Quilvest

Annual Report 2004

QUILVEST

General Section — Part One

Financial Section — Part Two

QUILVEST is a public financial holding company whose subsidiaries are in the wealth management and private equity business with a primary focus on the United States and Europe.

QUILVEST was incorporated in Paris on September 20, 1888. Since the spin-off of the industrial activities in 1991, it has solely focused on managing financial assets with a Swiss wealth management institution established in 1932 and a private bank in France established in 1917. QUILVEST's Private Equity activities date back to 1972.

QUILVEST consists of more than 150 professionals with offices in Luxembourg, Paris, Zurich, New York and Buenos Aires.

List of Directors and Managers

Honorary Chairman

Julio E. Nuñez

Chairman

Alvaro Sainz de Vicuña

Directors

Christian Baillet
Peter Bemberg
André Elvinger
Serge de Ganay
Louis-James de Viel Castel
International Advisory Services

Audit Committee

Peter Bemberg
Louis-James de Viel Castel

Compensation Committee

Peter Bemberg
Louis-James de Viel Castel

Group Management

Chief Executive Officer
Christian Baillet

Group General Manager and CEO QUILVEST Private Equity
F. Michel Abouchalache

Secretary General
Carlo Hoffmann until March 31, 2005
Georges Majerus from April 1, 2005

Group Controller

Jean-Benoît Lachaise

Statutory Auditors

KPMG Audit S.à r.l.
KPMG Klynveld Peat Marwick Goerdeler S.A.

Independent Auditors

KPMG Audit S.à r.l.
KPMG Klynveld Peat Marwick Goerdeler S.A.

QUILVEST

Group Highlights

in $ million	2004	2003
Total assets	560	473
Group net equity	356	326
Net asset value *	556	502
Group net profit/(loss)	36.2	(50.5)

in $	2004	2003
Net profit/(loss) per share	6.71	(9.14)
Net asset value per share (book basis)	65.88	58.97
Net asset value per share *	102.87	90.87
Total shares issued	5,400,000	5,520,000

* Based on management valuation

Chairman's Statement

QUILVEST's performance in 2004 continued to be strong. A 14% increase in net asset value before dividend distribution is in line with our long-term objectives. The year was marked by a very healthy level of exits and investments in our private equity business. Performance of recommended products by the Group's wealth management units continued to outperform the relevant benchmarks. Profitability of both Société Internationale de Finance and Banque Privée QUILVEST increased significantly.

2004 was also an important recruiting year. The Group is committed to delivering superior absolute returns to its shareholders and to its investors. This can only be done with second to none investment teams who are highly experienced and specialized in the various asset classes. We continued to hire senior investment professionals into Société Internationale de Finance, Banque Privée QUILVEST and the QUILVEST Private Equity team. Our projections show a doubling of the Group's human resources in a four-year period. This is both a result and a driver of the Group's solid and consistent performance. Our objective is to maintain this cruising altitude with as little bumps as possible to best preserve the wealth of our shareholders and of our investors.

The Group's outlook for 2005 is fairly positive. We do expect a soft patch in the financial markets but the medium-term fundamentals of the equities, private equity and hedge fund markets continue to be positive. Our management team and investment professionals are relentlessly committed to give our investors the best possible window to those asset classes.

I do want to thank our shareholders and investors for their continued support.

Alvaro Sainz de Vicuña
Chairman

Chief Executive Officer's Statement

A Positive Environment in 2004

Financial markets continued to recover in 2004. The alignment of major international markets, including several key emerging markets, was noticeable. Most equity related asset classes performed well, especially private equity and venture capital where the activity level increased significantly.

QUILVEST Net Asset Value Increases

A key metric of the Group's long-term performance is its net asset value ("NAV"). We continue to be very systematic and conservative in the valuation of our private investments so that NAV can best track real performance. In this context, I am pleased to report a 14% increase in QUILVEST NAV before dividend distribution in 2004. This performance is above benchmarks of comparable private equity and wealth management holding companies. It is also a performance above the Group's 12% long-term objective.

Currency Exposure

Our investment activities are split mostly between Europe and the United States. This translates into currency exposure to both the Dollar and the Euro. As a Dollar denominated Group, a Euro appreciation (8% in 2004) is favourable. Consequently, a Euro at historical high levels calls for a disciplined hedging to avoid future major NAV swings. We have implemented a systematic hedging plan which we intend to carry forward.

