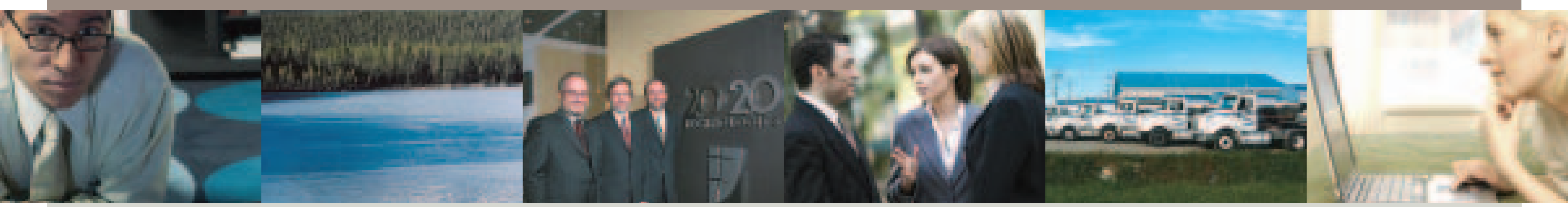

Annual Report 2004

Desjardins
Capital régional
et coopératif

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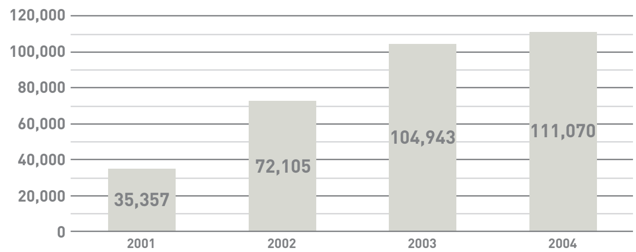
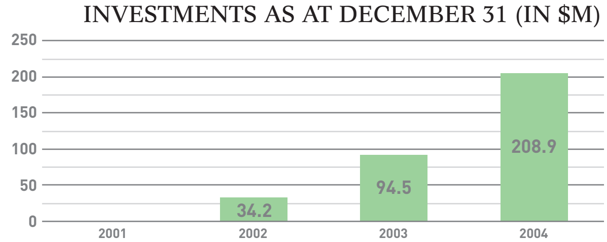
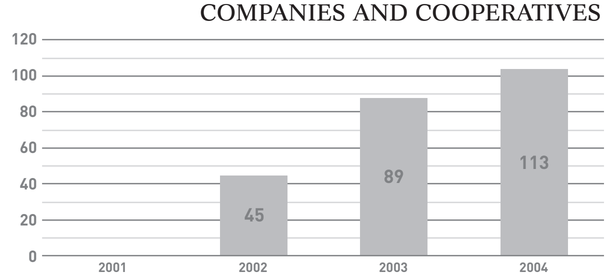


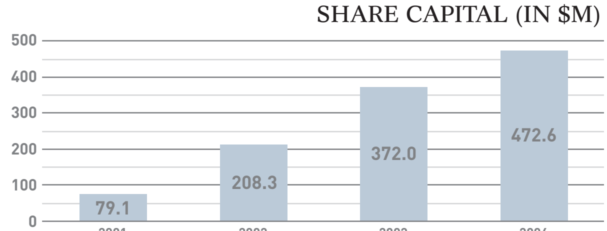
INVESTMENTS AS AT DECEMBER 31 (IN $M)



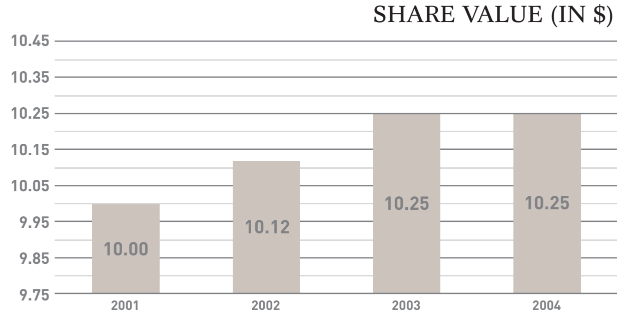
TOTAL NUMBER OF COMMITMENTS: COMPANIES AND COOPERATIVES



SHARE CAPITAL (IN $M)



SHARE VALUE (IN $)



MESSAGE FROM THE CHAIRMAN OF THE BOARD

AN EVOLVING INDUSTRY

In 2004, the Québec venture capital industry maintained its pre-eminence in the Canadian market, accounting for 50% of the funds raised. This is three (3) times higher than in the other provinces, on a per capita basis. In addition, investments by private U.S. venture capital funds rose sharply in the second half of 2004, compared with the previous year. If this trend continues, new capital inflows will be substantial, transforming the Québec venture capital industry and compelling it to adapt and build fruitful partnerships with these new investors.

A VERY ACTIVE YEAR FOR INVESTMENTS

Thanks to its Québec-wide network, the Company continued to make inroads in 2004, establishing itself as the partner of choice for companies and cooperatives throughout the province. Commitments totalled $208.9 million in 113 companies, double last year's performance. Moreover, investments and partnerships in cooperatives and resource regions grew significantly while the share value was maintained at $10.25.

We thus reaped rewards from the expansion of the network of regional business offices across Québec by our manager, Desjardins Venture Capital. Thanks to closer links with Québec entrepreneurs, the Company was able to realize its goal of increasing investments in the regions and cooperatives.

Indeed, becoming a partner of choice for entrepreneurs and cooperatives is a pre-requisite for creating wealth and achieving sustainable economic development. With this aim in mind, the Company invests in promising projects in order to foster long-term economic growth while generating attractive returns for shareholders. For example, the Company experienced a substantial gain in the value of an investment in 2004, following the IPO launched by 20-20 Technologies, which was included in the investment portfolio in 2002.

INTEGRATED MANAGEMENT

Despite its developing status, the Company's portfolio is quite diversified by industry as well as by business development stage. However, the portfolio's weighting in start-up companies is still too strong and efforts are being made by our manager to better offset the related risk.

Thanks to our manager's strong regional presence and closer links with Desjardins Corporate Financial Centres, the Company is playing a greater role in more traditional sectors as well as in larger transactions, including investments in Camoplast (Eastern Townships), Louiseville Specialty Products (Mauricie) and Groupe Canmec (Saguenay–Lac-Saint-Jean).

In keeping with its aim of participating in promising projects and sustainable development initiatives, the Company invested in the MSBi Investment Fund, a technology enhancement fund specialized in early stage and start-up companies created via technology transfers from universities such as McGill, Sherbrooke and Bishop's. This highly promising model could also be used in other Québec regions.

The Company recently completed its third year of operations and, as might be expected, its developing investment portfolio has undergone significant fluctuations in value. Indeed, given the nature of venture capital investments, problems are more likely to occur early in the investment cycle while successes are more likely toward the end of the cycle, which normally lasts from five (5) to eight (8) years.

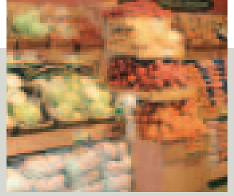
Therefore, to protect the share value and ensure more stable returns, the manager has implemented an integrated risk management approach. In 2004, investment activities resulted in a loss of $6.8 million, although the liquid portfolio generated $25.3 million in revenues, offsetting the investment portfolio's fall in value as well as operating expenses and other expenses. As a result, the share value was maintained.

A STRONG TEAM BREEDS SUCCESS

I would like to take this opportunity to welcome Louis L. Roquet, who was appointed President of Desjardins Venture Capital, our manager, in the last quarter of 2004. I am convinced that his in-depth knowledge of the investment market and familiarity with the challenges facing resource regions and cooperatives will be valuable assets.

I wish to express my warm thanks to our manager's team, whose untiring efforts enabled us to meet our objectives in 2004. I should also emphasize the significant contributions made by the network of Desjardins caisses and Corporate Financial Centres and their close cooperation with the Company. Finally, I would be remiss if I failed to mention the vital input of our Board of Directors. All of these people are actively working toward the Company's ongoing growth and success. Our shareholders are already reaping the benefits and are rightfully proud of their contributions to the Company.

Bruno Riverin
Chairman of the Board



INVESTMENTS FOR SUSTAINABLE ECONOMIC DEVELOPMENT

APPROXIMATELY $209 MILLION INVESTED IN QUÉBEC COMPANIES

Capital régional et coopératif Desjardins made significant investments in 2004, committing a total of $116.9 million in 70 companies and cooperatives. Also, the Company considerably increased its investments in resource regions and cooperatives: commitments totalling $54.9 million were made in seven (7) cooperatives and 26 companies in resource regions, compared with $8.0 million as at December 31, 2003.

BROADER OFFER

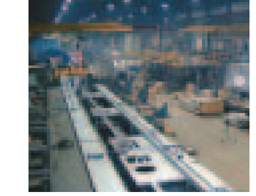
One of the year's highlights was the introduction of a new product, mezzanine financing, which combines the features of equity and debt financing. Profitable companies with acquisition or expansion plans can use mezzanine financing to obtain additional resources without adversely impacting their financial ratios. Thanks to this product and its favourable repayment conditions, Capital régional et coopératif Desjardins is able to establish genuine partnerships with entrepreneurs. Its introduction is part of the Company's continuous efforts to support entrepreneurs and their projects, and to respond to their needs adequately, regardless of the industry in question.

Other innovative financial arrangements showcased in 2004 enabled management buyouts, particularly in resource regions, as well as the creation of worker-owned cooperatives.

ENHANCED PRESENCE IN RESOURCE REGIONS AND COOPERATIVES

Transactions concluded during the year include:

- A $6.3 million investment in Saguenay-based Groupe Canmec, disbursed at the end of the year as part of a financing totalling more than $20 million. With this capital injection, a group of managers acquired three (3) subsidiaries of Groupe Comact's industrial division, retaining know-how in Québec and bringing the company's ownership back to the region.
- An $8.2 million investment in Louiseville Specialty Products. These funds were used to finalize the acquisition of the assets of Matériaux Cascades and Convermat, two (2) divisions of Cascades Canada Inc. The company specializes in the manufacture of wood fibre panels and related products for the construction industry.
- A $1.2 million investment in Coopérative Trans-Groupe of Sainte-Claire, in the Beauce region, enabling ten (10) truckers specialized in milk transportation to join forces and create an organization for serving dairy farms in the Nouvelle-Beauce and Bellechasse regions.



STRATEGIC PARTNERSHIPS

Capital régional et coopératif Desjardins invested $10 million in the MSBi Investment Fund, which specializes in early-stage and start-up companies that market technologies developed in various Québec universities. MSBi will use the proceeds to broaden its portfolio and to increase its existing interests in portfolio companies.

The Company also participated in one of Canada's largest financing rounds, totalling $22.0 million, in the biotechnology sector, authorizing an investment of $5.8 million in Topigen Pharmaceuticals Inc., specialized in treating respiratory diseases.

INVESTMENT TEAM GOES FROM STRENGTH TO STRENGTH

Capital régional et coopératif Desjardins has entrusted the management of its operations and its investment and liquid portfolios to Desjardins Venture Capital, one of the largest venture capital fund managers in Québec. Desjardins Venture Capital has more than 30 years' experience in the industry and benefits from the expertise of a complementary team.

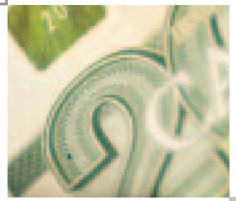
In 2004, following hiring and restructuring, teams were strengthened, mainly in the regions, and the complementary nature of regional and sector expertise was enhanced, thereby optimizing synergy. Regional teams, who have wide expertise in traditional and industrial sectors, work closely with sector teams specialized in information technology, telecommunications and health and biotechnology.

VITAL PRESENCE IN QUÉBEC REGIONS

Capital régional et coopératif Desjardins capitalizes on the Desjardins Corporate Financial Centres to establish its vital close links with different Québec regions. These centres provide the main access to the vast Desjardins caisse network for Québec companies. Indeed, one of the Company's main assets is the network of caisses and Corporate Financial Centres, which has made Desjardins a household name in the province. Specialists based in regional offices are very familiar with the specific characteristics of their respective regions and are often instrumental in identifying investment opportunities.

The Company's manager organized several business development events in 2004 as part of its efforts to enhance contacts with entrepreneurs. Such events are excellent opportunities to keep track of developments in every region and to obtain a better understanding of entrepreneurs' needs. These activities enabled us to adapt our offer, and we are well on our way to becoming the strategic partner of Québec companies and cooperatives.

CAPITAL RAISING AND SHARE OWNERSHIP



CAPITAL RAISED IN THREE WEEKS

The Québec government reduced the subscription limit for the 2004 share issue from $150 million to $100 million, and this amount was raised in just three (3) weeks. The Desjardins caisse network mobilized all its resources to meet the demand, contributing to the success of the capital-raising campaign.

In total, 9,923,523 shares were sold, with subscribers investing $2,259 on average and the number of shareholders increasing to 111,070 at year-end.

EASY-TO-OBTAIN INVESTMENTS WITH ATTRACTIVE BENEFITS

Capital régional et coopératif Desjardins shares offer attractive tax benefits and are easily obtainable. The first subscription must be at least $500, although subsequent investments may be lower. Since shareholders are entitled to a 50% provincial tax credit on their shares, the after-tax annual compound return will exceed 9% over the mandatory holding period of seven (7) years if the share value is maintained above $10.

Finally, the Company's shares serve as an excellent complementary investment for those who have already made their maximum RRSP contribution.

