CAPITAL RÉGIONAL ET COOPÉRATIF DESJARDINS

MANAGEMENT DISCUSSION AND ANALYSIS

This interim Management Discussion and Analysis ("MD&A") supplements the financial statements and contains financial highlights but does not reproduce the Company's complete interim financial statements. It presents management's assessment of the Company's results for the period reported in the financial statements, as well as its financial position and any material changes to it.

The Company's annual compounded returns expressed in this MD&A are net of expenses and income taxes while returns by activity or asset class represent returns before expenses and income taxes.

This disclosure document contains management's analysis of forward-looking statements. Caution should be exercised in the interpretation of this analysis and these statements since management often makes reference to objectives and strategies that contain risks and uncertainties. Due to the nature of the Company's operations, the associated risks and uncertainties could cause actual results to differ from those anticipated in forward-looking statements. The Company disclaims any intention or obligation to update or revise such statements based on any new information or new event that may occur after the reporting date.

Copies of the interim financial statements may be obtained free of charge, on request, by calling 514 281-2322 or (toll free) 1 866 866-7000, extension 2322, by writing to 2 Complexe Desjardins, P.O. Box 760, Desjardins Station, Montréal, Québec H5B 1B8, or from our website at capitalregional.com or SEDAR at www.sedar.com.

Annual financial information may be obtained in the same way.

FINANCIAL HIGHLIGHTS

The following charts present key financial data and are intended to assist in understanding the Company's financial results for the preceding five fiscal years and for the six-month period ended June 30, 2012. This information is derived from the Company's audited annual and interim financial statements.

RATIOS AND SUPPLEMENTAL DATA

	June 30, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
Revenue (in thousands of $)	26,962	46,894	44,970	39,900	39,520	32,015
Net income (net loss) (in thousands of $)	30,933	122,588	18,696	17,145	(29,347)	(22,243)
Net assets (in thousands of $)	1,348,495	1,220,427	1,019,846	905,921	812,606	732,529
Shares outstanding (in thousands)	119,544	110,776	102,908	93,142	85,159	74,097
Total operating expense ratio (%)	2,4	3,0	2,8	2,8	3,1	3,4
Portfolio turnover rate:						
▸ Investments impacting the Québec economy (%)	18	28	11	9	9	11
▸ Other investments (%)	31	110	112	84	83	33
Trading expense ratio [1] (%)	0,0	0,0	0,0	0,0	0,0	0,0
Number of shareholders	104,857	106,577	111,476	118,119	122,128	120,652
Issue of shares (in thousands of $)	149,967	153,955	180,982	129,443	126,440	101,763
Redemption of shares (in thousands of $)	52,832	75,962	85,753	53,273	17,016	1,611
Number of partner companies and cooperatives/funds	196/10	205/10	230/8	222/6	207/6	189/6
Investments impacting the Québec economy at cost (in thousands of $)	546,715	498,984	473,331	475,785	412,828	396,136
Fair value of investments impacting the Québec economy (in thousands of $)	551,128	541,909	439,550	401,321	348,408	360,782
Funds committed but not disbursed (in thousands of $)	125,524	151,822	200,485	63,907	64,446	73,624

[1] Trading expense includes brokerage fees and other portfolio transaction costs. These expenses are not material to the Company.

CHANGES IN NET ASSETS PER SHARE

	June 30, 2012	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2007
	($)	($)	($)	($)	($)	($)
Net assets per share, beginning of period/year	11.02	9.91	9.73	9.54	9.89	10.21
Increase (decrease) attributable to operations	0.28	1.15	0.19	0.19	(0.35)	(0.33)
Interest, dividends and negotiation fees	0.24	0.43	0.45	0.43	0.47	0.47
Operating expenses	(0.14)	(0.31)	(0.27)	(0.27)	(0.30)	(0.35)
Income taxes and capital tax	(0.05)	(0.07)	(0.07)	(0.06)	0.04	0.10
Realized gains (losses)	0.55	0.20	(0.36)	0.13	(0.20)	(0.24)
Unrealized gains (losses)	(0.32)	0.90	0.44	(0.04)	(0.36)	(0.31)
Difference attributable to share issues and redemptions	(0.02)	(0.04)	(0.01)	0.00	0.00	0.01
Net assets per share, end of period/year	11.28	11.02	9.91	9.73	9.54	9.89

OVERVIEW

The Company ended the first half of fiscal 2012 with net income of $30.9 million ($11.9 million for the same period of 2011), representing a non-annualized return of 2.5% (1.2% as at June 30, 2011). Based on the number of shares outstanding, this brings net assets per share to $11.28 as at June 30, 2012 compared with $11.02 at the end of fiscal 2011. For information purposes, at the price of $11.28, shareholders who invested seven years earlier would obtain an annual after-tax return of between 10.5% and 11.5% taking into account their income tax credit of 50%.