Improved Profitability

During the 2001-2003 period, provisions outsized realized capital gains and resulted in losses. This trend reversed itself in 2004. We have realized significant capital gains while provisions were minimal. The net result is that we have moved from a loss of $ 50 million in 2003 to a $ 36 million net profit in 2004. One can always expect volatility in QUILVEST's income statement as it is mainly driven by the degree of realizations during a given year. We believe though that this volatility will decrease due to the fundamental solidity and increased diversification of our portfolio and to our very rigorous and disciplined investment approach.

Continued Increase in the Level of Activity

2004 was marked by a historically high level of activity in buyouts and venture capital. Recapitalizations, partial realizations and full exits reached record levels. Our new investments' pace, especially in Europe, was very healthy. On a net basis, Group liquidity increased significantly. With now a more diversified portfolio, we are targeting a more predictable liquidity pattern.

A Direct Presence in the United States

The United States has always been the key target market for QUILVEST Private Equity with an average historical allocation close to 40%. QUILVEST buyout activity in the United States was done through third party funds and sponsored funds such as TCR. We have recently decided to build our own organization in the United States in order to be more active and more in control of our investments. In the second half of 2004 we started a major hiring effort of senior, experienced and talented professionals and expect to open the QUILVEST Private Equity office in New York City in mid 2005. The building of the US team and the development of US investment opportunities will continue to be without any doubt a top priority for QUILVEST in 2005.

Chief Executive Officer's Statement

An Acceleration of QS PEP Programs

In early 2002 we started a systematic approach to analyzing, screening and accessing top quartile buyout and venture capital funds. In an average year, we made commitments to approximately 15 funds, mostly in the United States and in Europe. QUILVEST represents at least 50% of total commitments of each vintage and offers to a close circle of investors and families the opportunity to commit the balance. While it is too early to accurately assess the performance of QS PEP, early indicators are very positive. We do expect this program to contribute materially in the medium term to the performance of QUILVEST.

Positive Results and Significant Developments in Wealth Management

Net income of QUILVEST's two wealth management units increased significantly in 2004. While, in general, most private banks and wealth managers benefited from a favourable environment in 2004, we particularly benefited from several growth initiatives and operational enhancements. In addition to the natural organic growth, we have put in place a systematic external acquisitions program with several successful transactions closing in late 2004. In general, those acquisitions should strongly complement the scope of our products and our targeted client segments. Therefore, the size of QUILVEST's two wealth management units is expected to grow substantially over the next two to three years, both in terms of assets under management and human resources.

Dividend Policy

2004 has been a good year for QUILVEST and, we believe, this should be reflected in the dividend. We will recommend at the Shareholders' meeting a 50% dividend increase compared to prior year. It is one of our key objectives to distribute a steady growing dividend and to contribute to the growth of our shareholders' capital.

Human Resources Development

We have continued this past year to grow the Group's management team and we have accelerated the recruiting of QUILVEST Private Equity, Société Internationale de Finance and Banque Privée QUILVEST investment, middle office and back office professionals. Those recruitments are expected to continue in 2005 and well beyond. The development of young managers is consistent with our culture where ethics, trust and commitment are priorities.

Long-term Shareholders' value

We value the QUILVEST heritage and we strongly believe that it represents one of our most important assets. To meet the expectations and the objectives of our shareholders, we encourage leadership and initiatives in our organisation. Current trends are very encouraging and the momentum is strong. We wish to accelerate the development of our two core businesses with an indisputable level of ethics. That is our key commitment to the Group and to its shareholders.

Christian Baillet
Chief Executive Officer

QUILVEST

Private Equity

I – Portfolio Update

2004 was a positive year for QUILVEST Private Equity. First, the private equity portfolio Net Asset Value ('NAV') increased by 14% before dividend distribution. Investments which gained in value during the year outnumbered those which lost value by a ratio of five to one. A great majority of the portfolio companies continued to meet or exceed their operational and financial budgets. Portfolio funds continued their upswing in valuations throughout 2004 with a well noted acceleration during the second half of the year.