SHARES ARE REDEEMABLE, UNDER CERTAIN CONDITIONS

Shares may be redeemed if:

- A written redemption request is received within 30 days following subscription;
  or
- The shares have been held for a period of seven (7) years;
  or
- The shares were received as part of an estate settlement;
  or
- The shareholder is disabled and is incapable of working.

Shares may also be purchased by agreement if the shareholder:

- Did not benefit from the tax credit to which he or she was entitled;
  or
- Emigrated from Canada permanently;
  or
- Is suffering from a serious illness;
  or
- Urgently needs cash to meet exceptional expenses related to health problems or an accident.

In 2004, 194 cancellation requests were made within 30 days of subscription while 468 shareholders had their shares totally or partially redeemed for other reasons.

BOARD OF DIRECTORS

OF CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS (AS AT DECEMBER 16, 2004)

The Company's business is administered by a Board of Directors made up of the following persons:

BRUNO RIVERIN [2][4]
Chairman of the Company's Board of Directors and General Manager

SERGES CHAMBERLAND, M.B.A. [1][4]
Assistant General Manager, Administrative and Financial Services, City of Saguenay

YVES LAVOIE [2][4]
Vice-Chairman of the Company's Board of Directors and Corporate Director

SERGE COUSINEAU [1]
General Manager, Caisse populaire Desjardins de Drummondville

GILBERT BEAULIEU
Secretary of the Company's Board of Directors, General Manager, Caisse Desjardins de Vaudreuil-Dorion

PIERRE GAUVREAU, FCA [2]
General Manager, La Coop fédérée de Québec

LORRAIN BARRETTE, FCA [1]
President, Caisse Desjardins de Rouyn-Noranda

LUC LABELLE, M.SC. [3]
Executive Director and Secretary, Ordre des administrateurs agréés du Québec

JEAN BOISVERT [1]*
President, Solvteq inc.

DENISE VERREAULT [3]
President and Chief Executive Officer, Groupe Maritime Verreault inc.

ÉVANGÉLISTE BOURDAGES [3]
President, Groupe Ohméga inc.

CAROLE VOYZELLE [2]*
President and General Manager, Parc technologique du Québec métropolitain

(1) Member of the Audit Committee
(2) Member of the Executive Committee and of the Purchase Exchange Committee
(3) Member of the Conduct Review Committee
(4) Member of the Investment Committee

* Outgoing and may be re-elected at the Annual General Meeting of the shareholders

COMMITTEE REPORTS

EXECUTIVE COMMITTEE
During fiscal 2004, the Committee held six (6) meetings. Its activities focused on governance, including corporate governance rules and practices, as well as investment policy updates.

AUDIT COMMITTEE
The Audit Committee is responsible for assisting the Board of Directors discharge its oversight responsibilities. The Committee's mandate mainly consists of reviewing the financial statements, their presentation disclosure and the quality of retained accounting principles, risk management related to financial reporting, internal control systems, processes related to internal and external audits, procedures used in these audits and regulatory compliance management.

The Committee reviews the quarterly and interim financial statements, as well as the annual report, on the results of Capital régional et coopératif Desjardins, and discusses important issues concerning accounting principles and financial statement presentation.

The Committee ensures that its manager, Desjardins Venture Capital, has developed and implemented an effective internal control system with respect to financial reporting, safeguarding of assets, fraud detection and regulatory compliance. It also ensures that the manager has implemented systems for managing the main risks that could impact the Company's financial results.

The Committee has direct authority over the external auditor. As part of its responsibilities in this respect, the Committee ensures and maintains the external auditor's independence by authorizing all non-audit services; by recommending the auditor's appointment or re-appointment; by setting and recommending their compensation; and by evaluating the auditor annually. In addition, the Committee oversees the external auditors' work, their proposal, their mandate, their annual audit plan, their reports, and their management letter and comments. Capital régional et coopératif Desjardins has a policy governing the awarding of contracts for related services that addresses: a) the services that may or may not be delivered by the external auditor b) the governance procedure to be followed prior to awarding contracts and c) the responsibilities of the stakeholders.

The Committee ensures that the internal audit function's independence is protected. It analyzes the annual internal audit plan for Capital régional et coopératif Desjardins, reviews the summary reports of internal audits carried out and ensures follow-up, if necessary. In this respect, the Committee meets with the head of internal audit at Desjardins Group to review all important questions submitted to management. As regards relations with the Autorité des marchés financiers, the Committee reviews the inspection report issued by this organization as well as the interim financial reports submitted to it.

The Committee meets privately with the external auditors, the management and the head of internal audit at Desjardins Group, and reports to the Board of Directors every quarter with recommendations, as required.

The Committee, which is made up of four (4) directors, held six (6) meetings in 2004.

INVESTMENT COMMITTEE
The Investment Committee ensures that the investment policy is applied and complied with. During fiscal 2004, the Committee held eight (8) meetings, at which it reviewed the liquid portfolio management approach and the investment strategies in order to optimize this portfolio's returns.

The Committee also reviewed the manager's performance as well as the control and risk-related measures implemented to offset operational and market risks.

Committee members benefited from four (4) presentations concerning quarterly financial forecasts given by Desjardins Group economists.

PURCHASE EXCHANGE COMMITTEE
The Purchase Exchange Committee's mission is to interpret and apply the purchase-by-agreement policy and also to make decisions in compliance with the principle of the permanency of the Company's capital. During fiscal 2004, the Committee held three (3) meetings.

CONDUCT REVIEW COMMITTEE
During the past year, the Conduct Review Committee ensured that follow-up actions were taken with respect to the reports issued by Desjardins Group Internal Audit and the Autorité des marchés financiers. The Committee requested various comparative analyses, particularly concerning the Company's expenses and directors' independence, and validated the nominations for directors' positions. Finally, the Committee fulfilled the mandate entrusted by the Board of Directors, to which it submitted a report on its activities. During fiscal 2004, the Committee held six (6) meetings.

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS FINANCIAL REVIEW

The objective of this Financial Review is to provide a better understanding of the Company's operations. It should be read in conjunction with the audited annual financial statements and the accompanying notes. This disclosure document contains management's analysis of forward-looking statements. Caution should be exercised in the interpretation of this analysis and statements since management often makes reference to objectives and strategies that contain risks and uncertainties.

Due to the nature of the Company, the risks and uncertainties associated with it could cause the results to differ from those stated in such forward-looking statements. The Company disclaims any intention or obligation to update or revise forward-looking statements based on any new information or event that may occur.

1. THE COMPANY'S MAIN ACTIVITIES

The Company was founded on July 1, 2001, on the initiative of the Desjardins Group after its incorporating act adopted by Québec's National Assembly on June 21, 2001 (the "Act"), came into force.

Vision

Capital régional et coopératif Desjardins aims to be recognized as the preferred strategic partner of businesses by creating wealth and contributing to sustainable economic development across Québec.

Mission

- Contribute to Québec's economic development and actively take part in the growth of the resource regions: Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie–Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay–Lac-Saint-Jean ("resource regions").
- Inject venture capital into companies and cooperatives and provide expert advice to support their start-up, growth and expansion.
- Generate returns that will encourage shareholders to reinvest in the Company.

To realize its vision and fulfill its mission, the Company will follow three (3) main guidelines:

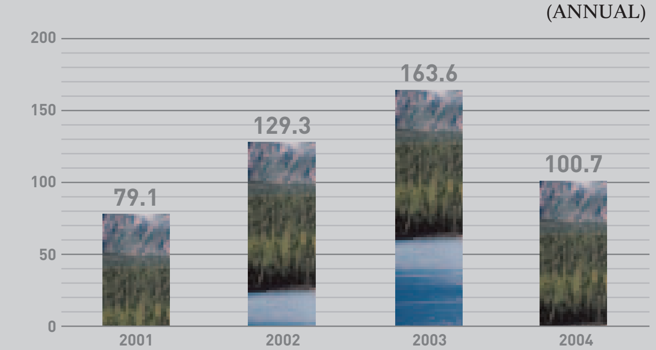
- Proactively contribute to the economic development of all Québec regions by meeting the criteria set out in its incorporating act, and ensure the Company's long-term viability;
- Generate returns that will encourage shareholders to reinvest in the Company by offering companies and cooperatives financial products that meet their needs and by ensuring proactive portfolio management; and
- Optimize the business relationship with Desjardins while capitalizing on its network and expertise to meet the target objectives.

The Company was granted a timeframe of five (5) years, i.e., until fiscal 2006, for the purpose of structuring and making operational the three (3) main activities underlying its growth: capital raising, investments impacting on the Québec economy, and investments in securities.

1.1 Raising Capital

The Company offers its shares exclusively through the Desjardins caisse network. As at December 31, 2004, this distribution network consisted of 570 Desjardins caisses and 848 service centres, for a total of 1,418 sales outlets.

NET CAPITAL RAISED (IN $M)
(ANNUAL)



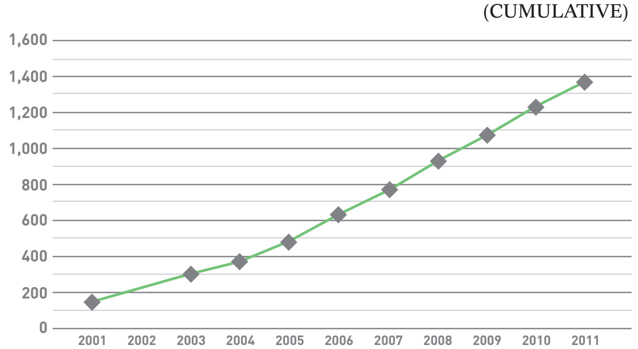
Since it started offering shares in November 2001, the Company has been very successful. Technically, the Company's capital may be increased at a rate of $150 million per capitalization period. However, in its budget of June 12, 2003, the Québec government reduced the annual limit for the share capital increase to $75 million for fiscal 2003 (ended February 29, 2004). This limit was reached in September 2003.

In addition, by an order of the ministère des Finances dated March 30, 2004, the Québec government reduced the annual limit for the share capital increase to $100 million for fiscal 2004 (ending February 28, 2005). During fiscal 2004, the Company sold its entire 2004 issue in less than a month, raising $100.7 million and bringing the total number of shareholders as at December 31, 2004, to 111,070 and the share capital to almost $473 million. Currently, the Company has 46,889,430 outstanding common shares.

The sale of the 2005 issue will start on March 15, 2005. In principle, the annual limit for the share capital increase will be $150 million for fiscal 2005 (ending February 28, 2006).

A special tax is payable by the Company if it fails to respect these limits. Control mechanisms have been implemented by the Company to ensure compliance with these limits.

ANNUAL REGULATORY MAXIMUM
FOR SHARE ISSUES (IN $M)
(CUMULATIVE)



1.2 Investments Impacting on the Québec Economy

The Company made its first investments in February 2002. The portfolio's net value stood at $33.7 million as at December 31, 2002. With investments totalling approximately $57.4 million and $105.4 million made in fiscal 2003 and 2004 respectively, the fair value of investments at the end of the fiscal 2004 amounted to $196.5 million.

Investment activities have expanded quickly and the recurring annual level reached will enable the Company to satisfy the investment requirements set out in the Act and applicable as of the fiscal year beginning January 1, 2006.

In accordance with Canadian accounting practices, the Company has elected to account for its investments impacting on the Québec economy at their fair value.

In fiscal 2004, two (2) comprehensive reviews of the portfolio were carried out: one for the six-month period ended June 30 and another for the six-month period ended December 31, 2004. As a result of these reviews, 46 investments were revalued. In its statement of earnings for the year, the Company recorded a change in unrealized appreciation (depreciation) of $9.0 million, for a cumulative portfolio depreciation of $12.5 million reported in the balance sheet as at December 31, 2004. This depreciation is accounted for as follows:

DISBURSEMENTS BY INDUSTRY	Cost $M	Depreciation $M	%
Cooperatives	4.5	-	-
Industrial	67.4	(7.3)	(10.8)
Health and biotechnology	32.8	(2.3)	(7.0)
Telecommunications	13.9	(0.2)	(1.4)
Information technology	29.2	(2.7)	(9.2)
Investment funds	0.6	-	-
Total	148.4	(12.5)	(8.4)

DISBURSEMENTS BY DEVELOPMENT STAGE	Cost $M	Depreciation $M	%
Seed financing	7.3	(1.5)	(20.5)
Start-up	19.6	(3.7)	(18.9)
Emerging	39.6	(5.8)	(14.6)
Growth	50.3	(2.9)	(5.8)
Mature	31.0	1.4	4.5
Investment funds	0.6	-	-
Total	148.4	(12.5)	(8.4)

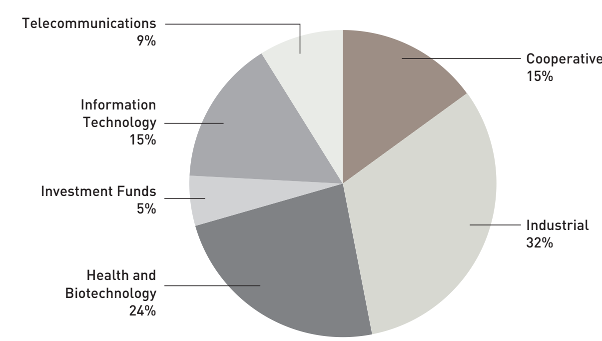
The fair-value accounting of the investment portfolio had a significantly negative impact on the Company's 2004 results. This situation could continue during the period required for building the Company's investment portfolio, due to the following two (2) factors:

- In keeping with the valuation methodology adopted by the Board of Directors, investments made less than 12 months ago are not valued unless a new transaction or significant changes resulted in a decline in the investment's value.
- Because of the nature of the Company's operations, namely venture capital investments in small and medium-sized enterprises, problems are more likely to occur early in the investment cycle while successes will probably be achieved toward the end of the cycle, which generally lasts from five (5) to eight (8) years.

