number of Shares 2001	Participation in % 2001
Ernst Göhner Stiftung	267 000	8.41%	267 000	8.41%
MIGROSBANK	283 516	8.93%	222 177	7.00%
AIG Private Bank	263 149	8.29%	231 320	7.29%
American International Underwriters Overseas Ltd.	561 489	17.68%	317 400	10.00%
SUVA, Schweiz Unfallversicherungsanstalt	170 000	5.35%	170 000	5.35%
Winterthur Leben	167 000	5.26%	167 000	5.26%

Note 9: Write-downs of long-term assets

in 1000 CHF

For the year ended December 31, 2002 write downs on long-term assets were done on following captions. For details see also Note 1.

	2002	2001
Direct investments	–	630
Funds	14 883	12 785
Contractual agreements	571	1 842
Total	**15 454**	**15 257**

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

The write-downs in Berkshire II and Merrill Lynch Capital Appreciation Fund II became necessary since both funds were liquidated as of December 31, 2002.

Note 10: Net realized gain/(loss) on investments

Capital gains realized in 2002 have been contributed by the three distinct investment portfolios as follows:

	2002	2001
AIG Funds	(223)	141
Third Party Funds	2 832	6 679
Direct Investments	1 822	–
Total	**4 431**	**6 820**

Note 11: Related Party Transactions

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

CONTRACTUAL 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 its services provided, the Service company is entitled to receive a fee of TUSD 50 per annum. In 2002, Service Agreement I resulted in American International Company Ltd. earning TCHF 103 (2001: TCHF 168).

Service Agreement II

AIG Private Bank Ltd., Zurich, a wholly owned subsidiary of AIG, Inc, provides administrative services for the Company. For its services provided, the Service Company is entitled to receive a fee of TCHF 40 per annum. The Service Agreement II is currently being renegotiated for 2002 and the following years. The Company expects the fee for 2002 to amount to approximately TCHF 300 (2001: TCHF 120).

Management and Advisory Agreement

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

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

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

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

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

In 2002 the management agreement resulted in AIG receiving CHF 6,3 million (2001: CHF 7,7 million) from the Group.

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

MATERIAL TRANSACTIONS

Cash and Cash Equivalents

As of December 31, 2002 the Group has cash and cash equivalents totaling TCHF 604 on a current account basis with AIG Private Bank Ltd., Zurich and Bank of Bermuda Ltd. In 2002, the Group earned TCHF 15 in interest from fiduciary deposits placed through AIG Private Bank Ltd., Zurich.

Derivative Instruments

The Company has a credit facility of CHF 15 million with AIG Private Bank Ltd. which allows it to conclude forward rate transactions and has pledged some of the investments as security (see note 5).

Investments

• 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, 2002, the Total Return Swaps were transacted and valued at TCHF 126 641 (TUSD 91 273).

On December 31, 2002 the Group sold four fund interests (Berkshire V, Clayton, Dubilier & Rice Fund V and VI, and Kelso Investment Associates V) in connection with a securitisation by the swap counterparty for TUSD 3 864. The valuation for this transaction was formed by independant valuation agents.

• Capital Calls from AIG Fund Investments

Investments (in million)	2002		2001	
	CHF	USD	CHF	USD
AIG Horizon Partners Fund, L.P.	12.0	7.5	15.0	8.8
AIG Brazil Special Situations Fund, L.P.	1.7	1.2	2.1	1.2
AIG Orion Fund, L.P.	0.2	0.1	0.7	0.4
AIG Blue Voyage Fund, L.P.	0.07	0.04	0.5	0.3
AIG Global Sports & Entertainment Fund, L.P.	1.5	1.1	1.1	0.6
AIG Highstar Capital, L.P.	5.8	3.9	0.9	0.6
AIG Private Equity Portfolio, L.P.	21.1	14.1	15.4	9.1

Personal

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

Note 12: 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 Group 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 Group 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 U.S. Dollars part of the non-CHF investments are transacted into CHF. When the investments are denominated in currencies other than the Swiss Franc, the Group 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 Group'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 Group's assets are invested may affect the value of the Group's assets.

Note 13: Commitments, contingencies and other off-balance-sheet transactions

In addition to the unfunded commitments disclosed in Note 1, the Company has no off-balance-sheet transactions open as of December 31, 2002 (2001: no off-balance-sheet transactions).

