

Annual Report 2005



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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 approximately 150 professionals with offices in Luxembourg, Paris, Zurich, New York and Buenos Aires.

List of Directors and Managers

Board of Directors

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
François de Carbonnel
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

Jean-Benoît Lachaise

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.

Group Highlights

in \$ million	2005	2004
Total assets (IFRS value)	763.4	684.8
Group equity (IFRS value)	540.0	493.2
Net asset value (Management valuation)	588.2	555.5
Group net profit (IFRS value)	73.6	48.7

in \$	2005	2004
Group net profit per share (IFRS value)	13.6	8.9
Group net asset value per share (IFRS value)	100.0	91.3
Net asset value per share (Management valuation)	108.9	102.9
Total shares issued	5,400,000	5,400,000

Chairman's Statement

In 2005 Quilvest continued to strengthen its two core businesses: private equity and wealth management. Assets under management in both activities grew significantly. Banque Privée Quilvest approximately doubled its assets under management while Quilvest Private Equity exceeded the \$1 billion mark.

To support this growth, the Group continued to hire professionals at all levels of the organization. Group human resources have doubled over the past four years. We continue to focus on recruiting and retaining high caliber and experienced professionals. SIF successfully completed the development of an in-house hedge funds team with six dedicated specialists and Quilvest Private Equity New York office is up and running with nine investment professionals.

2005 was also a year of continued positive performance. The net asset value of Quilvest share increased by 7.2% over the year. Ignoring currency effect, the net asset value increase was 14.5%. This performance is in line with our long-term objectives. The ratio of write ups and capital gains to write downs was five to one, a testimony to the fundamental quality of the Quilvest portfolio. Banque Privée Quilvest had in 2005 its most profitable year in its history while SIF had a positive net income despite the significant human resources investment during the year. Quilvest investment programs such as QS PEP and the SIF Advantage Funds continued to deliver top quartile returns.

We are confident that all investments made during the past years will generate the expected results. Quilvest outlook for 2006 continues to be positive. The Group's management team and investment professionals are as committed as ever to generate superior performance. Our utmost thanks go to our shareholders and investors who continued to show the Group unwavering support.



Alvaro Sainz de Vicuña
Chairman

Chief Executive Officer's Statement

Good Financial Markets in 2005

The major international markets have developed well in 2005, with a better performance in Europe than in the US, and an exceptional performance in most of the emerging markets. In addition, the significant rise in commodities has contributed to growth while not yet materially impacting the margins in most of the industries. Finally, the level of activity in our key businesses, Private Equity and Venture Capital, has been at an all time record.

Net Asset Value up 7%

The net asset value of Quilvest has continued to increase in 2005. Over the years, our private equity investments valuation process has been systematic and conservative, so that the measure of the net asset value remains the best way to appreciate the real performance over the long term. A 7% performance may look disappointing relative to the financial markets. However, one should note that many investments are recent and are still kept at cost and that the portfolio has suffered from the currency effect. Overall, as you will see in this annual report, the portfolio is behaving quite well and there are very few disappointments.

Currency Exposure Impact

We continue to balance more or less our investments between the United States and Europe. As our financials are accounted in dollars, we are subject to the €/ \$ rate and, in 2005, it had a significantly adverse effect on the net asset value. The currency depreciation amounted to 12% and, as a consequence, the net effect on the net asset value is greater than 7%. Ex-currency the NAV increase was 15%.

A New Record in Earnings

The profit for the year is at an all time record high and that is the result of two factors. The first one is related to the activity and the performance of the portfolio as, in 2005, we have been able to generate several important capital gains while avoiding material provisions. The other is independent from us and relates to the fact that for the first time Quilvest has prepared its accounts with new IFRS principles. In particular several old investments have generated an increase in value which is still unrealized.

Corporate Development

In 2005, a significant effort has been put in corporate development in our two activities. In private equity, we have increased the number of clients, mostly international private family offices which are relying on our expertise to invest in this asset class. The Group's access to top quartile funds and diverse direct investments coupled with our long-term track record and experience in that field explain for a large part that development which has grown by more than 20%. In wealth management, corporate development is a key element of our strategy which has proven to be successful in particular in the case of Banque Privée Quilvest in 2005.