Consequently, a period of five (5) to eight (8) years should be considered for generating positive investment returns.

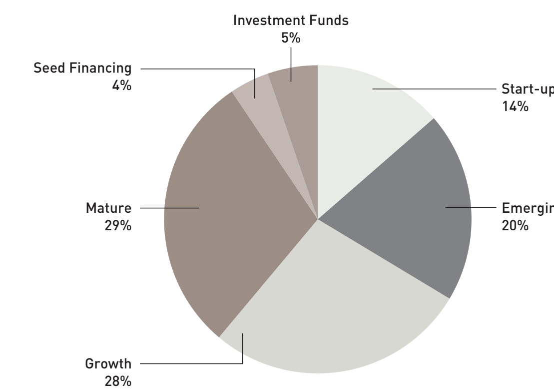
The Company and Desjardins Venture Capital (its manager) have adopted investment policies and strategies designed to promote the interests of the Company's shareholders. In this regard, the industry and the development stage of the companies in which the Company invests are clearly defined. Moreover, the Company's internal and external auditors as well as those of its manager ensure systematic monitoring.

TOTAL COMMITMENTS AT FAIR VALUE
BY INDUSTRY AS AT DECEMBER 31, 2004



From time to time, the manager will focus on business development in certain industries or on companies at different development stages to ensure portfolio balance. The range of financial instruments used may also vary to generate both short and long-term returns for the Company's shareholders. In 2005, the investment objectives of the Company and its manager are to increase investments in fixed-income securities and raise the proportion of investments in companies in the expansion and maturity stages.

TOTAL COMMITMENTS AT FAIR VALUE BY
DEVELOPMENT STAGE AS AT DECEMBER 31, 2004



In fiscal 2004, new commitments totalled $116.9 million, of which $85.9 million were disbursed. Total commitments amounted to $208.9 million in 113 companies, of which $148.4 million was disbursed in 106 companies. Commitments were broken down by region as follows:

BY REGION	Cost $M	%	Number of companies
Bas-Saint-Laurent*	5.2	2.5	9
National Capital	8.8	4.2	8
Central Québec	0.3	0.1	1
Chaudière-Appalaches	3.1	1.5	5
Eastern Townships	41.3	19.8	22
Gaspésie–Îles-de-la-Madeleine*	0.9	0.4	2
Lanaudière	0.9	0.4	2
Laurentians	2.8	1.3	3
Laval	4.1	2.0	3
Mauricie*	10.1	4.8	3
Montérégie	3.7	1.8	4
Montréal	117.6	56.3	37
Outaouais	0.8	0.4	1
Saguenay–Lac-Saint-Jean*	9.3	4.5	13
Total	208.9	100.0	113

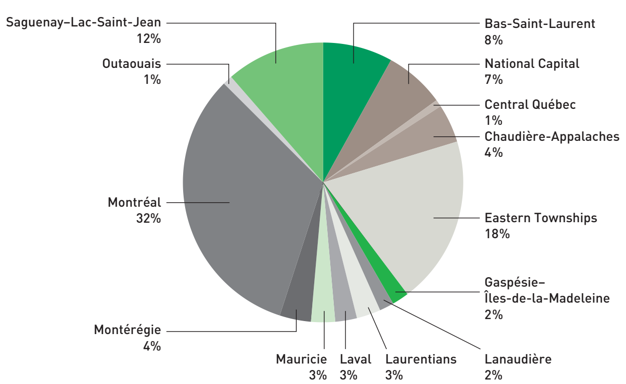
* Resource regions

According to the criteria set out in the Act and effective as of fiscal 2006, the Company's average investments in eligible entities must represent for at least 60% of its average net assets for the preceding year. Furthermore, at least 35% of that percentage (60%) must be invested in entities in resource regions of Québec or in cooperatives. If these criteria are not met, the Company will be subject to penalties. As at December 31, 2004, investments impacting on the Québec economy were broken down as follows:

	Fair Value $M	%
Investments in resource regions	24.6	12.5
Investments in cooperatives	29.5	15.0
Subtotal	54.1	27.5
Other investments in eligible entities	140.1	72.1
Subtotal	194.2	99.6
Other non-eligible investments	2.3	0.4
Total	196.5	100.0

Other non-eligible investments comprise investments in the form of debentures and secured loans. Although such investments are not part of the Company's mission, it is sometimes necessary to request guarantees in order to protect the capital invested in a company experiencing financial difficulties.

REGIONAL BREAKDOWN OF COMPANIES
AS AT DECEMBER 31, 2004



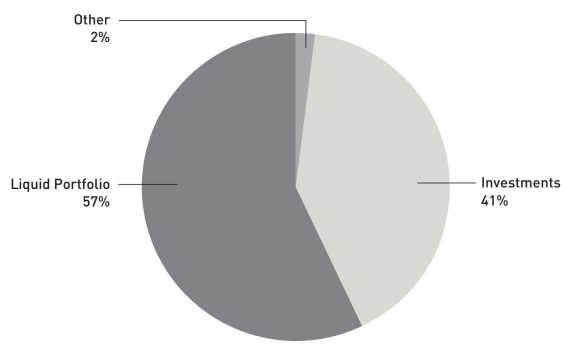
The Company expects to meet its investment objectives on schedule, in particular by maintaining a presence in all Québec regions via its manager's 16 offices. Growth will be pursued in 2005 by opening two (2) more regional offices.

The overriding priority is to ensure business development in the various regions of Québec. The Company can benefit from the expertise of a range of professionals: investment professionals based in its manager's regional offices; investment professionals specialized in the health and biotechnology and technology sectors, financial advisors based in the Desjardins caisses; managers of Corporate Financial Centres; and directors based in the regions in question. Over 6,000 people are contributing directly or indirectly to the pursuit of the Company's investment objectives for 2006.

1.3 Investments in Securities

Under its incorporating act, effective December 31, 2006, the Company's investments in eligible entities, as defined in the Act, must represent on average 60% of its net average assets for the previous year. The liquid portfolio consists of the portion of average net assets that is not invested in eligible entities while cash management involves amounts temporarily available prior to investing in eligible entities.

NET ASSETS BREAKDOWN
AS AT DECEMBER 31, 2004



In addition to fulfilling its statutory mandate of fostering development in regions and cooperatives as well as in Québec in general, the Company aims to maximize its shareholders' total returns while reducing long-term capital loss risks. The Company has therefore adopted a global approach, integrating liquid and cash portfolio management with the management of its investments in eligible entities. As a result, the Company's overall portfolio is balanced, with a strong return potential over the shareholders' entire holding period, regardless of economic conditions.

To achieve its objectives, the Company uses a global management approach that is different from mutual fund management and that is more similar to cash or pension fund management. Under the Company's approach, the average maturity of total assets is matched with the average maturity of expected outflows of funds.

The Company takes into account its investments in specific statutory requirements as well as the structure of its portfolio of investments in eligible entities before making decisions concerning the assets comprising the liquid and cash portfolios. The main considerations are as follows:

- The Company's shareholders must hold their shares for at least seven (7) years;
- Investments in eligible entities have target maturities of five (5) to eight (8) years and are generally more risky and less liquid;
- Returns on investments in eligible entities tend to be linked to economic cycles;
- The Company is subject to the capital tax.

To enhance total portfolio returns, the manager is also authorized to buy and sell the financial instruments stipulated in the investment policy. Such trades are made in an overlay portfolio and their potential risk limits are defined and overseen by the Company's Investment Committee and tracked daily by the manager. As at December 31, 2004, the Company had no market positions.

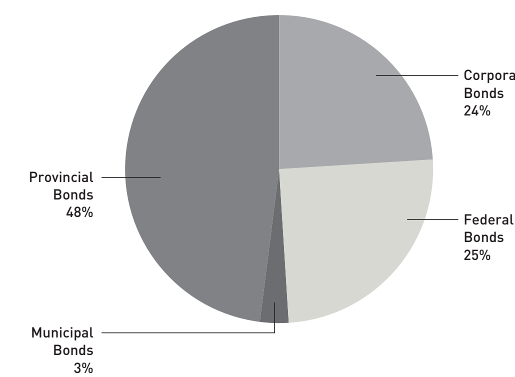
The Company mainly deals with Caisse Centrale Desjardins, Desjardins Securities and Desjardins Trust for managing its liquid and cash investments.

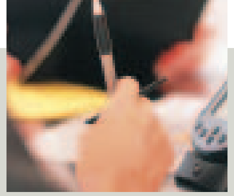
As in 2002 and 2003, the amounts available as at December 31, 2004, totalling over $338 million, were invested almost exclusively in highly liquid bonds with low credit risk. As at December 31, 2004, more than 75% of the securities held in the portfolio carried a government guarantee.

Under the unamortized cost accounting method, which was still in effect in 2004, interest income derived primarily from bond investments is recorded at the bond's effective rate at the date of acquisition. The gains on disposal are recorded at the date of sale and represent the difference between the sale proceeds and the cost. Once again, interest on investments totalling $15.1 million as well as gains on disposal of $10.1 million comprised the Company's main sources of income in 2004.

On January 1, 2005, in accordance with new accounting standards, the Company changed its accounting method for investments to the fair value method. As a result, the carrying value of investments increased by $1.5 million and the net assets per common share rose to $10.28. Using fair values is likely to cause greater fluctuations in the Company's results and net assets per share values since the value of the liquid portfolio will be directly influenced by changes in market interest rates.

BREAKDOWN OF THE LIQUID PORTFOLIO
AS AT DECEMBER 31, 2004, AT COST



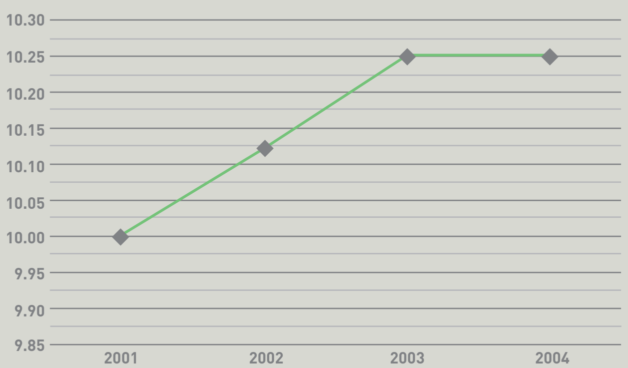


2. SELECTED FINANCIAL INFORMATION

2.1 Annual Information

The following table sets forth selected audited annual financial information for the Company. This financial information was taken from the audited financial statements of the Company, and the accompanying notes are incorporated herein by reference. This financial information should be read in conjunction with these financial statements.

NET ASSETS PER SHARE (IN $)



ANNUAL FINANCIAL INFORMATION
Years ended December 31

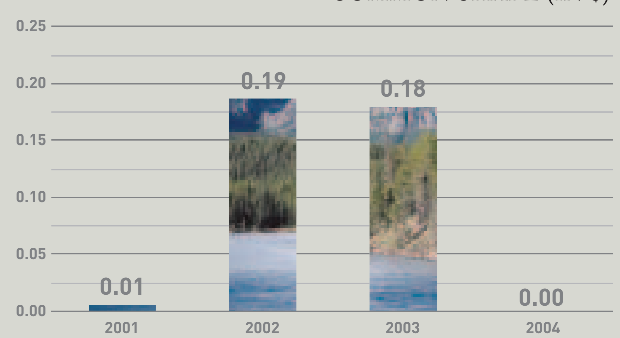
(in thousands of $, except number of shares and per share data)

	2004	2003	2002
DATA FROM STATEMENTS OF EARNINGS			
Revenue	18,764	16,706	7,908
Expenses other than non-refundable grants	17,658	12,868	7,432
Non-refundable grants	-	(5,015)	(2,993)
Earnings before income taxes	1,106	8,853	3,469
Income taxes	1,320	3,065	1,081
Net earnings (net loss) for the year	(214)	5,788	2,388
Weighted average number of common shares	44,453,373	32,823,844	12,473,600
Net earnings (loss) per common share [(1)]	0.00	0.18	0.19

	2004	2003	2002
DATA FROM BALANCE SHEETS			
Investments impacting on the Québec economy	196,461	91,061	33,729
Total assets	483,247	381,959	221,304
Liabilities	2,654	1,806	10,565
Shareholders' equity	480,593	380,153	210,739
Number of outstanding common shares	46,905,260	37,085,339	20,832,862
Net value per common share	10.25	10.25	10.12
DATA FROM STATEMENTS OF CASH FLOWS			
Cash flows used in investing activities [(2)]	(103,669)	(161,307)	(141,999)
Cash flows from financing activities [(3)]	100,654	163,626	129,274

(1) Net earnings (loss) per share were calculated using the weighted average number of common shares outstanding during the year.
(2) Considering investments impacting on the Québec economy and investments in bonds and money markets.
(3) Considering the proceeds from the issue of shares and the cost of share redemptions.

NET EARNINGS PER COMMON SHARE (IN $)



2.2 Interim Information

The following table sets forth selected interim financial information by the Company. This financial information was taken from the audited financial statements of the Company, and the accompanying notes are incorporated herein by reference. This financial information should be read in conjunction with these financial statements.