Positions in foreign exchange forward contracts are valued based upon forward rates available from the counterparty bank or other reputable established sources. The Company has pledged its assets held with AIG Private Bank Ltd. (CHF 0.2 million) and the investment in AIG Private Equity Portfolio (CHF 55.6 million, 2001: CHF 64.2 million) held by the Subsidiary in favor of AIG Private Bank Ltd., which allows it to have a creditline to enter in the above-mentioned foreign exchange forwards.

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

Note 14: Subsequent events

The Group has not made any new capital commitments from January 2003 up to the date of issuance of these Consolidated Financial Statements.

Between December 31, 2002 and April 30, 2003, the following capital calls and capital distributions were made by the partnerships under the commitments existing as of December 31, 2002:

Capital Calls	Currency	Amount
EQT Northern Europe Fund	EUR	31 625
Lexington Capital Partners	USD	165 017
Third Cinven Fund	EUR	314 358
Electra European Fund	EUR	1 151 250
AIG Blue Voyage Fund	USD	225 837
AIG Brazil Special Situations Fund	USD	1 224 046
AIG Private Equity Portfolio	USD	1 882 103
Lexington Capital Partners	USD	165 017
AIG Horizon Partners Fund	USD	2 058 833
Third Cinven Fund	EUR	501 571
Lexington Capital Partners	USD	231 022
Electra European Fund	EUR	380 070

Capital Distributions		
Atlantech International, Inc.	USD	24 899
AIG, Inc. (Punch forward sale)	USD	4 494 295
AIG Highstar Capital	USD	367 853
Lexington Capital Partners	USD	165 017
Electra European Fund	EUR	1 142 258
Lexington Capital Partners	USD	198 017

In January 2003 the Group sold forward to AIG, Inc. its remaining shareholding in Punch Taverns, a company listed on the London Stock Exchange, which it held indirectly through the AIG Horizon Partners Fund and CapVest Equity Partners Fund.

The consolidated financial statements were authorized for issue June 3, 2003 by the Board of Directors. The annual general meeting called for June 23, 2003 will vote on the final acceptance of the consolidated financial statements.

Since the balance sheet date of December 31, 2002, there have been no material events that could impair the integrity of the information presented in the financial statements.

REPORT OF THE GROUP AUDITORS

As auditors of the Group, we have audited the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity and notes to the consolidated financial statements) of AIG Private Equity AG, Zug for the year ended 31 December 2002.

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

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

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

Without qualifying our opinion, we draw attention to Note 1 to the consolidated financial statements. As indicated in Note 1, the consolidated financial statements include investments (funds, direct investments and loans) stated at their fair value of CHF 317 million. Because of the inherent uncertainty associated with the valuation of such investments and the absence of a liquid market, these carrying values may differ from their realizable values, and the differences could be material.

The fair values of the 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 sighted underlying documentation. While in the circumstances the procedures appear to be reasonable and the documentation appropriate, determination of fair values involves subjective judgement which is not capable of independent verification.