Chief Executive Officer's Statement (continued)

More Recurring Revenues in Wealth Development

In 2005 we have continued to develop the recurring revenues in the two financial institutions in order to consolidate the good level of earnings. We have continued to shift from transaction fees to asset-based fees, which is a real reinforcement of the alignment of interests between the clients and the shareholders. We believe that this is a better way to conduct business and corresponds to the long-term trend in the industry. In particular it positions our value proposition very competitively vis-à-vis other private banks.

Dividend Policy

As we have communicated it to our shareholders in the past, a significant distribution is a sound practice for an investment company and we wish to continue that trend. The solid performance of Quilvest in 2005 should be reflected in the dividend and as a consequence we will recommend a 20% increase compared to the prior year which should translate in a net dividend of \$1.5 per share.

Human Resources Policies

Several key recruitments have materialized in 2005 in all our business units. In particular we have been sensitive to attract young talents in order to prepare the long-term growth of Quilvest and we have on purpose hired managers with different backgrounds and various experiences. That policy is consistent with our culture and business philosophy.

Shareholders' Value

We wish to continue the development of our businesses in perfect harmony with the heritage and culture of the Group. In particular preserving and growing shareholders' value over a long-term period is a key objective. To achieve it, we will continue to encourage leadership and initiatives in our organization.

A handwritten signature in black ink, appearing to read 'C. Baillet', is written over a horizontal line that extends to the left and curves upwards to the right.

Christian Baillet
Chief Executive Officer

Private Equity

I – Portfolio Update

2005 was another positive year for Quilvest Private Equity. Ignoring currency, the portfolio net asset value increased by 15%. Several exits were realized including Frans Bonhomme (net IRR: 86%), Esmertec (net IRR: 80%) and Salmedix (net IRR: 69%). Capital gains and write ups amounted to more than \$100 million. Write downs and write offs were less than \$25 million, a testimony to the quality of the underlying investments in the portfolio. More than 90% of the companies have met or exceeded their budget. Fund investments continued to perform well, driven by a favorable environment in the asset class.

The prospects for 2006 are favorable. Despite record funds flowing into the asset class, fundamental indicators are all green: positive yet volatile macro economic trends in our key markets, accommodating credit and capital markets and increasingly more active corporate owners. We expect the positive trend to maintain itself for the asset class in general and certainly for the Quilvest Private Equity portfolio.

II – New Investments

Approximately \$250 million was invested or newly committed by the Quilvest Private Equity team on behalf of the Quilvest shareholders and its co-investors during 2005. Close to a \$150 million was committed to top quartile private equity funds. The balance was invested in direct investments (QS Companies) by both the Quilvest Direct and the Quilvest Venture teams.

QS PEP

The 2005 Vintage of the QS PEP Program was once again oversubscribed and closed at its hard cap of \$90 million with 64 investors. This compares to 41 investors in QS PEP 2004. Commitments were made to 22 funds as follows: I – USA Buyout: Audax, Blackstone, Charlesbank, Milestone, Sterling, Summit, Sun Capital, Telegraph Hill and Vestar; II – Europe Buyout: BC Partners; III – Venture Capital: Accel, Alloy, Columbia, General Catalyst, Insight, JMI and Sofinova; IV – Opportunistic: Dover Street, Navis, Sankaty and WL Ross.

Early performance indicators of the first four QS PEP vintages are well in line with Quilvest's and our investors' objectives. QS PEP 2002 and QS PEP 2003 IRR is already double digits. Rather than going through the expected "J-Curve" effect, QS PEP 2004 IRR is positive. All preliminary performance indicators put QS PEP well into the top quartile.

QS Companies

The Quilvest Direct teams in Europe and in the United States and the Quilvest Venture team invested or co-invested in 10 companies in 2004 and 9 companies in 2005. This sustained level of investment activity in such diverse sectors and geographies is a testimony to the effectiveness of the strategy put in place in 2001 and to Quilvest's ability to source attractive opportunities. Venture Capital investments were made in Price Minister (leading internet retailer in France), Frontier Silicon (wireless chips in the United Kingdom) and Altea Therapeutics (medical patches in the United States). Buyout investments were made in AQS (software and IT services for the insurance industry in the United States), Command Alkon (software and IT services for the ready-mix concrete industry in the United States), Utex (gasket, seal and o-ring manufacturer for the oil industry, USA), Hill and Valley (in store non-sugar bakery, USA), Laboratoires Chemineau (contract manufacturer for pharmaceutical products, France) and EWT (cable operator, Germany).