ANNUAL FINANCIAL INFORMATION
DATA FROM STATEMENTS OF EARNINGS

(in thousands of $, except number of shares and per share data)

2004

	1st half (audited)	2nd half (difference)	Year (audited)
Revenue	9,116	9,648	18,764
Expenses other than non-refundable grants	8,984	8,674	17,658
Non-refundable grants	-	-	-
Earnings before income taxes	132	974	1,106
Income taxes	250	1,070	1,320
Net loss	(118)	(96)	(214)
Weighted average number of common shares	41,976,438	46,930,308	44,453,373
Net loss per common share [(1)]	0.00	0.00	0.00

2003

	1st half (audited)	2nd half (difference)	Year (audited)
Revenue	10,943	5,763	16,706
Expenses other than non-refundable grants	6,757	6,111	12,868
Non-refundable grants	(2,661)	(2,354)	(5,015)
Earnings before income taxes	6,847	2,006	8,853
Income taxes	1,834	1,231	3,065
Net earnings	5,013	775	5,788
Weighted average number of common shares	28,769,848	36,877,839	32,823,844
Net earnings per common share [(1)]	0.17	0.02	0.18

2002

	1st half (audited)	2nd half (difference)	Year (audited)
Revenue	1,479	6,429	7,908
Expenses other than non-refundable grants	2,586	4,846	7,432
Non-refundable grants	(1,283)	(1,710)	(2,993)
Earnings before income taxes	196	3,273	3,469
Income taxes	188	893	1,081
Net earnings	8	2,380	2,388
Weighted average number of common shares	9,325,545	15,621,655	12,473,600
Net earnings per common share [(1)]	0.00	0.15	0.19

(1) Net earnings (loss) per common share were calculated using the weighted average number of common shares outstanding during the period or year.

2.3 Dividends

The Company has a policy of reinvesting its annual income from operations and not paying dividends to shareholders in order to increase its capital available for investment in eligible entities and create share appreciation.

3. LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operating activities, combined with capital raising, enabled the Company to invest $85.9 million in Québec companies and $18.7 million in bonds during fiscal 2004, compared with $41.9 million and $118.9 million respectively in fiscal 2003. As investments impacting on the Québec economy increase, growth in the liquid portfolio should slow down and stabilize at the current level for the next few fiscal years.

Given the management approach of matching the average maturity of total assets with the average maturity of expected cash outflows, the Company does not anticipate any shortfall in liquidities in the short or medium term.

4. OPERATING RESULTS

This analysis is intended to provide shareholders with an overview of the major changes that took place between the year ended December 31, 2004, and those ended December 31, 2003 and 2002.

4.1 Revenue

Since the Company's start-up activities are advancing at such a brisk pace, results of different periods cannot be easily compared.

(in thousands of $)	2004	2003	2002
REVENUE			
Investments			
Realized revenue	25,287	17,513	6,034
Investments impacting on the Québec economy			
Realized revenue	2,215	672	776
Change in unrealized appreciation (depreciation)	(9,032)	(2,950)	(491)
	(6,817)	(2,278)	285
Membership dues	294	1,471	1,589
Revenue	18,764	16,706	7,908

Investment revenue made a significant contribution to the Company's operating revenue, totalling $25.3 million in 2004, compared with $17.5 million and $6.0 million in 2003 and 2002 respectively. In addition to interest income, capital gains were generated on the sale of some investments thanks to the investment strategy and falling market interest rates. As could be expected with an integrated risk management approach, these gains helped absorb losses on investments impacting on the Québec economy as well as operating expenses, and generated earnings before income taxes of $1.1 million.

Investments in eligible entities started in February 2002. The financial impact of these transactions was first reflected in the Company's earnings in the first half of 2002 by way of interest income on unsecured debentures and negotiation fees. Realized depreciation and the change in unrealized appreciation (depreciation) recorded since the second half of 2002 closely reflect our actual operations. Since beginning investing activities impacting on the Québec economy in 2002, the Company recorded related revenue in the amount of $0.3 million in 2002 and then incurred losses of $2.3 million and $6.8 million in 2003 and 2004 respectively.

As mentioned previously, because of the nature of the investments in question, namely venture capital investments in small and medium-sized enterprises, problems are more likely to occur early in the investment cycle while successes will probably be achieved toward the end of the cycle, which generally lasts from five (5) to eight (8) years.

Revenue from membership dues, which are payable by all new shareholders on opening an account, is directly related to capital raising. In 2002, the Company raised more capital in the second half of the year. However, under the legislative amendment announced in July 2002, the Company's share acquisition period was extended until the last business day in February for the purposes of the tax credit for the previous taxation year. This explains the increase in membership revenue in the first half of 2003 compared with the preceding fiscal years, when membership dues were primarily recorded in the second half of the year. Finally, since a critical mass of more than 100,000 shareholders was reached in September 2003, membership revenue was much less significant in 2004, and this trend should continue in the future. As at December 31, 2004, the Company had more than 111,000 shareholders.

4.2 Expenses

(in thousands of $)	2004	2003	2002
EXPENSES			
Management fees	14,112	9,779	4,827
Other operating expenses	736	599	438
Shareholder services	2,167	1,952	1,684
Capital tax	88	81	63
Amortization of software	555	457	420
	17,658	12,868	7,432
Non-refundable grants	-	(5,015)	(2,993)
Expenses	17,658	7,853	4,439

Expenses consist mainly of costs related to operations and shareholder services. These expenses were partially absorbed in 2002 and 2003 by non-refundable grants to the Company.

Operating Expenses

Management fees incurred in fiscal 2004 amounted to $14.1 million, or 95.0% of total operating expenses of $14.8 million, compared with $9.8 million or 94.2% of total operating expenses in 2003, and $4.8 million or 91.7% in 2002.

The billing basis is comparable from one period to another since no changes were made to the management agreement. Under this agreement, the management fees are equivalent to 3% of the average net value of the Company's assets, less all amounts payable for the acquisition of investments and the balance of deferred non-refundable grants. This percentage will be reduced to 2.5% as of the fiscal year following the year in which the net value of assets reaches $750 million. At the current rate of authorized capital raising, which is $150 million annually, the Company expects this reduced rate will be applicable as of fiscal 2007.

A comparative study of the Company's operating expenses commissioned by the Conduct Review Committee in fiscal 2004 concluded that the level of expenses, without taking into account the grants, was comparable with the industry level for funds of the same size.

Shareholder Services

The Company has appointed Desjardins Trust as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services, and represents, since the beginning of the Company's operations, the primary component of shareholder services expenses. For fiscal 2004, the services provided by Desjardins Trust amounted to nearly $1.9 million, or 86.4% of shareholder services expenses.

The number of shareholders grew from 72,105 as at December 31, 2002, to 104,943 as at December 31, 2003, and then to 111,070 as at December 31, 2004. As a result, expenses related to the management of shareholder accounts increased from $1.2 million in 2002 to $1.6 million in 2003 and to $1.9 million in 2004. However, the Company expects that trustee expenses will level off since the number of shareholders is unlikely to rise significantly in the coming years.

The Company has entrusted the Fédération des caisses Desjardins du Québec with the activities related to the distribution of its shares in the Desjardins caisse network. Other than the reimbursement of certain direct expenses, no commissions or other forms of remuneration are payable to any person for the distribution of the Company's shares.

Capital Tax

The tax liability was minimized by selecting securities eligible for a deduction for the purposes of the Québec capital tax while ensuring investment diversification and security. As at December 31, 2004, the liquid portfolio was entirely comprised of investments eligible for Québec capital tax purposes.

Non-Refundable Grants

The Desjardins Group and the ministère de l'Industrie et du Commerce du Québec gave the Company matching grants totalling $10 million. The grants were aimed at providing the Company with start-up assistance and at meeting all current expenditures related to its organizational activities.

The deferred balance of grants totalled $5.0 million as at December 31, 2002, and was fully amortized as at December 31, 2003.

Amortization of Software

Software amortization gradually increased from 2002 to 2004 as software developed for the Company was brought into service. No software was commissioned in 2004, although the Company will review, in 2005, the need for further investments in software development to facilitate the processing of share redemptions, which are expected to increase starting in 2008.

Income Taxes

Income taxes amounted to $1.3 million in 2004, compared with $3.1 million in 2003 and $1.1 million in 2002. For the purposes of calculating taxable income in Québec, the Company was authorized to deduct, prior to June 13, 2003, for a given taxation year, an amount not exceeding its taxable income for the year. As a result, the Company had no Québec income tax liability. On June 12, 2003, the Company became subject to Québec income tax.

In addition to the current income taxes, future income taxes represent a major component of the tax liability. The type of income also had a significant impact on the tax liability since capital gains are not taxed at the same rate as business income.

As at December 31, 2004, since almost 69% of the investment portfolio consisted of eligible investments for the purposes of calculating the federal tax on large corporations, the Company was able to reduce the tax impact in this regard.

Net Earnings (Net Loss)

In the past, the Company used the grants to partly absorb operating expenses. Thus, grant proceeds combined with investment income contributed to the Company's profits until 2003. For the year ended December 31, 2004, the Company posted a net loss of $0.2 million. Therefore, the net assets per common share remained at $10.25, i.e., the same level as at December 31, 2003, based on the number of common shares outstanding at year-end.

On January 1, 2005, the Company changed its accounting method for investments to the fair value method to comply with new accounting standards. As a result, the carrying value of investments increased by $1.5 million and the net assets per common share rose to $10.28.

In the coming years, the key elements for generating attractive long-term returns for shareholders will continue to be prudent liquid portfolio management and the selection of high-quality promising projects. It is expected that using the fair value method will cause greater fluctuations in the Company's results and net assets per share values since the liquid portfolio will be directly impacted by market interest rate changes.

RETURNS BY ASSET CLASS ON A DISBURSEMENT BASIS

(in %)	2004	2003
Fixed-income securities	7.0	5.9
Equity securities	(15.5)	(10.7)
Total portfolio	4.0	4.5
Operating expenses and income taxes, net of membership dues and grants	(4.0)	(2.8)
Company's return	0.0	1.7

CHANGES IN NET ASSETS PER COMMON SHARE

(in $)	2004	2003
Net assets at the start of the year	10.25	10.12
Interest and negotiation fees	0.44	0.46
Realized gains	0.18	0.10
Change in unrealized appreciation (depreciation)	(0.20)	(0.09)
Operating expenses, net of membership dues and grants	(0.39)	(0.19)
Income taxes and capital tax	(0.03)	(0.10)
Increase attributable to operations	0.00	0.18
Difference attributable to share issues and redemptions	0.00	(0.05)
Net assets at year-end	10.25	10.25

5. ACCOUNTING POLICIES

5.1 Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 balance sheet and the reported amounts of revenue and expenses during the reporting period.

The main estimates relate to determining the fair value of investments impacting on the Québec economy. Actual results could differ from those estimates.

The fair value of the investment portfolio impacting on the Québec economy is determined on a semi-annual basis in accordance with methods recommended by the manager's Valuation Committee and approved by the Company's Board of Directors. The manager's management prepares a detailed valuation report and a team of employees specialized in business valuations assists in determining the fair value. In preparing analyses, management draws on the services of an outside expert in business valuations, as needed. The report is then submitted to the manager's Portfolio Valuation Advisory Committee. The Committee consists of a director of the manager, a director of the Company and two (2) outside members. An expert in business valuations also attends the meetings. The Committee receives the report, discusses it, ensures the reasonableness of the report based, as necessary, on the advice of outside experts and makes a final recommendation to the Company's Board of Directors.

According to the portfolio valuation methodology implemented by the manager, the valuation technique is determined in the following order:

- Based on the market value for public companies;
- Based on a recent transaction that took place in the past 12 months, if any;
- Based on a valuation method in other cases.

The valuation method in other cases is based on the nature of the company's operations, its development stage, its financial results and qualitative operational growth.

5.2 New Accounting Standards

In January 2004, the Canadian Institute of Chartered Accountants (CICA) issued a guideline on investment companies (AcG-18). This new guideline requires investment companies to record their investments at fair value. The Company decided to apply this standard prospectively as of the year beginning January 1, 2005. The Company's investments in bonds should be accounted for at fair value instead of unamortized cost. As a result of this change in accounting policy, the carrying value of investments increased by $1.5 million and the net assets per common share rose by $0.03 to $10.28 as at January 1, 2005.

Section 1100 of the CICA Handbook, Generally Accepted Accounting Principles (GAAP), which describes what constitutes Canadian GAAP and their sources, has been revised. The Section also provides guidance on sources to consult for matters not dealt with explicitly in the primary sources of GAAP. The Section significantly minimizes the relevance of industry practice as a reference source of GAAP. The Company has accordingly changed its method for calculating the fair value of investments in public corporations and now uses the bid price at the market close on the balance sheet date. This change was treated as a change in accounting estimates and was applied prospectively. It had no significant impact on the Company's results.

6. 2004 REVIEW AND 2005 OUTLOOK

The Company entered the venture capital industry at a time when business valuations were subject to downward pressure and the role of government was uncertain.

Moreover, since interest rates are at historic lows, it may be difficult to achieve the liquid portfolio's current return objectives, which aim to generate the cash needed to cover operating expenses in the coming years. However, significant non-recurring gains were made on sales of investments.

Although the Company aims to optimize returns generated by its operations, maintaining the share value above the initial issue price of $10 per share and contributing to Québec's economic development remain its priorities.