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

PricewaterhouseCoopers AG

Thomas Huber Thomas Romer

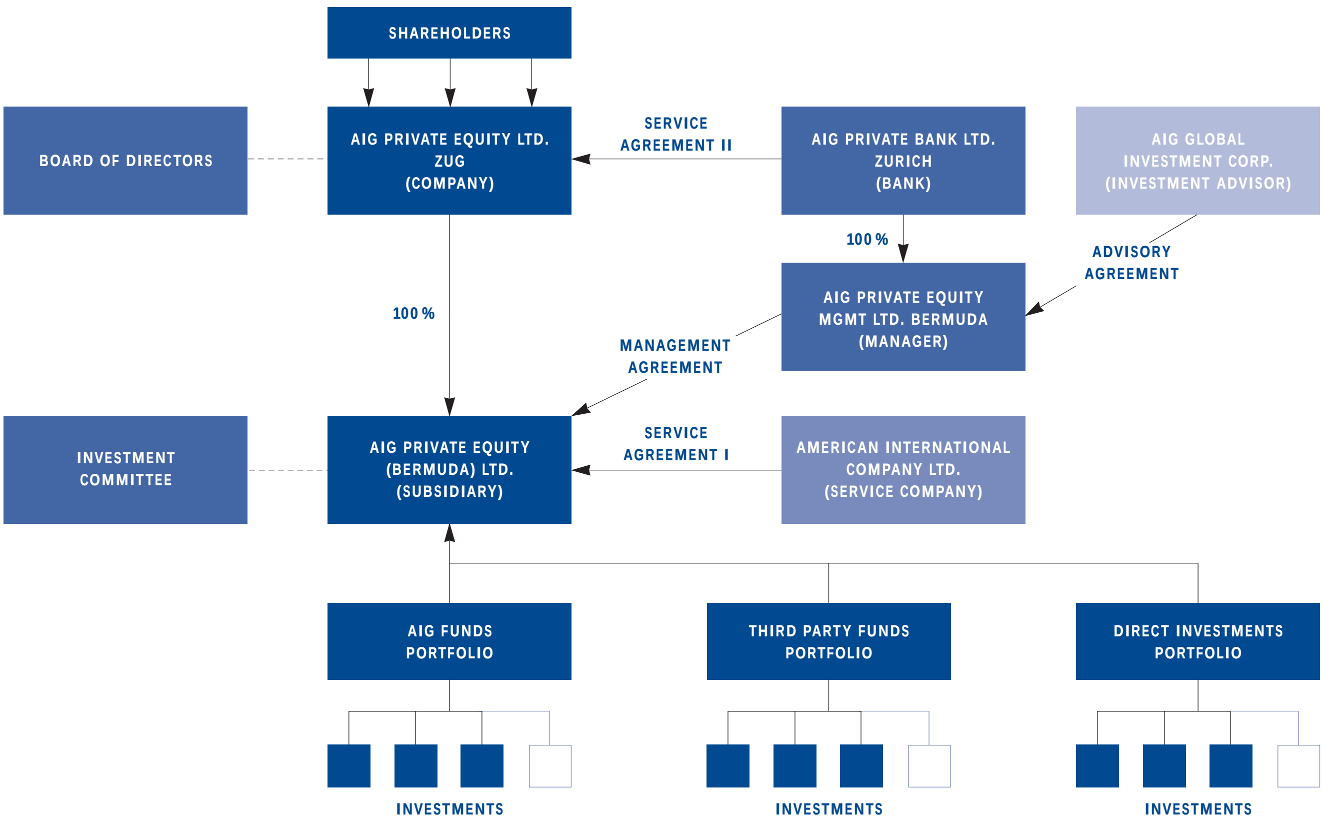
Zurich, June 3, 2003

CORPORATE GOVERNANCE AT AIG PRIVATE EQUITY LTD.

Corporate governance has recently become an essential topic: investors, as well as the public and the media are increasingly focused on the effectiveness of companies' governance. AIG Private Equity Ltd. is committed to meeting the highest standards and also promotes transparency in this area.

The term 'Corporate governance' stands for the way in which a company is organised, managed and controlled at the highest level. In addition, it is generally felt that the corresponding information should be available to the public and in particular to the shareholders, given the potential conflict of interest between principals and agents, i.e. shareholders and management. Therefore, good corporate governance requires a high degree of disclosure. It has always been AIG Private Equity Ltd.'s practice to be clear and open in its reporting, but shareholders as well as the general public have recently been asking for further increases in transparency. AIG Private Equity Ltd. has therefore modified its reporting procedures accordingly.

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
Larry K. Mellinger
Win Neuger
Cesar Zalamea

MANAGEMENT COMMITTEE
Rocco Sgobbo, Chairman
Andrew Fletcher
Conradin Schneider

INVESTOR RELATIONS
Conradin Schneider

AUDITORS
PricewaterhouseCoopers AG
Stampfenbachstrasse 73
8035 Zürich

The principles and rules of AIG Private Equity to Corporate Governance are set down in the articles of association, the operating procedures and the investment guidelines.

This report follows the directive on information relating to Corporate governance, which has been published by the Swiss Stock Exchange (SWX) on July 1, 2002.

1. GROUP STRUCTURE AND SHAREHOLDERS

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

The investments are made in one the following 3 portfolios:

– AIG Funds Portfolio
– Third Party Funds Portfolio
– Direct Investments Portfolio

Significant Shareholders

The number of shares and voting rights of the major shareholders are disclosed on page 29 in the notes to the consolidated financial statements.

2. CAPITAL STRUCTURE

Capital

See page 16 and accompanying note 8 of the Consolidated Financial Statements 2002.