Second, during 2004, realizations were numerous. The portfolio liquidity rate reached a historical record of 24%, well above the expected 16% during an average year and the 10% of 2003. This was mainly driven by several exits, and, as of the third quarter of the year, an increase in recapitalizations fueled by favorable buyout credit markets.

Finally, the Euro exposure had a positive impact on the portfolio. The 7.7% Euro appreciation against the dollar during the year translated into a +4.5% net increase in the portfolio NAV.

United States Portfolio

After two years of significant write downs and relatively poor's performance, the USA portfolio was one of the most sizeable contributors to this year's 14% NAV increase before dividend distribution. The successful quasi full exit from Meridian Rail has returned in less than two years more than 2x cash on cash with an expected IRR north of 40%. Other significant investments such as ARI, ReMedPar, QS Candy and CMC Coe Manufacturing continued to perform well. The only exception to this positive trend was Finn Corp whose performance during the year fell well below budget. Finn Corp was written down.

French Portfolio

The French portfolio continued to perform well this year. Sede Holding and Les Produits Du Soleil were exited. A recapitalization procedure was initiated late during the year at Entrepose Echafaudage with an April 2005 target date. Nocibé continued to outperform its budget and is in the process of acquiring smaller companies to strengthen its competitive position in the lucrative perfumes and cosmetics retail French market. Despite its acquisition plans, Nocibé is on its way to recapitalize its balance sheet and to distribute to its shareholders a significant percentage of their cost back by mid 2005. Along the same line, Frans Bonhomme, a leading pipes distributor in France and a co-investment with Apax, was recapitalized and returned a significant percentage of its cost in approximately one year.

On the other hand, Haviland's performance continued to deteriorate and the company filed for bankruptcy. An attempt to turn around the company is now underway under the leadership of a new investor. QUILVEST decided to write off and totally exit this investment.

Spanish Portfolio

The NAV of the Spanish portfolio did not increase much during the year. However, 2004 witnessed several important exits from the QUILVEST Portfolio in Spain. Segur Iberica, a Madrid based alarms and guarding company and QUILVEST's largest investment in Spain, was exited at an approximately 3.4x cash on cash and a net IRR close to 35%. This exit alone returned to QUILVEST close to 75% of its total capital invested in Spain. Other successful partial or full 2004 exits include Grupo Euro and Azulev.

2004 was also a turnaround year for both Restmon and Combursa. Both companies have been underperforming over a sustained period. They both witnessed a real inflection point during the year driven by solid management initiatives. Both were previously written down by QUILVEST. A full recovery, and even more, can now be targeted.

United Kingdom Portfolio

A significant percentage of QUILVEST's historical exposure to the United Kingdom was done through or with Botts Capital. Botts Capital portfolio continued to underperform in 2004. Companies like Well Well Well or Noble House Pubs failed to recover. The only exception to this negative trend is Norcros which continued to perform well.

In early 2005, the Botts team was negotiating a secondary sale of most of the companies in its portfolio. If this transaction materializes, this could translate into a sizeable liquidity event for QUILVEST and an exit from what has been a disappointing long-term investment.

Asia Portfolio

With an objective to focus its resources on the United States and Europe, QUILVEST Private Equity decided three years ago not to do direct investments in Asia anymore. Moving forward, QUILVEST's exposure to Asia will be done through top quartile funds through the QS PEP program. Therefore this part of the portfolio has not been growing and now represents a very small (less than 2%) percentage of the total portfolio. The handful of direct investments we still have in Asia are mostly passive investments and are now monitored by the Navis team. Overall, those investments are on track and should be all exited within the next three to five years.

Private Equity

II – New Investments

$200 million were invested or newly committed by the QUILVEST Private Equity team on behalf of the QUILVEST Shareholders and its co-investors during 2004. $80 million were committed to top quartile private equity funds through the QS PEP program. More than $60 million were committed to special funds such as Synergia Con Imprenditori in Italy and MCH in Spain. The balance was invested in direct investments (QS Companies) by both the QUILVEST Direct and the QUILVEST Venture teams. This sustained level of activity is a reflection of: 1- QUILVEST continued commitment to this asset class; 2- A continued and substantial build-up of the QUILVEST Private Equity team; and 3- A positive year for the asset class with an increased number of attractive investment opportunities and established top quartile funds accessible by QUILVEST.