QS Companies performance have so far exceeded Quilvest's and our investors' objectives with IRR ranging from 40% to 90%. While it is unlikely to sustain such superior performance, we feel very comfortable about the QS Companies portfolio and its likelihood to generate attractive returns over the long run.

The superior performance of QS companies translated into the prompt oversubscription of all QS Companies with now over 50 investors.

Private Equity (continued)

II – The QUILVEST Private Equity Team

2005 was marked by the opening of the Quilvest's Private Equity office in New York City. The United States team now includes 9 investment professionals of which 4 are Partners. This team was very active in 2005 with now a material and driving contribution to QS PEP as well as 4 QS Companies of which 3 are lead or co-lead investments.

Driven by 35 years of investing experience in Private Equity, Quilvest's commitment to this asset class remains unwaivered. This is reflected in the Group's ongoing investment in the Quilvest Private Equity human resources. The global team now includes more than 20 investment professionals with an objective to grow it to 25 investment professionals by year end 2007. The non-investment dedicated support team includes now 8 professionals located in Zurich and Luxembourg.

The Quilvest Private Equity team continues to leverage its privileged relationship it has with its partner funds in Spain (MCH), Asia (Navis), France (TCR) and Italy (Sinergia Con Imprenditori).

List of Largest Direct Investments

Direct Investments	Country	Investment date	Management valuation
OE Holding (Orphan)	France	2000	20.2
Farley & Sathers	USA	2002	9.0
Azulev	Spain	1999	8.9
Esmertec	Switzerland	2003	7.4
Segur II	Spain	2004	6.8
Schöller Wawin System	Benelux	2004	6.7
Snacks International	France	2000	5.9
Alartec	Spain	2001	5.7
Basler Group	Germany	2003	5.5
Qualytel Teleservices	Spain	2001	5.2
EWT Multimedia	Germany	2005	5.1
Hillarys	UK	2004	5.0
Combursa	Spain	2001	4.7
Frontier Silicon	USA	2005	4.7
Integral Press	Spain	2004	4.5
Ionisos/Financière Mandragore	France	2003	4.4
Command Alkon Inc.	USA	2005	4.3
Norcros	UK	1999	4.0
Grey Mountain Partners	USA	2005	4.0
Utex	USA	2005	3.9
Marco Polo	France	2003	3.9
Comess (form. Restmon Group (formerly Franchising Direct))	Spain	2000	3.8
Irestal	Spain	2000	3.8
Price Minister (Babelstore)	France	2005	3.4
Infra Structures	USA	2004	3.3

List of Largest Direct Investments (continued)

CA Communication	France	2000	3.1
CIAT (AGC)	France	2002	3.1
Altea	USA	2005	3.0
Solola	France	2003	2.7
Hill and Valley	USA	2005	2.5
Glassbeads	Benelux	2004	2.4
Pasha's Restaurant	USA	2001	2.0
Tema (Lontinium/Norema)	Spain	2000	2.0
Laboratoires Chemineau	France	2005	2.0
Parkway Holding Ltd	Asia	2000	2.0
E.Pak	Asia	2001	1.9
Zetamind	France	2002	1.8
Nocibé	France	2002/2003	1.7
Pomme de Pain/Fin Cardamone	France	2004	1.7
Maguin	France	1990	1.7
CA Conseil & Services	France	2000	1.6
Sila Communications	Asia	1997	1.4
Innate Pharma	France	2004	1.2
First Assur	France	2000	1.0
All other direct investments			11.1
Total Direct investments			193.7

List of Largest Third Party Funds

Fund Investments	Country	Investment date	Management valuation
Three Cities Fund II	USA		49.2
TCR Industrial Partners	France		44.0
Three Cities Fund III	USA		39.3
TCR Europe	France		22.7
Navis Asia Fund III	Asia	2003	15.6
Advent Atlantic & Pacific IV	USA	1999	7.7
Advent Private Equity Fd III	UK	2000	5.3
Vencap 6 (MC Partners III)	UK	1999	4.9
Advent Private Equity Fd II	UK	1998	3.9
Abingworth Bioventures III	UK	2001	3.6
Alpha Private Equity Fund 4	France	2002	3.3
GS Capital Partners 2000 Offshore	USA	2000	2.9
GS PEP 2002 Offshore	USA	2000	2.7
Alpha Private Equity Fund 3	France	1999	2.4
Schroder Ventures Asia Pacific	Asia	2000	2.4
Bain Capital Fund VII	UK	2002	2.4
MCH Iberian Capital Fund II	Madeira	2005	2.0
Acto FCPR (ex Finama)	France	2002	2.0
Transpac Capital 1996 Fund II	Asia	1997	2.0
Abingworth Bioventures II	UK	2000	1.9
Asia Pacific Fund II	Asia	1994	1.7
Pyramid Technology Venture	USA	2000	1.7
Advent Atlantic & Pacific III	USA	1996	1.7
Catterton Partners V	USA	2004	1.6
GS Private Equity Partners II	USA	2000	1.6