Changes of capital

On June 13, 2000 the Company increased its share capital from CHF 184 100 000 to CHF 317 500 000 by issuing 1 334 000 fully paid-in shares with a nominal value of CHF 100 at a price of CHF 150 per share. For changes after the year 2000 see statement of changes in consolidated shareholders' equity on page 19.

Authorized and conditional capital in particular

The board of directors is entitled to increase the authorized capital up to a maximum amount of CHF 158 750 000.– by issuing no more than 1 587 000 shares with a nominal value of CHF 100.– each. The duration of the authorization period expires May 29, 2003.

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 subscription price under the Net Asset Value of the shares of the company.

See also Article 4b of the articles of association (available at www.aigprivateequity.com).

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 of a Swiss corporation 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 makes 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.

Meeting rhythm

The Board usually meets four times per year in person (minimum two times). 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.

Principles of the election procedure

The members of the Board are elected by the annual general meeting according to Article 11 of the articles of association. The term of office for all members is 3 years with the possibility of re-election.

Members of the board of directors

Eduardo Leemann, born 1956, Swiss citizen, non-executive member, term of office expires in 2003.

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. Kellog Graduate School of Management at Northwestern University in Chicago, USA.

Mr. Leemann was elected to the Board of APEN and became its Chairman 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 2003.

Mr. Hort joined Migrosbank in 1988 as the Head of the Zurich Branch. In 1989 Mr. Hort was elected Chief Executive Officer 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. was elected to the Board of APEN and became its Vice Chairman in September 1999.

Dr. Ernst Mäder, born 1954, Swiss citizen, non-executive member, term of office expires in 2004.

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 November 2000.

Edward E. Matthews, born 1931, US citizen, non-executive member, term of office expires in 2003.

Mr. Matthews received a Bachelor of Arts Degree in Applied Mathematics and Statistics from Princeton University in 1953, and a Masters Degree in Business Administration with high distinction from Harvard University in 1957. After graduation, Mr. Matthews joined the investment banking firm of Morgan Stanley & Co. and became a Partner in 1967 and a Managing Director in 1970 upon that firm's incorporation. In 1973, he joined AIG as Vice President – Finance, and was promoted to Executive Vice President in 1982. In May 1989, he was elected Vice Chairman – Finance. Mr. Matthews is a Charter Trustee of Princeton University. He is Chairman of the Board of Directors of Princeton Investment Company, the managing company of Princeton University's more than $8.5 billion endowment. He is also a Trustee of the Princeton Medical Center and the Robert Wood Johnson Foundation.

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

Mr. Matthews also serves on the Board of Directors of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany, CV Starr & Co. Inc. and Starr International Company.

Dr. Roger Schmid, born 1959, Swiss citizen, non-executive member, term of office expires in 2003.

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

Mr. Schmid joined AIG Private Equity's Board of Directors in October 1999.

Internal Organisation and definition of areas of responsibility

The board of directors delegates some important foreign exchange decisions to the FX committee. The FX committee consists of the following persons:

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

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

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

Information and control instruments vis-à-vis the management board

In order to allow fulfillment of its supervising duties, the board of directors is provided with the following information:

- Monthly information on the company's Net Asset Value (NAV) per share
- Discussions with the management during the board of directors meetings, telephone conferences, etc.
- Quarterly, Semi-annual and Annual reports issued to the investors
- Auditors report on the annual audit of the financial statements.