■ QS PEP

The QS PEP program continues to advance on very solid grounds. The 2004 vintage was over-subscribed and closed at its $80 million hard cap. The re-up ratio from the 2003 vintage investors was 100% with a total of 41 investors making commitments to QS PEP 2004. The program committed to 18 funds: I-USA Buyout: American Securities, Graham, Lime Rock, Golden Gate, Elevation, Bain Capital, TA Associates; II-European Buyout: Bain Capital, PAI, TDR; III-USA Venture: General Catalyst, Sevin Roses, Proquest, Sprout, USVP, Rho Ventures; IV-European Ventures: Advent; V-Secondaries: Paul Capital.

Early and preliminary indicators of the performance of the first three QS PEP vintages are well in line with QUILVEST's and our investors' long-term objectives. When compared to Cambridge Associates September 2004 benchmarks, the combined IRR of the QS PEP 2002, QS PEP 2003 and QS PEP 2004 vintages is a full 23% IRR above a comparable index. Those facts put this program well into the top quartile.

■ QS Companies

The QUILVEST Direct and QUILVEST Venture teams invested or co-invested as a majority or minority shareholder in 9 QS Companies including the leading manufacturer of plastic crates in Europe, a developer and builder of intelligent rooms in the USA, a leading Parisian sandwiches chain, a late stage oncology research and drug development company in the USA, an alarms and guarding provider in Spain, a European manufacturer of glass beads for highway paintings, a newspapers printer in Spain, a grocery hard discounter in Mexico and the leading blinds distributor and installer in the United Kingdom.

The pace of direct investments – 6 in 2003 and 9 in 2004 – and their sector and geographic diversity continued to provide to QUILVEST and to its investors a rich and attractive pipeline of direct investment opportunities. So far, all QS Companies' investments done since the inception of the program are on budget or above budget.

III – The QUILVEST Private Equity Team

QUILVEST continued to invest in its private equity team in 2004. Two professionals were recruited into the European team: Thomas Vatier and Nadim Majdalani. Both will start in the first half of 2005 and will focus on European buyouts and European funds. Elan Schultz joined QUILVEST in September 2004 to head and develop the United States team. Our objectives are to open an office in New York City for the QUILVEST Private Equity team by June 2005 and, given the increased level of activity, to recruit an additional 6 professionals by mid 2006. In May 2005 Michele Kinner joined the team in New York. She will focus on the QS PEP program. Two other search initiatives are underway with an objective to add two investment professionals before year-end.

QUILVEST's commitment to this asset class is reflected in its continued recruiting and in its ability to attract highly qualified and experienced professionals. We are committed to building a second to none team leveraging QUILVEST's 33 years of experience in private equity and its unique network and access to attractive investment opportunities and oversubscribed funds.

We forecast a private equity team of more than 25 investment professionals by end of 2007 while continuing to leverage the privileged relationships we have with our partner funds such as MCH in Spain, Navis in Asia, TCR and Grey Mountain Partners in the USA, TCR in France and Synergia Con Imprenditori in Italy. We have developed over the years close relationships with those and other teams and we will continue to add to our network teams who are willing to share with QUILVEST opportunities in this asset class.

List of Largest Direct Investments

Direct Investments	Country	Investment date	Cost	Current valuation
Entrepose Echafaudage	France	2002	8.0	28.4
ReMedPar/Masterplan	USA	1998	5.7	17.5
Snacks International	France	2002	6.4	16.8
Jost Werke AG	Germany	1998	7.7	14.0
OE Holding (Orphan)	France	2002	4.8	13.7
Nocibé	France	2002/2003	5.5	13.1
Coe Group	USA	2000/2002	10.4	12.0
ERP Holdings	USA	2003	11.9	11.9
ARI	USA	1993	21.5	11.2
IB Group	France	1999/2000	11.7	8.5
Azulev	Spain	1999	0.0	7.7
Farley & Sathers	USA	2002	2.4	7.2
Alartec	Spain	2001	5.4	6.7
Norcros	UK	1999	5.4	6.2
Meridian Rail Corp	USA	2002	0.0	6.0
HMY Investments	France	2000	2.3	5.9
Combursa	Spain	2001	5.4	5.8
CA Holding	France	1996/2000	3.2	5.3
Irestal	Spain	2000	3.4	5.2
Hillarys	UK	2004	5.1	5.0
Basler Group	Germany	2003	1.8	4.6
Qualytel Teleservices	Spain	2001	1.7	4.2
Schöller Wavin System	Benelux	2004	3.6	3.7
Financière Mandragore	France	2003	0.1	3.6
CIAT (AGC)	France	2002	1.9	3.5
Infra Structures	USA	2004	3.0	3.0
Tema	Spain	2000	0.9	2.9
Frans Bonhomme/Trocadéro Finance	France	2003	0.7	2.8