6.1 Review of Capital Markets in 2004

The year 2004 was highlighted by renewed job creation in the U.S., as well as volatile and rising oil and commodity prices. In addition, the federal funds rate rose by 1.25% to reach 2.25% at the end of the year, starting a moderate normalization process. The U.S. dollar continued to weaken against a range of currencies in 2004 and nothing seems able to stop this slide in 2005. In Canada, after an accommodating start to the year, the central bank started tightening monetary policy in June and the overnight rate was raised to 2.50% at the end of the year. Despite these interest rate hikes and high volatility in capital markets, 10-year interest rates in Canada fell by more than 0.30% to end the year at U.S. levels at the start of the year.

As for stocks, 2004 was another stellar year with the Canadian (S&P/TSX) and U.S. (S&P 500) markets climbing 12.1% and 9.0% respectively. Companies remained profitable and earnings grew, enabling stock markets to build on the exceptional gains made in 2003.

Once again, the Canadian dollar strengthened against the U.S. currency throughout the year, rising by 8% in 2004 and bringing gains over the past two (2) years to more than 30%. All world currencies were subject to upward pressure against the U.S. dollar and some central banks were forced to intervene in the markets to reduce the negative economic impact of an excessively rapid currency rise.

6.2 Economic and Financial Outlook for 2005

The outlook for 2005 is as yet uncertain. Several questions overshadowing capital markets could have a major impact on their overall performance. What will be the net impact if the Canadian dollar surges rapidly against its U.S. counterpart? Will Canadian companies take this opportunity to make investments to improve productivity? Will the loonie's swift rise hurt Canadian companies' competitive positioning in the U.S. market? Already, uncertainty over the net impact of our dollar's strength on the Canadian economy as well as its non-inflationary effects appear to have prompted the Bank of Canada to take a more measured approach to interest rate increases than in the U.S.

Another important theme in 2005 will be the impact on the U.S. economy of Federal Reserve interest rate hikes expected throughout the year. Given the large budget and trade deficits in the U.S. and the country's heavy dependence on foreign capital to finance these deficits, large interest rate increases could considerably slow U.S. economic growth and impact the real estate market. Following the real estate market boom of the past few years, a high proportion of household wealth is now concentrated in this market and any slowdown would rein in U.S. economic growth by boosting the household savings rate. The U.K. and Australia are already starting to feel the effects of past interest rate increases on their respective real estate markets.

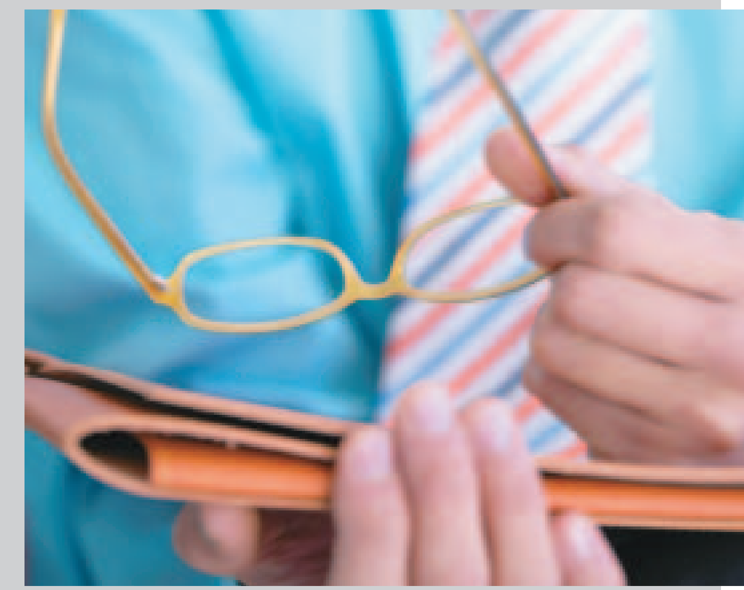
On the international stage, the most important issue in 2005 remains the Chinese yuan's possible revaluation, which should make it easier to control the enormous U.S. trade deficit. In Europe, economic growth should remain below its potential, with real GDP growth of 1.7% in 2005. In addition to the damage caused by the euro's strength in 2005, Europe will also have to deal with weak consumer spending and possible job losses resulting from the delayed effects of a strong currency.

Despite these uncertainties, the U.S. and Canadian economies should expand by 3.6% and 2.8% respectively. Given low inflation and economic growth slightly below its long-term potential, the central banks should restrict their interest rate increases, which in turn should strongly limit rate increases in the long-term bond market.

6.3 Venture Capital Industry Overview

In 2004, Québec's venture capital industry recovered gradually from its sharp downturn in 2003. Indeed, following a decade of strong growth, investments fell by more than 20% in 2003. In 2004, venture capital investments totalled $618 million, increasing slightly compared with the previous year.

Most investments in Québec in 2004 were made in companies in the growth stage operating in traditional industries and information and communication technologies (ICT). Health and biotechnology, which started the year with the lion's share, is currently undergoing a significant downturn and ended the year 34.2% below the 2003 level. It seems that some venture capital players are rebalancing their investment portfolios. Among the highlights of 2004 in Québec, an increase in the amounts invested by company can be noted, as well as a decrease of 21.2% in the number of companies receiving financing.



As a result of the Canadian dollar's strength as well as tepid IPO and M&A markets, exits were delayed and the values of some portfolio investments were adjusted downwards. However, projections for the coming years are solid as company valuations return to more reasonable levels following the market shake-up. Moreover, major clients (manufacturers) in some technology industries are slowly showing signs of renewed activity and are expected to place large orders once again.

As for financial performance, returns of Québec venture capital companies are still weak. The developing nature of the Québec industry is no doubt an important factor, although the objectives of industry players are also contributing to this situation.

It is important to note that the government's role has been significantly reduced in Québec. Indeed, the government has confirmed that it will no longer finance companies in certain industries or development stages. In 2004, it also created the Regional Economic Investment Funds (FIER) to foster economic development across Québec. Regional funds will be set up in public-private partnership mode on the initiative of entrepreneurs based in the regions. In addition, a fund dedicated to financing strategic projects and specialized funds will be created in public-private partnership mode with the three (3) tax-advantaged funds, including the Company. The market is also characterized by a lack of specialized high value-added players, foreign investments that are gradually returning to levels at the beginning of the decade and a continuing scarcity of genuine angel investors.

	2004	2003
INVESTMENTS IN THE QUÉBEC VENTURE CAPITAL INDUSTRY (IN $M) [1]		
ICT	**257**	218
Health and biotechnology	**160**	243
Traditional	**201**	153
Total	**618**	614
COMPANY'S MARKET SHARES (IN %)		
ICT	**8.5**	6,7
Health and biotechnology	**10.6**	5,0
Traditional	**23.4**	9,9
Total	**13.9**	6,8

(1) Source: Réseau Capital

Thanks to the enhanced presence of the Company's manager across Québec and closer links with cooperatives and entrepreneurs, the Company sharply increased its investments impacting on the Québec economy during the year, raising its market share in Québec from 6.8% in 2003 to 13.9% in 2004. Traditional industries accounted for the largest increase.

7. RISK MANAGEMENT

7.1 Risk Governance

As with the approach toward assets in the various portfolios, risk management is carried out globally, taking into account all of the Company's contractual commitments. The monitoring and control of different risks is thus overseen by various committees. Some risk governance is assumed by the manager of the Company.

Executive Committee

The Executive Committee is authorized to exercise all the powers of the Board of Directors concerning the management of the Company's business, except for those statutory powers that must be exercised by the Board as well as those powers the Board expressly reserves for itself.

Investment Committee

The Investment Committee approves the investment strategies as well as the terms and conditions for liquid portfolio management in accordance with the investment policy.

Audit Committee

The Audit Committee is responsible for monitoring the financial reporting process. Accordingly, the Committee reviews the quarterly, semi-annual and annual statements, financial information disclosure, the internal control system, risk management, internal and external audit processes, the procedures applied, regulatory compliance and any other areas of responsibility entrusted by the Board of Directors.

In addition, the Committee ensures the independence of the external auditors and the internal auditor of the Desjardins Group who serves as the Company's internal auditor.

Conduct Review Committee

The Conduct Review Committee reports to the Board of Directors on all questions relating to the application of the Company's Code of Ethics and submitted to it by the Board of Directors. The Committee is also responsible for reviewing any potential conflicts and making appropriate recommendations to the Board of Directors.

Purchase Exchange Committee

The Purchase Exchange Committee is charged with interpreting and applying the purchase-by-agreement policy while ensuring that its decisions comply with the principle of the permanency of the Company's capital.

Manager's Investment Committees

The manager has created investment committees for evaluating and approving, within the limits of the policies and the strategic plan defined by the Company's Board of Directors, purchases or sales of interests in companies.

7.2 Potential Risks

Market Risk

This refers to the risks related to the Company's role in the capital markets and indirectly to the general changes in economic conditions. Such risks result from the impact of capital market movements on the values of assets held by the Company. The different market risks having a direct impact on the Company are:

- **Interest Rate Risk**
  Interest rate changes have a significant impact on the market value of bonds held in the portfolio. This impact will be greater starting in 2005 following the adoption of the fair value accounting method. A 1% increase in interest rates could lead to a 2.5% drop in the Company's share price as at December 31, 2005.
- **Currency Risk**
  Exchange rate movements have an impact on some private partner companies. Although some exporting companies may be hurt by a strong Canadian dollar, the net impact of a currency appreciation is not necessarily negative since other companies could take advantage of the opportunity to purchase equipment for improving productivity in the longer term.
- **Stock Market Risk**
  Stock market trends have a twofold impact on the Company. In addition to the direct impact on the market values of publicly traded stocks, the valuations of some private companies held in the portfolio may also be affected by changes in stock prices.

Under the global approach used by the Company, the impact of such risks and their inter-related effects are taken into account when setting the overall asset allocation.

Credit and Counterparty Risk

Given its venture capital mission, the Company is necessarily exposed to credit risk arising from potential financial losses suffered by a partner company. By diversifying its investments by industry and company development stage and by limiting the potential risk specific to each individual company, the Company has succeeded in limiting the potential portfolio volatility caused by negative events.

The risks associated with the liquid portfolio are managed by limiting the risks associated with a single issuer and by ensuring that all securities held have a BBB credit rating or higher. Counterparty risk is very limited in the very short term and arises from cash and repurchase agreement transactions. Since no derivatives may be held in the Company's portfolios, counterparty risk is reduced.

IMPACT OF CREDIT AND COUNTERPARTY RISK ON THE COMPANY

(as a % of net assets as at December 31, 2004)

Weighting of the 5 largest interests (investments)	9.7
Weighting of the 5 largest issuers or counterparties (liquid portfolio)*	34.6

* Governments accounted for 75.5% of this weighting.

Liquidity Risk

The Company must have sufficient liquid assets in order to meet the cash needs for share redemptions. If not, the Company would be dependent on the markets and forced to carry out transactions even under unfavourable conditions. Since liquid bond investments should represent 40% of assets under management and since the chosen management approach consists in ensuring that the average maturity of assets matches the average maturity of expected outflows, the Company can confirm that liquidity risks are adequately covered.

7.3 Regulatory Matters

The Company is subject to provincial and federal laws, rules, standards, regulations and policies as well as internal rules, by-laws and policies that provide a framework for its operations. Some risk stems from the ability of the Company to comply with its obligations or to adapt to regulatory changes or tightening of policies already in effect.

Other information concerning the Company, including the annual information form, may be found on the Sedar site (www.sedar.com).

February 28, 2005

MANAGEMENT'S REPORT

January 28, 2005

The financial statements and all the information contained in this annual report are the responsibility of management, and have been approved by the Board of Directors.

The financial statements have been prepared by management according to Canadian generally accepted accounting principles. While it was possible to apply other accounting methods, management chose those which were judged most appropriate for the circumstances. The financial statements include amounts based on the use of best estimates and judgments. Management has established these amounts in a reasonable manner in order to ensure that the financial statements are fairly presented in all material respects. Management has also prepared the financial information presented elsewhere in the annual report and has ensured that it agrees with the financial statements. The Company maintains control systems for internal accounting and administration. The objective of these systems is to provide a reasonable assurance that the financial information is pertinent, reliable and accurate and that the Company's assets are properly accounted for and safeguarded.

The Board of Directors is entrusted with ensuring that management assumes its responsibilities with regard to the presentation of financial information and is ultimately responsible for the examination and approval of the financial statements. The Board discharges this responsibility principally through its Audit Committee whose members are external directors. This Committee meets periodically with management and the external auditors to discuss the internal controls exercised over the process of presentation of the financial information, questions of auditing and questions on the presentation of financial information in order to assure themselves that each party properly fulfills its function and also to examine the financial statements and the external auditors' report.

The financial statements have been audited on behalf of the shareholders by the external auditors, PricewaterhouseCoopers LLP. The auditors have free and full access to the Audit Committee.

