



MESSAGE FROM THE CHAIRMAN OF THE BOARD

Through the first half of 2006, companies and cooperatives in all regions of Québec continued to enjoy Desjardins Capital régional et coopératif's ongoing support. At the close of the period, the Company's net assets totalled \$651.5 million compared with \$586.7 million as at December 31, 2005. The statement of earnings shows a net loss of \$9.7 million, down from net earnings of \$2.8 million for the first half of 2005. This has resulted in per share value being set at \$10.21.

This decrease of 1.5% is due to several factors. First, the combination of fair value accounting and the rapid increase in interest rates of the last few months had a negative effect on our liquid investment portfolio of \$0.10 per share, which is included in the \$0.17 per share loss for the last six-month period. Nonetheless, since Desjardins Capital régional et coopératif fully intends to hold these securities until maturity, the bonds will reach their full value by the time they are redeemed. Second, the rise in average assets explains the higher operating costs.

And last, the Company's portfolio is still relatively young, with an average age per investment of under three years. Given the very nature of the Company's business—venture capital investments in small and medium businesses—difficulties are to be expected at the beginning of a cycle whose usual duration is estimated at five to eight years. Accordingly, positive returns for this type of investment should normally be expected over a horizon of seven years. With few exceptions—such as Cily 53, which proved highly profitable for the Company in 2005—profit is a rare gem during the early years of an investment.

Desjardins Venture Capital, our manager, actively pursued investment activities in the various regions of Québec. With the contribution of some 118,000 individual investors, we are partner to more than 191 companies and cooperatives that benefit from commitments totalling \$322.7 million. Also, we are very proud to confirm that we met the requirements of our incorporating act regarding investment in Québec's resource regions and cooperatives—in advance of the date stipulated in the Act.

The future looks bright and promising for our investment portfolio because of its attractive gain potential. Beyond helping to develop Québec's economy, buying Desjardins Capital régional et coopératif shares remains a profitable investment over the long-term. In fact, investors who bought shares between 2001 and 2005 will enjoy a significant 9% annually compounded after-tax return if they redeem their shares at the purchase price after the required 7-year holding period.

ANDRÉ LACHAPELLE

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The results presented are extracted from the audited interim consolidated financial statements. The interim consolidated financial statements of Capital régional et coopératif Desjardins, including the notes and the auditors' report and the non-consolidated schedule of cost of investments impacting the Québec economy were deposited at the Autorité des marchés

financiers. These documents can be obtained free of charge by communicating with the Company or by transmitting the attached order form.

Except for the information presented on a common share basis and the number of shares, the information provided is in thousands of dollars.

BALANCE SHEETS

| | AS AT JUNE 30, 2006 \$ | AS AT DECEMBER 31, 2005 \$ |
|---|---------------------------------|-------------------------------------|
| ASSETS | | |
| Investments impacting the Québec economy | 251,785 | 244,114 |
| Investments (note 1) | 385,261 | 352,319 |
| Accounts receivable | 6,161 | 5,622 |
| Cash and cash equivalents | 29,082 | 10,581 |
| Software (net of accumulated amortization of \$2,534; December 31, 2005 – \$2,167) | 706 | 1,073 |
| Income taxes receivable | 1,473 | - |
| Future income taxes | 5,837 | 3,421 |
| | 680,305 | 617,130 |
| LIABILITIES | | |
| Accounts payable and accrued liabilities | 2,487 | 2,595 |
| Income taxes payable | - | 1,507 |
| | 2,487 | 4,102 |
| MINORITY INTEREST (note 2) | 26,348 | 26,313 |
| | 28,835 | 30,415 |
| NET ASSETS | 651,470 | 586,715 |
| SHAREHOLDERS' EQUITY | | |
| Share capital | 646,517 | 572,032 |
| Retained earnings | 4,953 | 14,683 |
| | 651,470 | 586,715 |
| Number of outstanding common shares | 63,781,367 | 56,600,254 |
| Net assets per common share | 10.21 | 10.37 |

INTERIM FINANCIAL STATEMENTS

For a free copy of the full set of audited interim consolidated financial statements as at June 30, 2006:

Visit the Company's website
(www.capitalregional.com and go to
References/Publications/Financial Reports)

or

Detach the order form and send it by fax to
(514) 281-7808 or by mail to:

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