Direct Investments	Country	Investment date	Cost	Current valuation
Solola	France	2003	0.6	2.8
Esmertec	Switzerland	2003	2.3	2.7
Segur Iberica	Spain	1999/2004	2.5	2.7
Glassbeads	Benelux	2004	2.4	2.7
Restmon Group (formerly Franchising Direct)	Spain	2000	4.1	2.1
Grupo Harol	Spain	2000	1.6	2.1
Zetamind	France	2002	2.0	2.0
Maguin	France	1990	3.6	1.9
Finn Corp	USA	1998	6.2	1.9
E. Pak	Asia	2001	2.2	1.8
Integral Press	Spain	2004	1.5	1.7
Marco Polo	France	2003	3.7	1.7
Pasha's Restaurant	USA	2001	1.8	1.7
Parkway Holding Ltd	Asia	2000	1.7	1.4
BR Holding	USA	2000	10.9	1.4
Garden Ridge Holdings LLC	USA	1999	64.9	-
All other direct investments			60.0	24.0
Total Direct Investments			311.7	288.3

QUILVEST

List of Largest Third Party Funds

Fund Investments	Country	Investment date	Cost	Current valuation
Navis Asia Fund III	Asia	2003	15.2	14.3
Advent Atlantic & Pacific IV	USA	1999	8.1	9.3
Vencap 6 (MC Partners III)	UK	1999	1.9	6.9
Botts Capital Partners LP	UK	1998	22.7	6.3
Advent Private Equity Fd II	UK	1998	6.7	5.5
Advent Private Equity Fd III	UK	2000	6.0	5.3
Global Private Equity III	Asia	1999	3.9	4.4
Alpha Private Equity Fund 3	France	1999	1.2	3.5
GS Capital Partners 2000	USA	2000	1.6	3.0
Développement et Partenariat II	France	1996	3.1	3.0
Abingworth Bioventures III	UK	2001	3.1	3.0
Alpha Private Equity Fund 4	France	2002	1.1	2.7
Asia Pacific Fund II	Asia	1994	3.2	2.7
Bain Capital Fund VII	UK	2002	3.2	2.6
Pyramid Technology Venture	USA	2000	2.7	2.6
SCM Growth Fund II	Asia	1997	1.2	2.4
Advent Atlantic & Pacific III	USA	1996	–	2.3
Abingworth Bioventures II	UK	2000	1.5	2.3
H.I.G. Investment Group II	USA	2002	0.8	2.2
Transpac Capital 1996 Fund	Asia	1997	4.1	2.1
GS PEP 2000	USA	2000	1.9	2.0
GS Private Equity Partners II	USA	2000	1.6	1.8
Botts Capital Partners II	UK	2002	1.8	1.8
All other third party fund investments			33.9	22.7
Quilvest's funds of funds (QS PEP)	USA/EU	2002-03-04	26.2	30.6
Total Fund Investments			**156.7**	**145.0**

Wealth Management

Wealth management has always been a significant activity of QUILVEST for several reasons:

- We have a tradition in wealth management for more than 80 years and as a consequence we have a real legitimacy in that business;
- Wealth management is a very good complement to the private equity activity because it provides more recurring profit than realized capital gains, and also because it addresses a complementary asset class for private clients;
- A modern approach to wealth management has put a special emphasis on alternative assets which are composed of both hedge funds and private equity;
- In our business approach we always have given priority to the international aspect of the business and due to the opening of the financial markets, wealth management is more then ever a global international market;
- Finally, wealth management, in particular when it is dedicated to high networth individuals and families, is by nature a services business and we have always put that quality as a top priority in our organization.

As of today, we have developed our capabilities through our two existing institutions which are Société Internationale de Finance in Zurich and Banque Privée QUILVEST in Paris.