(signed) Marie-Claude Boisvert
Chief Financial Officer

AUDITORS' REPORT

January 28, 2005

To the Shareholders of
Capital régional et coopératif Desjardins

We have audited the balance sheets of **Capital régional et coopératif Desjardins** (the "Company") as at December 31, 2004 and 2003 and the statements of earnings (loss), shareholders' equity and cash flows for the years then ended and the schedule of investments impacting on the Québec economy as at December 31, 2004. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2004 and 2003 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) PricewaterhouseCoopers LLP
Chartered Accountants

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

BALANCE SHEETS

AS AT DECEMBER 31, 2004 AND 2003

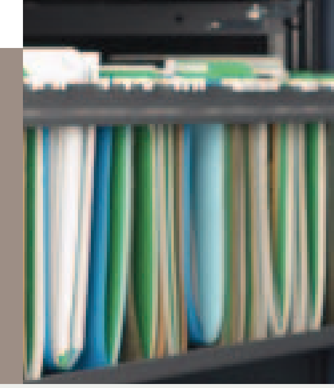
(in thousands of dollars, except number of shares and net value per common share)	2004 $	2003 $
ASSETS		
Investments impacting on the Québec economy		
Investments (see schedule)	135,911	61,438
Funds committed but not disbursed (see schedule)	60,550	29,623
	196,461	91,061
Investments (note 4)	274,130	279,527
Accounts receivable (note 5)	5,279	3,611
Cash and cash equivalents	3,663	5,397
Software (net of accumulated amortization of $1,432; December 31, 2003 – $877)	1,808	2,363
Future income taxes (note 9)	1,906	-
	483,247	381,959
LIABILITIES		
Accounts payable and accrued liabilities (note 7)	1,327	1,377
Income taxes payable	1,327	185
Future income taxes (note 9)	-	244
	2,654	1,806
NET ASSETS	480,593	380,153
SHAREHOLDERS' EQUITY		
Share capital (note 8)	472,641	371,967
Retained earnings	20,425	11,627
Unrealized appreciation (depreciation)	(12,473)	(3,441)
	480,593	380,153
Number of outstanding common shares	46,905,260	37,085,339
Net value per common share	10.25	10.25

Approved by the Board of Directors,

(signed) Bruno Riverin
Director

(signed) Serges Chamberland
Director

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



CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

STATEMENTS OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

(in thousands of dollars)

2004

	Share capital $	Retained earnings $	Unrealized appreciation (depreciation) $	Shareholder's equity $
Balance – December 31, 2003	371,967	11,627	(3,441)	380,153
OPERATING ACTIVITIES				
Realized net earnings for the year	-	8,818	-	8,818
Change in unrealized appreciation (depreciation) for the year	-	-	(9,032)	(9,032)
Net loss for the year	-	8,818	(9,032)	(214)
FINANCING ACTIVITIES				
Shares issued	101,716	-	-	101,716
Redemption of shares	(1,042)	(20)	-	(1,062)
	100,674	(20)	-	100,654
Net change for the year	100,674	8,798	(9,032)	100,440
Balance – December 31, 2004	472,641	20,425	(12,473)	480,593

2003

	Share capital $	Retained earnings $	Unrealized appreciation (depreciation) $	Shareholder's equity $
Balance – December 31, 2002	208,328	2,902	(491)	210,739
OPERATING ACTIVITIES				
Realized net earnings for the year	-	8,738	-	8,738
Change in unrealized appreciation (depreciation) for the year	-	-	(2,950)	(2,950)
Net earnings for the year	-	8,738	(2,950)	5,788
FINANCING ACTIVITIES				
Shares issued	164,467	-	-	164,467
Redemption of shares	(828)	(13)	-	(841)
	163,639	(13)	-	163,626
Net change for the year	163,639	8,725	(2,950)	169,414
Balance – December 31, 2003	371,967	11,627	(3,441)	380,153

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

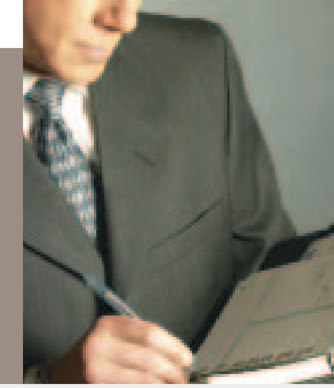
CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

STATEMENTS OF EARNINGS (LOSS)

FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

(in thousands of dollars, except number of shares and net earnings per common share)	2004 $	2003 $
REVENUE		
Realized revenue		
Interest on investments	15,155	13,045
Gain on disposal of investments	10,132	4,468
Interest on debentures	3,135	1,053
Loss on disposal of investments impacting on the Québec economy	(2,299)	(1,221)
Negotiation fees	1,379	840
Membership dues	294	1,471
Change in unrealized appreciation (depreciation)	(9,032)	(2,950)
	18,764	16,706
EXPENSES		
Operating expenses	14,848	10,378
Shareholder services	2,167	1,952
Capital tax	88	81
Amortization of software	555	457
Non-refundable grants (note 6)	-	(5,015)
	17,658	7,853
Earnings before income taxes	1,106	8,853
Income taxes (note 9)	1,320	3,065
Net earnings (loss) for the year	(214)	5,788
Weighted average number of common shares	44,453,373	32,823,844
Net earnings (loss) per common share	0.00	0.18

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



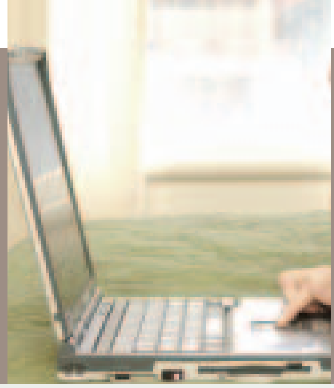
CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED
DECEMBER 31, 2004 AND 2003

(in thousands of dollars)	2004 $	2003 $
CASH FLOWS FROM		
OPERATING ACTIVITIES		
Net earnings (loss) for the year	(214)	5,788
Non-cash items		
Gain on disposal of investments	(10,132)	(4,468)
Loss on disposal of investments impacting on the Québec economy	2,299	1,221
Change in unrealized appreciation (depreciation)	9,032	2,950
Amortization of software	555	457
Amortization of premiums and discounts on investments	3,259	2,687
Non-refundable grants	-	(5,015)
Future income taxes	(2,150)	1,242
Capitalized interest	(792)	(78)
	1,857	4,784
Change in non-cash operating working capital balances (note 10)	(576)	(3,307)
	1,281	1,477
INVESTING ACTIVITIES		
Acquisition of investments impacting on the Québec economy	(85,932)	(41,920)
Acquisition of investments	(832,642)	(617,564)
Proceeds on disposal of investments impacting on the Québec economy	920	299
Proceeds on disposal of investments	813,985	498,618
Software	-	(740)
	(103,669)	(161,307)
FINANCING ACTIVITIES		
Issuance of common shares	101,716	164,467
Redemption of shares	(1,062)	(841)
	100,654	163,626
Net change in cash and cash equivalents during the year	(1,734)	3,796
Cash and cash equivalents – Beginning of year	5,397	1,601
Cash and cash equivalents – End of year	3,663	5,397
Supplementary information		
Income taxes paid	2,180	3,077

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



CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

SCHEDULE OF INVESTMENTS IMPACTING ON THE QUÉBEC ECONOMY

AS AT DECEMBER 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	UNSECURED INVESTMENTS Common shares $	Preferred shares $	Debentures and advances $	SECURED INVESTMENTS Debentures and advances $	Total $
BAS-SAINT-LAURENT							
Aqua-Biokem BSL inc.	2002	I	-	760	160	-	920
Boutique Le Pentagone inc.	2003	I	-	-	331	-	331
Coopérative funéraire du Bas-Saint-Laurent	2002	C	-	-	83	-	83
Gestion Arnold Gauthier inc.	2002	I	-	80	287	-	367
Les Diamants du Saint-Laurent inc.	2002	I	292	-	-	-	292
Les Industries Francis Pelletier inc.	2003	I	80	-	160	-	240
Location Jesna inc. (9133-1355 Québec inc.)	2003	I	60	-	40	-	100
PG Systèmes d'information inc.	2003	IT	-	1,080	360	-	1,440
Total Bas-Saint-Laurent			432	1,920	1,421	-	3,773
NATIONAL CAPITAL							
Biomax inc.	2003	I	200	-	120	-	320
Congébec Logistique inc.	2004	I	2,600	-	-	-	2,600
Humagade Ltée	2004	TC	-	-	240	-	240
Labcal Technologies Inc.	2004	IT	-	1,840	479	-	2,319
Les Logiciels Dynagram inc.	2002	IT	-	364	-	-	364
NordTech Aérospatiale (NTA) inc.	2004	I	-	-	1,800	-	1,800
Usital Canada inc.	2002	I	-	240	240	-	480
Viridis Biotech inc.	2002	H	-	-	-	421	421
Total National Capital			2,800	2,444	2,879	421	8,544
CENTRAL QUÉBEC							
Rovibec inc.	2002	I	-	160	124	-	284
Total Central Québec			-	160	124	-	284
CHAUDIÈRE-APPALACHES							
Coopérative de Travail Trans-Groupe	2004	C	-	-	1,200	-	1,200
Groupe BOB inc.	2003	I	320	-	320	-	640
Les Fumets Sylvestre inc.	2003	I	-	-	160	-	160
Matiss inc.	2002	I	400	-	364	-	764
Portes Patio Résiver inc.	2003	I	-	-	318	-	318
Total Chaudière-Appalaches			720	-	2,362	-	3,082
EASTERN TOWNSHIPS							
9116-4509 Québec inc. (Plastiques Anchor Ltée and Les Plastiques TPI inc.)	2002	I	-	400	40	38	478
Câble-Axion Digitel inc.	2004	TC	-	2,880	-	-	2,880
Camoplast inc.	2002	I	20,359	-	-	-	20,359
Cogiscan inc.	2002	IT	-	800	315	-	1,115
Coopérative des employés Laser AMP inc.	2004	C	-	-	550	-	550
Coopérative de Travailleurs actionnaires Filage Sherbrooke	2004	C	-	-	1,618	-	1,618
Crea BioPharma inc.	2002	H	-	-	-	398	398
FilSpec Inc. (9120-0782 Québec Inc.)	2004	I	400	-	-	-	400
FilSpec Inc. (9139-4841 Québec Inc.)	2004	I	160	-	-	-	160
Fivetracks inc.	2002	I	-	120	320	-	440
Gestion Ferti-Val inc.	2003	I	24	536	-	-	560

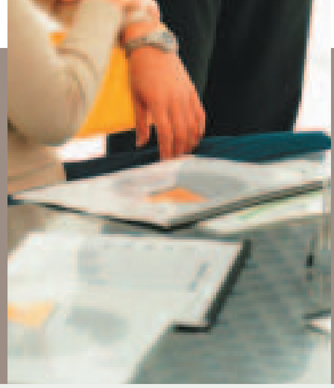
CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

SCHEDULE OF INVESTMENTS IMPACTING ON THE QUÉBEC ECONOMY (CONTINUED)

AS AT DECEMBER 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	UNSECURED INVESTMENTS Common shares $	Preferred shares $	Debentures and advances $	SECURED INVESTMENTS Debentures and advances $	Total $
IPS Thérapeutique inc.	2002	H	-	80	80	40	200
Laser AMP inc.	2004	I	10	74	-	-	84
Les Entreprises Michel Lapierre inc.	2004	I	-	1,414	1,886	-	3,300
Les Plastiques TPI inc.	2002	I	-	-	-	400	400
Les Tissages Sherbrooke inc.	2003	I	320	-	280	-	600
Neptune Technologies & Bioressources inc.	2003	H	800	-	955	-	1,755
NeXCell BioSciences inc.	2002	H	-	-	-	195	195
Quantiscript inc.	2004	TC	-	1,080	-	-	1,080
Tranzyme Pharma inc. (formerly Néokimia inc.)	2003	H	-	-	1,600	-	1,600
Uniflex Technologies inc.	2003	I	200	-	200	-	400
Total Eastern Townships			22,273	7,384	7,844	1,071	38,572
GASPÉSIE–ÎLES-DE-LA-MADELEINE							
Eocycle Technologies inc.	2004	I	480	-	-	-	480
Total Gaspésie–Îles-de-la-Madeleine			480	-	-	-	480
LANAUDIÈRE							
Dessert & Passion inc.	2003	I	-	160	80	-	240
Total Lanaudière			-	160	80	-	240
LAURENTIANS							
Capital Pro-Égaux inc.	2004	I	110	-	-	-	110
Coopérative Forestière des Hautes-Laurentides	2002	C	-	-	678	-	678
Triton Électronique inc.	2003	I	-	2,000	-	-	2,000
Total Laurentians			110	2,000	678	-	2,788
LAVAL							
Datacom Wireless Corporation inc.	2003	TC	-	1,600	-	-	1,600
Neks Technologies inc.	2002	I	248	667	-	-	915
20-20 Technologies inc.	2002	IT	1,000	-	-	-	1,000
Total Laval			1,248	2,267	-	-	3,515
MAURICIE							
Cilys 53 inc.	2003	TC	-	945	-	450	1,395
Louiseville Specialty Products inc.	2004	I	-	-	8,200	-	8,200
Plancher Best Value inc.	2004	I	-	320	160	-	480
Total Mauricie			-	1,265	8,360	450	10,075
MONTÉRÉGIE							
Audisoft Technologies inc.	2003	TC	200	1,817	-	-	2,017
Coencorp Consultant Corporation	2002	IT	-	112	-	-	112
Distech Contrôles inc.	2003	IT	-	718	303	-	1,021
Plante Snack Foods (3523454 Canada inc.)	2003	I	48	-	35	-	83
Total Montérégie			248	2,647	338	-	3,233



CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

SCHEDULE OF INVESTMENTS IMPACTING ON THE QUÉBEC ECONOMY (CONTINUED)