4. INVESTMENT COMMITTEE

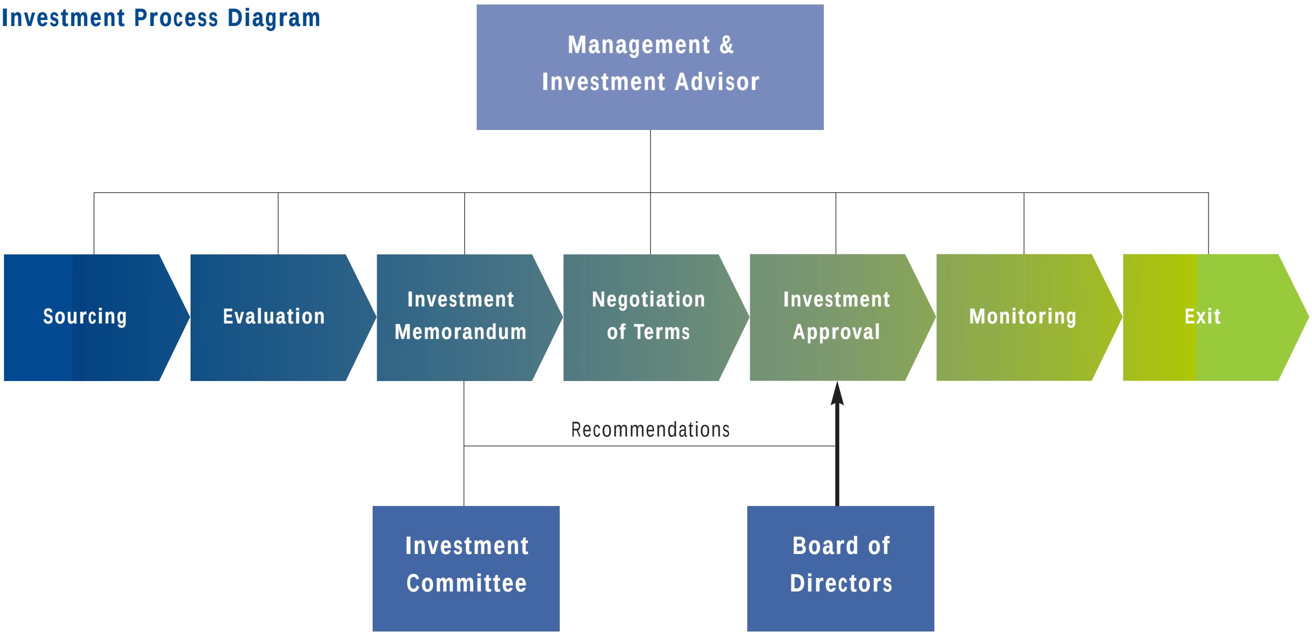
Dr.Thomas Lips, Chairman of the Investment Committee
Dr. Lips is Chief Investment Officer for AIG Global Investment Corp. (Switzerland) Ltd. and is responsible for directing European Equities activities. Prior to joining the AIG Companies in 1998, he was at Goldman, Sachs & Co. Bank as Chief Investment 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.

Larry K. Mellinger
Larry K. Mellinger is Senior Managing Director of American International Group and global head of its U.S. and international private equity businesses. Prior to joining AIG in September 2000, he was a founding partner with Integra Partners, LLC, a Washington, D.C. – based financial advisory and infrastructure development firm. Mr. Mellinger has over thirty years experience in emerging markets finance, including seven years as the U.S. Executive Director for Presidents Reagan and Bush on the board of the Inter-American Development Bank in Washington. Prior to that he was CFO of Mexico's Gruma Corporation, one of the largest food manufacturing groups in Latin America. He began his professional career in 1968 with the Union Bank in Los Angeles, where he became the regional head of both the Latin America and Asia Pacific groups, before becoming its Senior Vice President and General Manager for International Banking. He holds a B.A. degree in International Relations from the University of Kansas and a M.S. degree in International Management from the American Graduate School of International Management.

Win J. Neuger
Win J. Neuger is Chairman & Chief Executive Officer of AIG Global Investment Group, Inc. and is responsible for directing AIG Global Investment's strategies on a worldwide basis. He is also a Senior Vice President and Chief Investment Officer of AIG. Mr. Neuger joined AIG Global Investment in 1995 with 23 years of investment management experience, most recently with Bankers Trust Company, where he served both as Managing Director, Fixed Income and subsequently Managing Director, Global Equities. Mr. Neuger received his A.B. from Dartmouth College and an M.B.A. from Dartmouth's Amos Tuck Graduate School of Business. He holds a Chartered Financial Analyst designation and is a member of the New York Society of Security Analysts (NYSSA) and the Association of Investment Management and Research (AIMR).

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

Investment Process Diagram



The Investment Committee is appointed by the 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 two of the members of the Investment Committee (W. Neuger, L. Mellinger) of AIG Private Equity AG are senior executives and members of the Investment Committee of AIG.

5. MANAGEMENT BOARD

Members of the Management Board

Rocco Sgobbo, born 1962, US citizen.
Mr. Sgobbo serves as Managing Director of AIG Private Equity Ltd. Mr. Sgobbo is a member of the management committee of AIG Global Investment Corp (Switzerland), responsible for alternative investments and structured products. He has been with the AIG Companies for more than ten years and has worked in a variety of investment management and related positions within the Investments and Financial Services Division in New York, Zurich, Dublin and Moscow. Mr. Sgobbo attended the United States Military Academy at West Point and earned an MBA Degree from the Babson Graduate School of Business.