Rather than developing new legal entities dedicated to wealth management, we have decided to enhance our capabilities through our two existing institutions by acquiring smaller firms with niche qualifications.

In any case, in order to remain competitive, we have decided to reach a critical size on each market which explains our ambitious corporate plan and which calls for an almost doubling the size of the two institutions within four years.

Société Internationale de Finance, Zurich

Continuing its Growth Initiative

During 2004, Société Internationale de Finance (SIF) continued to pursue its growth strategy with the aim to substantially expand its non-family related client base over time and to establish itself as one of the leading Multi-Family Offices in the marketplace. SIF focused on strengthening its product, organizational and operational platform as well as on hiring new top talent with first class client relationship/wealth planning skills and managerial experience from private banking institutions. With these steps SIF is now in the unique position to offer its full range of services to broader range of new clients.

Last year, SIF has also explored a number of possible acquisition opportunities in the independent asset manager and family office field to substantially grow its asset base. On the product side, SIF is further investigating distribution and marketing opportunities with a select number of financial institutions for its full range of private equity and hedge funds products. These strategic goals will be continuously pursued over the next years.

In fiscal 2004, SIF and its subsidiaries reported a significant increase in net interest income, commissions and other service fees. Despite the substantial investments in staff and infrastructure, operating income was still slightly higher than last year. Due to the absence of extraordinary expenses, the consolidated profit of SIF almost quadrupled compared to the prior year.

Banque Privée QUILVEST, Paris

The financial markets ended the year 2004 on a positive note and as a consequence the bank's activities, as well as those of its subsidiaries, benefited from this positive environment. The diversified and equity open funds have since grown both in its intrinsic value and through new subscriptions as a whole.

The fund management activity has experienced a growth of its revenue and should continue to be a driver of Banque Privée QUILVEST business growth in the years to come.

Among the important initiatives which have been implemented during the year and which are already showing encouraging results, the most critical is a dynamic recruitment policy in certain divisions of the Bank which has led to arrivals in the Asset Management department, in the Trust and Family Office services and in the Strategic and Development division which has been created to be entirely dedicated to the expected growth of the Bank. Some discussions with other asset management companies have been launched in 2004 and several agreements are likely to be consolidated in the first half of 2005.

In terms of profit, the net result has been multiplied by 2.5. Excluding exceptional expenses, operating income grew by 50%.

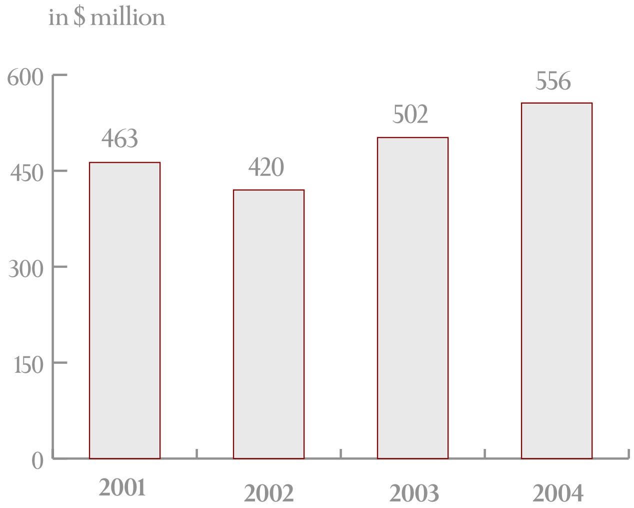
Finally, in 2005 most of the efforts in human resources and financial investments will be dedicated to the development of alternative assets structure.

Strategic & Financial Investments

	Cost	Current valuation
Banque Privée Quilvest	16.9	48.0
Société Internationale de Finance	2.1	44.5
Quilvest SA (Autocontrol)	0.2	0.3
Real Estate	3.6	18.9
Total Strategic & Financial Assets	22.9	111.7