AS AT DECEMBER 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	UNSECURED INVESTMENTS Common shares $	Preferred shares $	Debentures and advances $	SECURED INVESTMENTS Debentures and advances $	Total $
MONTRÉAL							
Aegera Therapeutics Inc.	2002	H	-	1,334	2,617	-	3,951
Aurelium BioPharma Inc.	2003	H	-	1,602	-	-	1,602
Avance Pharma inc. (formerly Phytobiotech)	2002	H	2,000	-	-	-	2,000
Bioaxone Thérapeutique inc.	2002	H	-	2,000	-	160	2,160
Bioxalis Médica inc.	2003	H	-	1,120	-	-	1,120
Cardianove inc.	2003	H	-	640	-	-	640
Chronogen inc.	2003	H	-	1,977	-	-	1,977
Coradiant inc.	2004	IT	-	4,010	-	-	4,010
Corporation Iatroquest	2004	H	-	1,840	-	-	1,840
Fonds d'investissement MSBi	2004	F	460	-	-	-	460
Gestion MSBi inc.	2004	F	154	-	-	-	154
IndustryHub inc.	2002	IT	-	400	-	40	440
Invidex inc.	2003	IT	-	2,800	1,170	-	3,970
ISAC Technologies inc.	2003	IT	1,537	-	-	-	1,537
Les Reproductions BLB inc.	2004	I	-	100	300	-	400
Lipso Systems inc.	2002	TC	-	801	-	-	801
LxSix Photonics inc.	2002	TC	-	1,867	-	-	1,867
Meubles Fly America inc.	2003	I	-	6,400	-	-	6,400
Nextal Biotechnologies inc.	2003	H	-	761	-	-	761
Nstein Technologies inc.	2004	IT	192	-	-	-	192
Original Solutions inc.	2003	I	-	800	-	-	800
Osprey Pharmaceuticals Limited	2003	H	-	1,698	-	-	1,698
PainCeptor Pharma Corporation	2004	H	-	2,162	-	-	2,162
Pensée & Mouvement Artificiels inc.	2002	IT	695	-	713	-	1,408
Polyplan Technologies inc.	2003	IT	-	2,000	-	-	2,000
Procyon Biopharma inc.	2003	H	1,604	-	-	-	1,604
Resonant Medical inc.	2004	H	-	2,800	-	-	2,800
Ryshco Média inc.	2002	IT	-	-	-	200	200
SDP Components inc.	2002	I	-	1,778	-	-	1,778
StormMaker Software inc.	2002	IT	-	533	400	-	933
Technologies Miranda inc.	2002	TC	-	2,033	-	-	2,033
Timespring Software Corporation	2003	IT	-	5,840	-	-	5,840
Topigen Pharmaceuticals Inc.	2004	H	-	3,866	-	-	3,866
Vertical 7 inc.	2004	IT	-	400	-	-	400
Total Montréal			6,642	51,562	5,200	400	63,804
OUTAOUAIS							
Cactus Commerce inc.	2004	IT	-	800	-	-	800
Total Outaouais			-	800	-	-	800
SAGUENAY–LAC-SAINT-JEAN							
Agricom inc.	2003	IT	-	80	-	-	80
Bois B.T. (9131-9210 Québec inc.)	2003	I	50	-	150	-	200
Champi-Lac (9124-0598 Québec inc.)	2004	I	-	80	120	-	200
C.R.O.I. (9068-6767 Québec inc.)	2004	I	80	-	240	-	320
Groupe Canmec (6317456 Canada inc.)	2004	I	466	4,865	969	-	6,300
Groupe Nova inc.	2002	I	412	-	200	-	612

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

SCHEDULE OF INVESTMENTS IMPACTING ON THE QUÉBEC ECONOMY (CONTINUED)

AS AT DECEMBER 31, 2004

(in thousands of dollars)

	Initial investment year	Industry segment	UNSECURED INVESTMENTS Common shares $	Preferred shares $	Debentures and advances $	SECURED INVESTMENTS Debentures and advances $	Total $
Institut d'échafaudage du Québec (9020-4983 Québec inc.)	2002	I	236	-	80	-	316
Les Industries I.S.A. (4157702 Canada inc.)	2004	I	60	-	196	-	256
Les Luzernes Belcan du Lac-St-Jean inc.	2002	C	226	-	120	-	346
Nature 3M inc.	2002	I	100	-	60	-	160
Noxxent inc. (Institut d'échafaudage du Québec)	2002	I	4	-	-	-	4
Thermo-Tech (9132-8716 Québec inc.)	2003	I	-	18	262	-	280
Végétolab inc.	2003	I	32	-	88	-	120
Total Saguenay–Lac-Saint-Jean			1,666	5,043	2,485	-	9,194
Total at cost			36,619	77,652	31,771	2,342	148,384
Unrealized appreciation (depreciation)							(12,473)
Sub-total							135,911
Funds committed but not disbursed							60,550
Fair value							196,461

INDUSTRY SEGMENT LEGEND

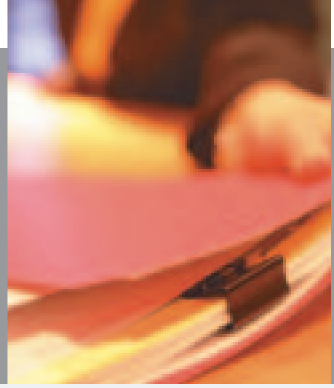
C:	Cooperatives	H:	Health and Biotechnology	IT:	Information Technology
I:	Industrial	TC:	Telecommunications	F:	Investment Funds

Agreements related to investments impacting on the Québec economy may include clauses providing for options as to conversion and redemption.

The debentures and advances bear interest at a weighted average rate of 11.90% and have an average residual maturity of 3.96 years.

Allocation of investments by industry segment:

	2004				
Industry segment	Unsecured investments at cost $	Secured investments at cost $	Unrealized appreciation (depreciation) $	Funds committed but not disbursed at cost $	Fair value $
Cooperatives	4,475	-	-	25,000	29,475
Industrial	67,013	438	(7,230)	2,730	62,951
Health and Biotechnology	31,536	1,214	(2,317)	15,970	46,403
Telecommunications	13,463	450	(219)	3,670	17,364
Information Technology	28,941	240	(2,707)	3,630	30,104
Investment Funds	614	-	-	9,550	10,164
Total	146,042	2,342	(12,473)	60,550	196,461



NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2004 AND 2003

(tabular amounts are in thousands of dollars, unless otherwise specified)

1 GOVERNING STATUTES, MISSION, ADMINISTRATION AND INVESTMENTS

Governing statutes and mission

Capital régional et coopératif Desjardins (the "Company") is constituted by an Act of the Québec National Assembly (R.S.Q.c.C-6.1) and is deemed to have been incorporated by the filing of statutes on July 1, 2001. The Company started its activities on November 5, 2001 and is a legal person with share capital whose mission is to:

- raise venture capital for the benefit of Québec resource regions (Abitibi-Témiscamingue, Bas-Saint-Laurent, Côte-Nord, Gaspésie–Îles-de-la-Madeleine, Mauricie, Nord-du-Québec and Saguenay–Lac-Saint-Jean) and the cooperative sector;
- promote economic development in the resource regions through investments in eligible entities operating in those regions;
- support the cooperative movement throughout Québec by investing in eligible cooperatives;
- support eligible entities in their start-up phase and their development; and
- stimulate the Québec economy through investments in all parts of the territory of Québec.

Administration

The affairs of the Company are administered by a Board of Directors typically composed of 13 members, as follows:

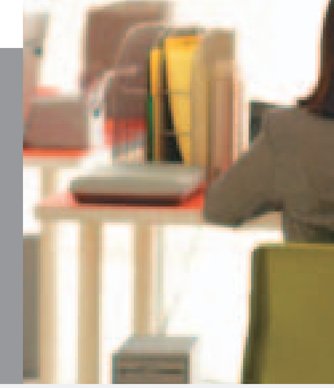
- eight (8) persons appointed by the President of the Mouvement des caisses Desjardins;
- two (2) persons elected by the General Meeting of shareholders of the Company;
- two (2) persons appointed by the above-mentioned ten (10) members selected from a group of persons that they deem to be representative of eligible entities as described in the Act; and
- the President and General Manager of the Company.

Investments

The Company may invest in eligible entities, with or without a guarantee or security. Eligible entities include eligible cooperatives and partnerships or a legal person actively operating an enterprise, the majority of whose employees are resident in Québec and with less than $50,000,000 of assets and net equity of not more than $20,000,000.

The Company may invest up to 5% of its assets (as established on the basis of the last accountants' valuation) in the same eligible enterprise or cooperative and the investment is generally planned for a period of five (5) to eight (8) years. This percentage may be increased to 10% to allow the Company to acquire titles of an entity operating in Québec but which is not an eligible entity. In such case, the Company may, directly or indirectly, acquire or hold shares representing up to a maximum of 30% of the voting rights, which can be exercised in all circumstances.

During each fiscal year, from the fiscal year beginning on January 1, 2006, the portion of the Company's investments in eligible entities which does not entail any security or hypothec must represent on average at least 60% of the average net assets of the Company for the preceding year. Furthermore, a portion representing at least 35% of that percentage must be invested in entities situated in resource regions of Québec or in eligible cooperatives.



2 SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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 balance sheet and the reported amounts of revenues and expenses during the reporting period. The principal estimates are related to the determination of the fair value of investments impacting on the Québec economy. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Investments impacting on the Québec economy

Listed shares
The investments in listed shares are recorded at their fair value. Fair value is established using the bid side level at market closing at the balance sheet date. Previously, fair value was calculated using the weighted average closing price for a 50-day period ending on the balance sheet date. The value of shares that are restricted in negotiability or transferability are adjusted by a discount. The Company determines the amount of this discount based on the nature and duration of the restriction, the relative volatility of the share's performance, as well as the importance of the interest held in the overall float of outstanding shares.

Unlisted shares and debentures and advances
Unlisted shares and debentures and advances are valued at their fair value, determined in accordance with appropriate methods of valuation, including primarily comparison to arm's-length transactions or takeover bids, and the capitalization of representative earnings before interest, taxes, amortization and capitalization or discounting of cash flows.

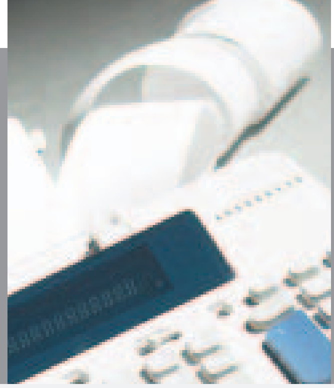
Significant assumptions used in the determination of fair value can include a discount or capitalization rate, a rate of return and the weighting of forecasted earnings.

Funds committed but not disbursed
Funds committed but not disbursed represent investments that have been agreed upon and where funds have been committed but not disbursed at the end of the year.

Investments

Investments consist of temporary investments recorded at the lower of cost and fair value and bonds recorded at their unamortized cost net of the provision for losses, if necessary. The fair value is calculated according to the market value, presented in note 4(b), which is the stock quotation closing price at the balance sheet date.

Obligations related to securities sold short
Securities sold short as part of trading activities, which represent the Company's obligation to deliver securities sold which were not owned at the time of sale, are recorded as liabilities and are carried at fair value. Realized and unrealized gains and losses thereon are recorded in revenue in "Interest on investments". As at December 31, 2004, the Company has no securities sold short and no significant amount has been recognized for the year.



Securities purchased under resale agreements and securities sold under repurchase agreements
The Company enters into short-term purchases and sales of securities with simultaneous agreements to sell and buy those securities back at a specified price and on a specified date. These agreements are accounted for as collateralized lending and borrowing transactions and are recorded on the balance sheet at the selling or repurchase price specified under the agreement. The difference between the specified selling price and the purchase price is recorded using the accrual method in "Interest on investments". The difference between the selling price and the specified repurchase price is also recorded in "Interest on investments". As at December 31, 2004, the Company has no securities purchased under resale agreements or securities sold under repurchase agreements, and no significant amount has been recognized for the year.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and short-term deposits with original terms to maturity of three (3) months or less, which deposits were previously classified with investments.

Software

Software is recorded at cost and amortized on a straight-line basis over a period of three (3) to five (5) years.

Income taxes

The Company uses the liability method in accounting for income taxes. According to this method, future income taxes are determined using the difference between the accounting and tax bases of assets and liabilities. The tax rate in effect when these differences are expected to reverse is used to calculate future income taxes at the balance sheet date. Future income tax assets are recognized when it is more likely than not that the assets will be realized.

Revenue recognition

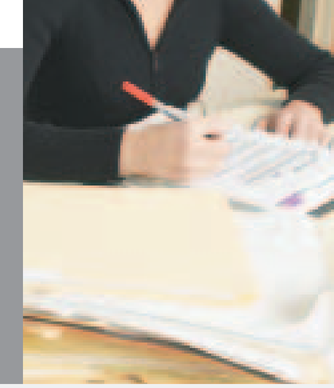
Gains and losses on disposal
Gains and losses on disposal of investments impacting on the Québec economy are recorded at the date of sale and represent the difference between the sale proceeds and the cost without taking into consideration the unrealized appreciation (depreciation) recorded in previous years, which is reversed and taken into account in change in unrealized appreciation (depreciation) for the year.

Gains and losses on disposal of investments are recorded at the date of sale and represent the difference between the sale proceeds and the cost.

Membership dues
Membership dues are recorded at the time of a shareholder's initial subscription and on the closure of that shareholder's account.

Negotiation fees
Negotiation fees are recorded when the service is performed and when collection is considered probable.