List of Largest Third Party Funds (continued)

Chase Capital Partners II	USA	2000	1.6
Botts Capital Partners II	UK	2002	1.6
Pacven Walden Ventures V LP	Asia	2001	1.6
Vencap 9 (PEI II)	UK	2000	1.5
GS Vintage II Fund Offshore	USA	2002	1.5
H.I.G. Investment Group II LP	USA	2002	1.5
Sun Capital Securities	USA	2004	1.4
GS PEP Technology Fund 2000	USA	2000	1.4
Développement et Partenariat II	France	1996	1.3
Global Private Equity III	Asia	1999	1.3
Advanced Technology Venture VII	USA	2001	1.3
Botts Capital Partners LP	UK	1998	1.2
Jafco America Technology III	USA	2000	1.1
All other third party fund investments			8.7
Quilvest's funds of funds (QS PEP)			53.7
Total Fund investments			309.2

Wealth Management

Wealth Management continues to be one of the two legs of our strategy. In fact, the synergies with Private Equity are real and translate into tangible growth. However, several characteristics of wealth management explain the reasons why we wish to accelerate its development and increase our exposure:

- In all developed and developing markets, the size of private wealth is increasing at a significant pace. There is more demand for sophisticated financial products and services by high net worth individuals.
- Our presence and experience for more than 80 years in that discipline has generated a real track record, superior performance and legitimacy in that business.
- Our organization is a truly international one. We have always approached investment opportunities from a global perspective for our clients. The globalization of the markets has confirmed that trend.
- Finally, we have deliberately selected an approach where our clients can better benefit from our transparent and objective approach. In particular, we are not sellers of financial products nor do we have in house products. We always give priority to objective advice so that the alignment of interest between the client and our shareholders is optimal.

Wealth management at Quilvest has been historically developed through our two financial institutions based in Zurich and in Paris. Our Group offices in major cities and our historical partnerships translate into a global value proposition to our clients. The utmost priority of our investment professionals is to generate unique investment opportunities and to continue to generate Alpha in all asset classes. This has been our competitive advantage and we intend to sustain it.

Société Internationale de Finance, Zurich

2005 has been a year during which SIF had many changes. All of them were necessary to consolidate the long-term development strategy which was approved two years ago. In particular we took a certain number of initiatives, the most important of which are the following:

- The corporate governance of the institution has been enhanced with the active role of independent bodies and the organization of an active Executive Committee to better coordinate the actions of SIF.
- In order to strengthen our role as an advisor to our key clients, the department of “Wealth Planning and Trust” has been reinforced with new talent, so that investment recommendations are always coupled with structure optimization.
- Because hedge funds has traditionally be an important asset class for us and for our clients, we have constituted an experienced full team who is well known on the Swiss financial markets. We expect this team to contribute to the development of this activity.
- Finally, in order to strengthen our capacities in new business development, two departments (“Business Development” and “Corporate Development”) were established.

In terms of performance, the financial performance of SIF has been impacted in 2005 by all the initiatives and investments mentioned above. SIF ended the year with a small profit and we have been able to finance all the above developments and recruitments with the current activity. Finally, and most importantly, the performance achieved by our clients has been extremely good, above all relevant benchmarks and superior to most private and investment banks. We believe that clients’ performance and satisfaction are key drivers of our business growth.

Developing our client base is a continuous challenge. In order to achieve this, we will put a new leadership at SIF dedicated to that medium-term challenge.

Banque Privée Quilvest, Paris

2005 was the first year during which the most recent initiatives have paid off significantly. There are three ways to measure the performance of a financial service company and in those three metrics Banque Privée Quilvest had an exceptional year. In terms of client's performance, the results have been excellent in absolute and in relative terms. In particular, the flag ship product of the bank (Saint Germain Patrimoine) has been marked among the best of its category during the period. Assets under management have grown at a very fast pace partly through external acquisitions (more than 50%). Net profit after tax has reached a new all time record with 2.8 million.