Mr. Sgobbo is also a member of the board of Explorica Inc., Boston, USA, managing director of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany and its subsidiaries, and member of Management of AIG Private Bank Ltd., Zurich.

Andrew Fletcher, born 1964, US citizen.
Mr. Fletcher joined AIG Private Equity Ltd. in 2001. Mr. Fletcher is a member of Management of AIG Global Investment Corp. (Switzerland) Ltd., responsible for alternative investments and structured products. Prior to 2001, Mr. Fletcher worked for four years as Assistant General Counsel in AIG's corporate law department in New York and for six years in private practice. He is a graduate of Harvard College and Harvard Law School.

Mr. Fletcher is also a member of the board of AIG Investment Bank (ZAO) and a managing director of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany and its subsidiaries.

Conradin Schneider, born 1962, Swiss citizen.
Mr. Schneider joined the AIG Companies in 1999. He was involved in establishing and listing AIG Private Equity Ltd., a Swiss listed private equity investment company, on the SWX Swiss Exchange. With AIG Private Equity Ltd. Mr. Schneider is responsible for screening private equity funds and direct investment opportunities and for operations. Prior to joining AIG, Mr. Schneider was with Aventic Ltd., the private equity vehicle of UBS for small and medium sized companies in Switzerland. Prior to his assignment with 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., managing director of AIG International Real Estate GmbH & Co. KGaA, a listed real estate company in Frankfurt, Germany and its subsidiaries, and member of Management of AIG Private Bank Ltd., Zurich.

6. COMPENSATIONS, SHAREHOLDINGS AND LOANS

Content and method of determining the compensations

The compensation of the Board of Directors lies in the responsibility of the general meeting.

Mr. E. Leemann and Mr. E. Matthews from the Board of Directors as well as all members of the Management Board have employment contracts within the AIG Group and therefore receive no remuneration.

Total of compensations for both boards

Erich Hort	CHF 30 000
Dr. Ernst Mäder	CHF 30 000
Dr. Roger Schmid	CHF 30 000
Eduardo Leemann	CHF 0
Edward Matthews	CHF 0
Total Board of Directors:	**CHF 90 000 (non executive)**

The management board did not receive a compensation from the Company in 2002.

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, 2002
Management Board (3 members)	100
Board of Directors (5 members)	200
Total	**300**

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

Options

The members of Management of AIG Private Equity have the option to purchase an aggregate of 24 500 registered shares of the company over a period of 3 years.

As of 31 December 2002, they held the following options on AIG Private Equity Shares:

Number of options	Year of grant	Vesting date	Expiry Date	Subscription ratio	Strike Price
3 500	2000	19.9.2000	2.10.2003	1:1	CHF 150
3 500	2000	19.9.2001	2.10.2003	1:1	CHF 150
3 500	2000	19.9.2002	2.10.2003	1:1	CHF 150
4 666	2001	31.5.2002	13.6.2004	1:1	CHF 150
4 666	2001	31.5.2003	13.6.2004	1:1	CHF 150
4 666	2001	31.5.2004	13.6.2004	1:1	CHF 150

No other options to purchase shares of AIG Private Equity AG 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

No restrictions. See Article 7 section 1 in the articles of association.

Rules on participating the general meeting if different from law

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

Statutory quorums

No deviations from legal provisions. See Article 8 in the articles of association.

Convocation of the general meeting of shareholders

No deviations from legal provisions. See Articles 5/6 in the articles of association.

Registrations in the share register

There is no statutory rule on the deadline for registering shareholders in connection with the attendance of the Annual General Meeting. In 2003, the qualifying date is Wednesday, May 28, while the Annual General Meeting will be held on Monday, June 23.

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 Article 23 in the articles of association.

9. AUDITORS

Date of assumption of the existing auditing mandate

PricewaterhouseCoopers (PwC), 17.9.1999, re-elected for another 3 years at the general meeting in June 2002.

Responsible Partner: Thomas Huber, since 2001.

Responsible Director: Thomas Romer, since 1999.

Total of auditing honorariums 2002

TCHF 108

Additional honorariums

Tax-consulting TCHF 30

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 entire 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 available to respond to questions and provide detailed audit information.

10. INFORMATION POLICY

The Company aims to offer the shareholders a high degree of transparency. AIG Private Equity Ltd. publishes an annual report, a semi-annual report and three quarterly reports. In addition, the company publishes the net asset value of the Company on a monthly basis.