Premiums and discounts
Premiums and discounts on determined maturity portfolio investments are amortized using the internal rate of return method up to the maturity date of these investments.



CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2004 AND 2003
(tabular amounts are in thousands of dollars, unless otherwise specified)

Non-refundable grants

The non-refundable grants received from the Ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins are recognized when the related expenses are committed.

3 CHANGE IN ACCOUNTING POLICY

In January 2004, the Canadian Institute of Chartered Accountants Accounting Standards Board issued Accounting Guideline 18 (AcG-18) which requires investment companies to carry investments at fair value. The Company has decided to apply this new standard prospectively starting January 1, 2005. Consequently, bonds previously carried at unamortized cost will be carried at their fair value. This change in accounting policy will increase both the investment and unrealized appreciation (depreciation) balances by $1,517,000 each and net asset value per common share by $0.03 to $10.28 at January 1, 2005.

4 INVESTMENTS

a) Investments include the following:

	2004 $	2003 $
Bonds	334,680	309,150
Less: Funds committed but not disbursed	60,550	29,623
	274,130	279,527

b) Allocation of investments by maturity date

Bonds — 2004

Maturity	Less than 1 year $	1 to 5 years $	More than 5 years $	Total $
Unamortized cost	-	84,537	250,143	334,680
Par value	-	80,060	221,102	301,162
Fair value	-	85,010	251,187	336,197
Average effective rate	-	3.83%	4.41%	4.27%
Average nominal rate	-	5.75%	6.56%	6.34%

Bonds — 2003

Maturity	Less than 1 year $	1 to 5 years $	More than 5 years $	Total $
Unamortized cost	6,103	137,956	165,091	309,150
Par value	6,000	132,077	152,811	290,888
Fair value	6,104	139,619	167,276	312,999
Average effective rate	2.43%	4.04%	5.02%	4.53%
Average nominal rate	6.46%	5.61%	6.32%	6.00%

5 ACCOUNTS RECEIVABLE

	2004	2003
	$	$
Interest receivable on investments	3,740	2,979
Sales taxes receivable	229	283
Other accounts receivable	1,310	349
	5,279	3,611

6 NON-REFUNDABLE GRANTS

To accelerate the start-up of the Company and the development of its activities in various regions of Québec, the Ministère de l'Industrie et du Commerce du Québec and the Mouvement des caisses Desjardins granted the Company, in equal shares, non-refundable grants totalling $10,000,000. These grants allowed the Company to pay its organization and start-up costs and set up a sectoral know-how allowing the support of the companies and cooperatives in their start-up phase and with their development. As at December 31, 2003, all the non-refundable grants had been recognized.

7 ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2004	2003
	$	$
Entities of the Mouvement des caisses Desjardins		
Shareholder services	1,055	959
Management fees	-	79
Other operating expenses	-	63
	1,055	1,101
Other	272	276
	1,327	1,377

8 SHARE CAPITAL

Authorized

The Company is authorized to issue common shares and fractions of common shares, participating, voting, with the right to elect two (2) representatives to the Board of Directors, without par value, so that its capital increases by a maximum of $150,000,000 annually to a maximum of $1,375,000,000, redeemable subject to certain conditions provided under the Act.

In the March 30, 2004 budget of the ministre des Finances du Québec, the annual limit of capital increase for the year 2004 was reduced to $100,000,000. Futhermore, in the June 12, 2003 budget, the annual limit of capital had been reduced to $75,000,000. Those combined reductions result in a cumulative limit of $475,000,000 as at February 28, 2005.

Issued and fully paid

	2004	2003
	$	$
46,905,260 Common shares (2003 – 37,085,339)	472,641	371,967

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS
NOTES TO
FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2004 AND 2003
(tabular amounts are in thousands of dollars, unless otherwise specified)

During the year, the Company issued 9,923,523 common shares (2003 – $16,334,855) for a cash consideration of $101,715,850 (2003 – $164,467,150).

During the year, the Company redeemed 103,602 common shares (2003 – $82,378) for a cash consideration of $1,061,836 (2003 – $841,006).

This data does not include the redemption requests made within 30 days after subscription.

Redemption criteria

The Company is bound to redeem a whole common share or a fraction of a common share in the following circumstances:

- at the request of the person who acquired it from the Company at least seven (7) years prior to redemption;
- at the request of a person to whom it has devolved by succession;
- at the request of the person who acquired it from the Company if the person applies to the Company therefor in writing within 30 days after subscribing it; and
- at the request of a person who acquired it from the Company if that person is declared to have a severe and permanent mental or physical disability which makes this person incapable of pursuing his or her work.

However, the Company may purchase a common share or a fractional common share by agreement in the cases and to the extent permitted by a policy adopted by the Board of Directors and approved by the ministre des Finances du Québec.

The redemption price of the common shares will be set twice a year, at dates that are six (6) months apart, by the Company's Board of Directors on the basis of the Company's value as determined in the audited financial statements.

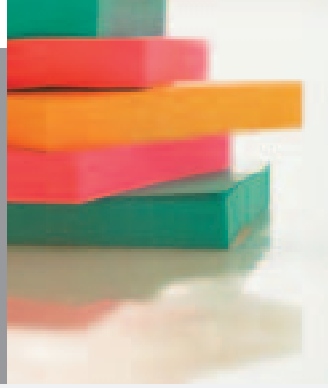
9 INCOME TAXES

For purposes of calculating taxable income in Québec, the Company was authorized to deduct, prior to June 13, 2003, for a given taxation year, an amount that is not more than its taxable income for the year. Accordingly, the Company's income was exempt from Québec income taxes. Since June 13, 2003, the Company has been subject to Québec income taxes.

The Company is subject to Federal income taxes. Moreover, Federal income taxes include the large corporations tax.

a) The income tax expense is detailed as follows:

	2004	2003
	$	$
Current income taxes	3,470	1,823
Future income taxes	(2,150)	1,242
	1,320	3,065



b) The actual income tax rate differs from the combined basic income tax rate and is explained as follows:

	2004 $	2003 $
Income taxes by applying the income tax rate:		
Canada, 29.12%	322	2,578
Québec, 8.90%	98	788
First 163 days of the period not subject to Québec income taxes	-	(352)
Large corporations tax*	154	159
Non-taxable or non-deductible portion of capital gain or loss, unrealized appreciation (depreciation) and other	746	(108)
	1,320	3,065

* The large corporations tax is based on capital utilized in Canada by the Company.

c) Future income taxes relate to the following items:

	2004 $	2003 $
Future income tax assets		
Unrealized appreciation	2,371	654
Others	222	-
	2,593	654
Future income tax liabilities		
Software	(687)	(898)
Future income tax assets (liabilities), net	1,906	(244)

d) The purchase of shares of the Company provides the right to the investor to reduce its taxes in Québec only by an amount equal to 50% of the amount invested annually, up to a tax credit of $1,250.

10 CASH FLOWS

The change in non-cash operating working capital balances consists of the following:

	2004 $	2003 $
Decrease (increase) in accounts receivable	(1,668)	681
Decrease in accounts payable and accrued liabilities	(50)	(2,815)
Increase (decrease) in income taxes	1,142	(1,173)
	(576)	(3,307)

CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS
NOTES TO
FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2004 AND 2003
(tabular amounts are in thousands of dollars, unless otherwise specified)

11 RELATED PARTY TRANSACTIONS

The Company is related to the Mouvement des caisses Desjardins. In the normal course of its operations, the Company carried out transactions with other entities of the Mouvement des caisses Desjardins. All of these transactions are measured at the exchange amount:

	2004 $	2003 $
Earnings		
Caisse centrale Desjardins		
Interest on term deposits	948	568
Capital Desjardins inc.		
Interest on investments	1,831	1,217
Gain on disposal of investments	992	414
Desjardins Trust Inc.		
Shareholder services	1,898	1,621
Desjardins Venture Capital Inc.		
Management fees	14,112	9,779
Negotiation fees	202	-
Operating expenses	30	-
Fédération des caisses Desjardins du Québec		
Operating expenses	318	291
Mouvement des caisses Desjardins		
Non-refundable grant	-	2,507
Balance sheet		
Caisse centrale Desjardins		
Term deposits	-	4,000
Cash	559	362
Capital Desjardins inc.		
Bonds	32,828	29,389
Desjardins Securities		
Cash	1,766	236
Accounts payable and accrued liabilities	-	36
Desjardins Trust Inc.		
Cash	10	-
Software	709	1,044
Accounts payable and accrued liabilities	1,055	959
Desjardins Venture Capital Inc.		
Accounts receivable	405	-
Accounts payable and accrued liabilities	-	79
Desjardins Venture Capital, Limited Partnership		
Accounts receivable	-	86
Accounts payable and accrued liabilities	7	-
Fédération des caisses Desjardins du Québec		
Software	1,099	1,319
Accounts payable and accrued liabilities	11	27
Desjardins Capital de développement		
Accounts receivable	296	56

12 COMMITMENTS

The Company has entrusted the management of its operations, including management of its portfolio, to Desjardins Venture Capital Inc. (DVC), an entity of the Mouvement des caisses Desjardins, in accordance with strategies and objectives approved by the Board of Directors. The management contract signed by DVC and the Company is in effect for an initial ten-year period, unless the parties agree to terminate it by mutual agreement. Thereafter, it shall be automatically renewed for a five-year period unless either party decides to terminate the contract by giving notice of at least 18 months.

Under this contract, the Company is required to pay an annual management fee equal to 3% of its annual average net asset value reduced by any amount payable for the acquisition of investments and by the remaining balance of the deferred non-refundable grants. This percentage is reduced to 2.5% from the fiscal year following that in which the Company's net asset value reaches $750,000,000.

The Company has appointed Desjardins Trust Inc., an entity of the Mouvement des caisses Desjardins, to act as its registrar and transfer agent with respect to shareholder transactions. The term of this contract is three (3) years and two (2) months effective November 1, 2001 and is renewable annually under the same terms and conditions unless either party gives written notice to the contrary 180 days before the end of a year.

The Company has appointed the Fédération des caisses Desjardins du Québec, an entity of the Mouvement des caisses Desjardins, for the distribution of the Company's shares in the entities of the Mouvement des caisses Desjardins. The present agreement will be effective for the following year and will be automatically renewed each year under the same terms and conditions, unless one of the parties gives written notice to the contrary three (3) months before the expiration date of the agreement.

13 FINANCIAL INSTRUMENTS

Fair value

The fair value of accounts receivable, cash and cash equivalents, and accounts payable and accrued liabilities approximates their carrying value given their current maturities.

Credit risk

Credit risk of investments relates to the possibility that the counterparty to the transaction does not meet its obligations. The Company reduces this risk by dealing solely with high-credit quality corporations; therefore, the Company considers the risk of non-performance and credit risk on these instruments to be remote.

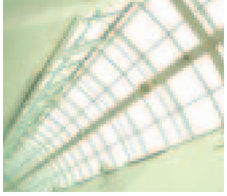
Interest rate risk

Cash and cash equivalents, except for a short-term deposit (December 31, 2003), accounts receivable and accounts payable and accrued liabilities are non-interest bearing. The short-term deposit amounting to $4,000,000 was included in the balance sheet as at December 31, 2003, bore interest at a rate of 2.75% and matured on January 4, 2004.

The Company does not hold any derivative financial instruments.

14 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the presentation adopted in the current year.



SHAREHOLDER INFORMATION

4th Annual General Meeting of Capital régional et coopératif Desjardins
Palais des congrès de Montréal
Friday, April 1, 2005 at 4:15 p.m., room 517

INVESTOR RELATIONS

Capital régional et coopératif Desjardins
2 Complexe Desjardins
P.O. Box 790, Desjardins Station
Montréal, Québec H5B 1B9
Tel.: 1 888 522-3222
capital.regional@dcrdesjardins.com

REGISTRAR AND TRANSFER AGENT

Desjardins Trust
1 Complexe Desjardins
P.O. Box 34, Desjardins Station
Montréal, Québec H5B 1E4

AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants

FINANCIAL INSTITUTIONS

Caisse centrale Desjardins
Valeurs mobilières Desjardins

DISTRIBUTION OF CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS SHARES

Desjardins caisse network
in Québec

MANAGER

Desjardins Venture Capital
2 Complexe Desjardins
Suite 1717
P.O. Box 760, Desjardins Station
Montréal, Québec H5B 1B8
Tel.: (514) 281-7131
Toll free: 1 866 866-7000, ext. 7131
info@dcrdesjardins.com

Entrepreneurs looking for venture capital may contact one of our offices in the following regions:

Abitibi-Témiscamingue
Bas-Saint-Laurent
Central Québec
Chaudière-Appalaches
Côte-Nord
Eastern Townships
Gaspésie–Îles-de-la-Madeleine
Lanaudière
Laurentians
Laval
Mauricie
Montérégie
Montréal
National Capital
Nord-du-Québec
Outaouais
Saguenay–Lac-Saint-Jean

Contact information for our regional offices may be obtained by calling (514) 281-7131 or 1 866 866-7000, ext.7131, or by consulting our Web site at www.capitalregional.com.

This fourth Annual Report of Capital régional et coopératif Desjardins was produced under the direction of the Vice-President, Strategic Planning and Communications, and the Senior Vice-President, Finance of Desjardins Venture Capital.

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Des exemplaires de la version française de ce rapport annuel sont disponibles sur demande.

OFFERING OUR SHAREHOLDERS A RATE OF RETURN THAT WILL ENCOURAGE REINVESTMENT.

Desjardins
Capital régional et coopératif

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