The year 2005 has been in particular very active in terms of acquisitions and new ventures:

- In January 2005, Banque Privée Quilvest became majority shareholder of Copagest, a company specialized in fixed income and structured products for French institutional investors. The synergies have started to materialize quickly and the 2005 results have been above plan.
- A joint venture (50/50) has been established during the fall with three experienced asset managers. The new company, Quilvest et Associés, had a strong start and should be profitable starting in 2006.
- Banque Privée Quilvest took a minority position in ERAAM, one of the French leaders in funds of hedge funds.
- In 2005, Banque Privée Quilvest made a 33% investment in a new venture, Fideas, a funds advisory business.

In addition to those four strategic investments, Banque Privée Quilvest created a subsidiary with a team of specialists to develop its own offer in the alternative asset class. This project should also contribute to the development of the bank in the next few years.

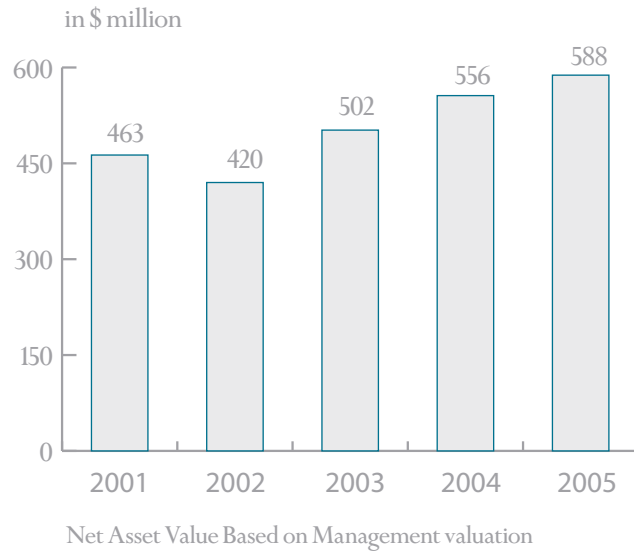
The challenge in 2006 will be to consolidate the above initiatives and the good 2005 results.

Strategic & Financial Investments

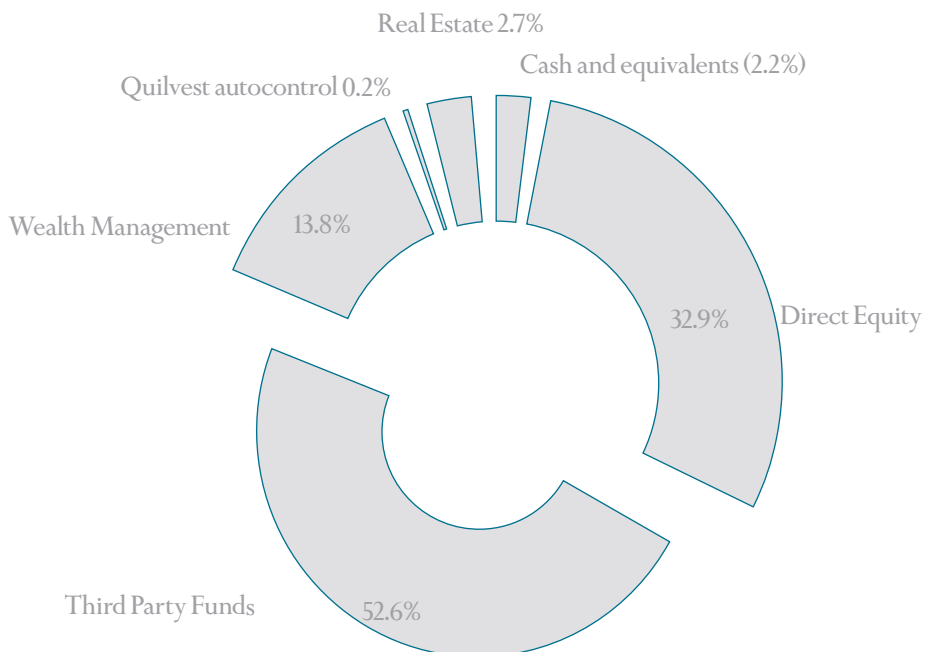
	Current valuation
Banque Privée Quilvest	45.7
Société Internationale de Finance	35.2
Quilvest S.A. (Autocontrol)	1.2
Real Estate	16.1
Total Strategic & Financial Assets	98.2