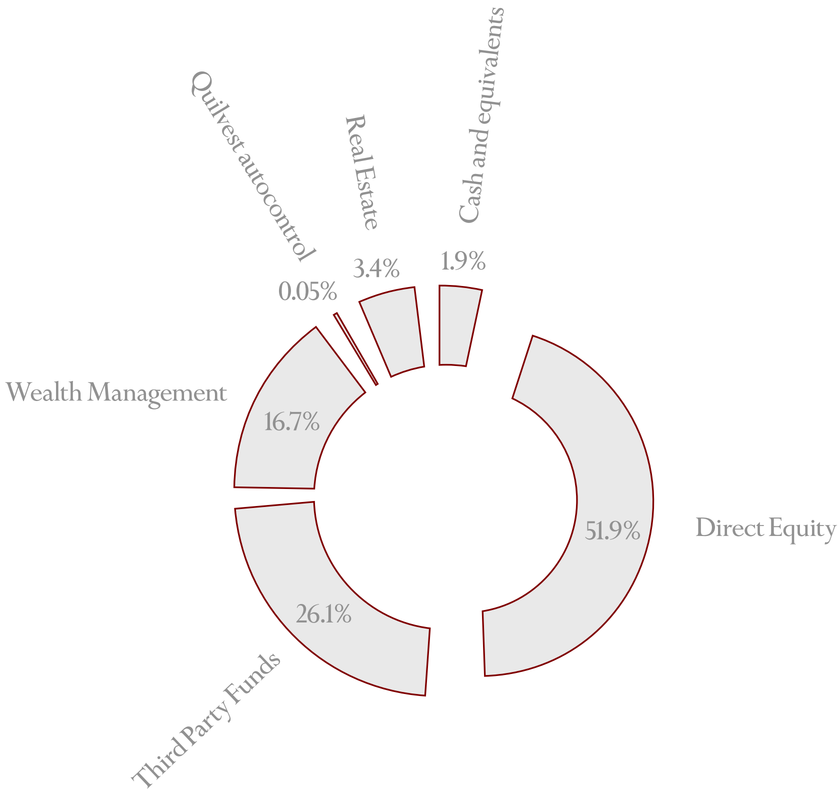
Key figures

Group Net Asset Value

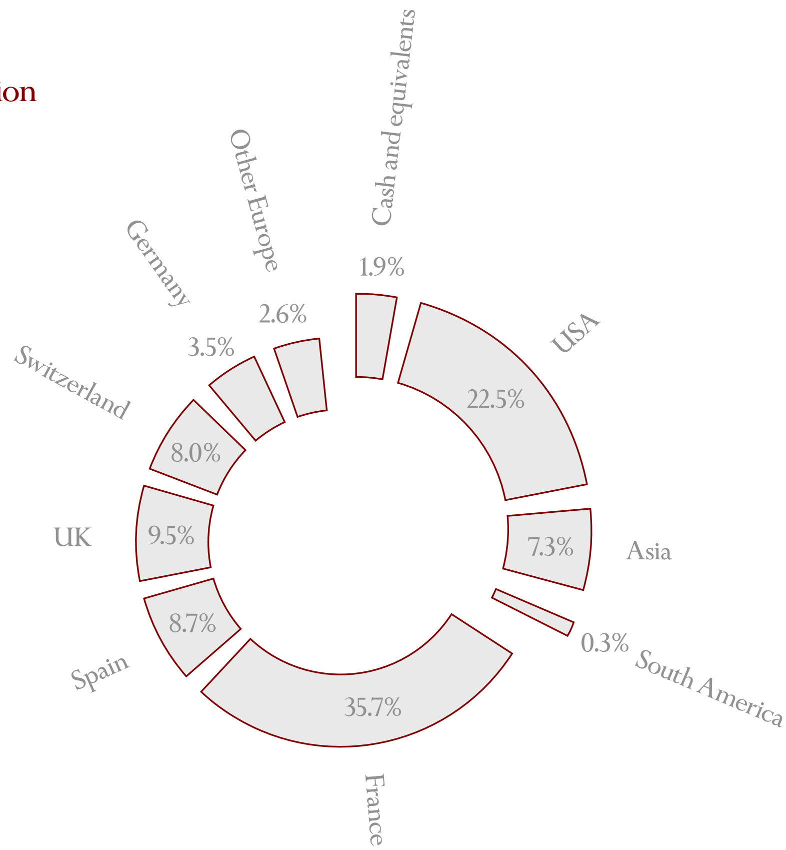


Net Asset Value Based on Management valuation

Distribution by business segment



Geographical distribution



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Luxembourg Stock Exchange

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