In between the quarterly report publications relevant information (including information on 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, 2002

in 1000 CHF

	Note	2002	2001
Assets			
Current Assets			
– Cash and cash equivalents		186	8 270
– Derivative instruments (Foreign exchange forward)	5	9 637	–
– Receivables and prepayments		66	46
– Own Shares	3	–	5 148
		9 889	**13 464**
Long-term Assets			
– Participation	1	295 938	349 923
		295 938	**349 923**
Total Assets		**305 827**	**363 387**
Liabilities and Shareholders' Equity			
Current Liabilities			
– Payables and accrued charges		634	1 207
– Derivative instruments (Foreign exchange forward)	5	–	3 158
– Bank loans		24 500	15 000
		25 134	**19 365**
Shareholders' Equity			
– Share capital		317 500	317 500
– Legal reserve		63 500	63 500
– Other reserve	2	30 088	24 300
– Reserve for own shares	4	–	5 788
– Accumulated deficit brought forward		(67 066)	(16 875)
– Net loss for the year		(63 329)	(50 191)
		280 693	**344 022**
Total Liabilities and Shareholders' Equity		**305 827**	**363 387**

INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2002 AND JANUARY 1 TO DECEMBER 31, 2001

in 1000 CHF

	2002	2001
Income		
Interest Income, net	15	829
Foreign currency exchange gain, net	21 910	8 590
Total Income	**21 925**	**9 419**
Expenses		
Service fees	300	120
Write-down of participation	82 662	49 686
Other operating expenses	719	1 266
Interest expenses	517	116
Foreign currency exchange loss, net	1 293	7 224
Market value adjustment of own shares	–	641
Tax expenses	40	557
Total Expenses	**85 531**	**59 610**
Operating loss	(63 606)	(50 191)
Extraordinary Income	277	–
Net loss for the year	**(63 329)**	**(50 191)**

NOTES TO FINANCIAL STATEMENTS

in 1000

	Location	Capital held in %	Nominal Value in USD	Paid in USD	Book value in CHF 31.12.02	Book value in CHF 31.12.01
1. Participation						
AIG Private Equity (Bermuda) Ltd.	Pembroke, Bermuda	100	270 000	269 967	295 938	349 923

2. Other reserve and authorized share capital

	Amount CHF
Balance as of January 1, 2002	24 300
Transfer of reserve for own shares	5 788
Balance as of December 31, 2002	**30 088**

As of December 31, 2002 the Company has CHF 158,75 million authorized share capital outstanding. This authorized share capital has expired in May 2003. The board of directors recommends the shareholders to approve an authorized share capital in the same amount for a further two years at the shareholders meeting scheduled for June 23, 2003.

3. Own Shares

Own Shares	Number	Amount CHF
Balance as of January 1, 2002	38 133	5 147 955
Disposals (sold at CHF 135.00 on January 15, 2002)	(38 133)	(5 147 955)
Book value as of December 31, 2002	**–**	**–**

4. Reserve for Own Shares

The reserve for Own Shares amounting to TCHF 5 788 (the acquisition value of the Own Shares held) was transfered to other reserve.

5. Derivative instruments (Foreign exchange forward)

As of December 31, 2002 the Company has an open foreign exchange forward contract with a notional-amount of USD 67.1 million (2001: USD 61.3 million) and a positive replacement value of TCHF 6 873 (2001: minus TCHF 3 158).

In addition, the Company has a foreign exchange forward contract with a notional-amount of USD 67.3 million which has been closed on November 8, 2002 resulting in a profit of TCHF 2 765. This amount has been settled on March 31, 2003.

6. Pledged Assets

The Company has pledged its assets held with AIG Private Bank Ltd. (CHF 0.2 million) and the investment in AIG Private Equity Portfolio, L.P. (CHF 55.6 million) held by the Subsidiary in favor of AIG Private Bank Ltd., which allows it to have a credit-line to enter into foreign exchange forwards.

7. Subsequent Events

On January 8, 2003 the Company has entered a foreign exchange forward contract with a notional-amount of USD 25.4 million expiring on January 8, 2004.

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, Zug for the year ended December 31, 2002.

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

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

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

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

PricewaterhouseCoopers AG

Thomas Huber Thomas Romer

Zurich, June 3, 2003

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