Key figures

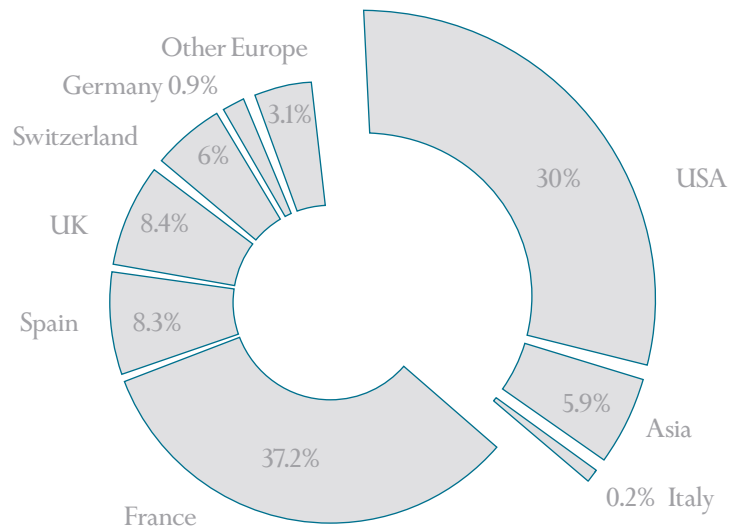
Group Net Asset Value (based on management valuation)



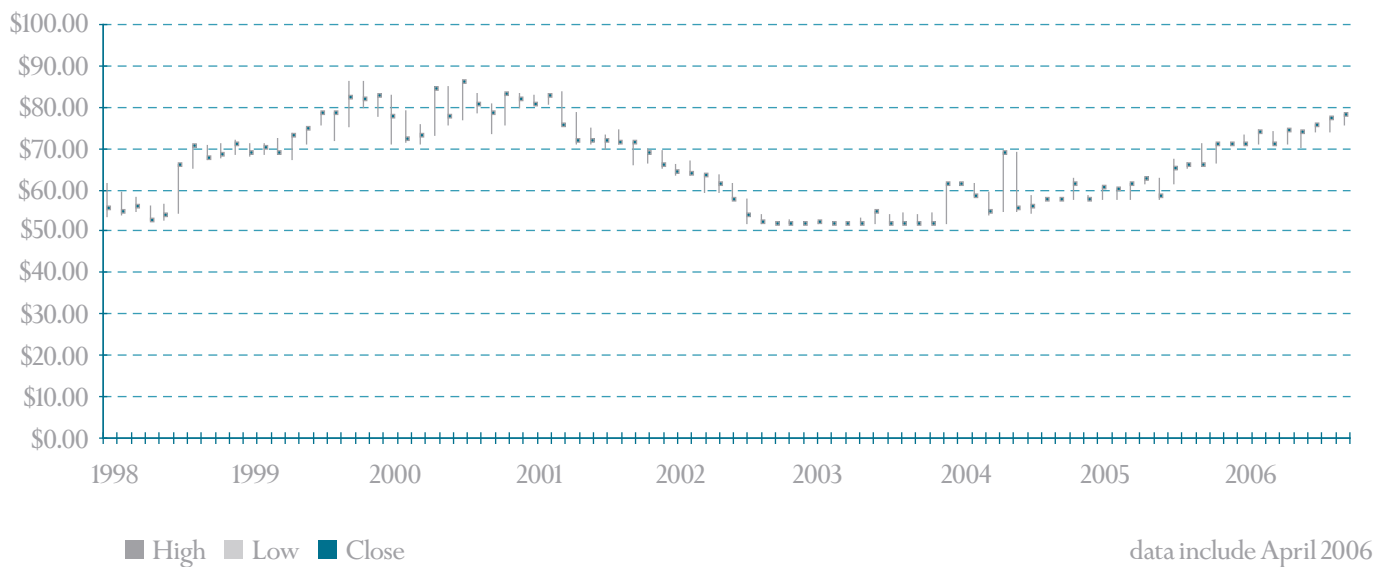
Distribution by business segment (based on management valuation)



Geographical distribution (based on management valuation)



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