The Company's return is mainly attributable to the contribution of Investments impacting the Québec economy and Other investments. Assets allocated to Investments impacting the Québec economy are focused on the Company's mission of promoting the economic development of Québec. Assets are allocated across five asset classes and consist mainly of equities and loans.

Investments impacting the Québec economy posted a non-annualized return of 6.8% for the six month period ended June 30, 2012 compared with a non-annualized return of 4.4% for the same period a year earlier. As at June 30, 2012, the cost of Investments impacting the Québec economy disbursed totalled $546.7 million. In addition, funds committed but not disbursed reached $125.5 million and new commitments for the period came to $73.1 million. At the same time, investments of $99.7 million were made during the period, including $10.3 million in the Capital croissance PME S.E.C. fund created in 2010, in which the Company holds a 50% partnership interest. The Company also fulfills its mission through several initiatives developed in collaboration with its manager, Desjardins Venture Capital Inc. (DVC) which are discussed under Investments impacting the Québec economy.

Other investments represents the balance of funds not invested in partner companies. The portfolio, consisting primarily of bonds, money market instruments and preferred shares, was established to provide security for the Company's returns and ensure the necessary liquidity to fund share redemptions and investments. Other investments generated a non-annualized return of 2.2% for the first six months of 2012 (1.8% for the same period of 2011). The higher return in 2012 is due mainly to a solid current revenue base and the performance of medium term government bonds.

The combined effect of growth in average assets, lower operating expenses and the lack of non-recurring fees due to the disposal of the Company's investment in Enobia Pharma reduced the total operating expense ratio to 2.4%.

Capital subscriptions during the first half of the year reached $150.0 million, and share redemptions totalled $52.8 million. The 2012 issue, which began at the end of May 2012, sold out in under five days. Net assets amounted to $1,348.5 million, up 10.5% from December 31, 2011. The number of shareholders as at June 30, 2012 was 104,857.

ECONOMIC ENVIRONMENT

Despite all the efforts of euro zone governments and monetary authorities, the economic and financial situation remains tense in this region. There has been a strong outcry from citizens as a result of the negative effects of austerity plans on the economy. The European banking system is in fragile shape and there are concerns about the global repercussions that could result if a major financial institution were to go bankrupt. Investors are turning to safe-haven securities, thereby creating pressure on bond rates in countries that are perceived to be the soundest, in particular the United States and Canada, but also Germany and France. This situation will continue as long as uncertainty about the euro zone is not significantly dispelled.

In contrast to the improvements experienced at the start of the year, the U.S. economy is becoming increasingly shaky. The United States' economy will therefore be hard pressed to grow more than 2% in 2012 and 2013. The pre-electoral environment and the fear that the tax cuts expiring at the end of 2012 will not be extended are creating a climate of uncertainty that is not conducive to stimulating the economy.

In Canada, the situation is a bit more positive. Job creation continues while investment spending is steadily increasing. Real GDP should be up 2.1% in 2012, and 2.4% in 2013. Weak commodity prices as a result of slow global economic growth will be one of the main obstacles to growth in Canada. Federal and provincial governments' budgetary restrictions will also curb activity in the country.

Québec started off 2012 with moderate growth of 0.6% at an annualized rate in the first quarter, largely as a result of business and government investments. Consumer spending had stagnated because of the hike in the provincial sales tax (QST) effective January 1. However, the labour market's good performance over the past few months should make it possible to reverse this situation. Exports were adversely affected by the global economic slowdown and the high-flying loonie in relation to the U.S. dollar. Growth in Quebec is estimated at 1.4% in 2012, and should climb to 2.0% in 2013.

The mid-year picture is better than expected for the housing market in Québec. Some slowdown is expected in the second half of the year. Stricter mortgage insurance rules will be less favourable to home ownership, but strong job creation and low interest rates will prevent an excessively abrupt slowdown in the residential sector.

Given the current economic environment, major central banks are being encouraged to keep their key interest rates very low. The delicate situation in the euro zone in fact prompted the European Central Bank to reduce its key interest rates by 25 basis points on July 5, 2012. The U.S. Federal Reserve should wait until the end of 2014 before announcing an increase in key interest rates and could even set up other stimulus measures. In such a context, the Bank of Canada could wait until the fall of 2013 to raise its overnight rate.

Persisting global financial tensions will continue to exert downward pressure on U.S. and Canadian bond rates. Despite the aversion to more risky investment vehicles, high corporate profits could be beneficial to stock markets. The S&P 500 could post advances of close to 11% in 2012, and 7% in 2013. With only a 3% advance expected in 2012, the Canadian stock market will be affected by the various problems of commodity producers. It should pick up again in 2013 with anticipated growth of nearly 10%. As for the Canadian dollar, it should continue to be very close to par in the months ahead.

These economic conditions and, in particular, changes in interest rates, affect the fair value of Other investments while Investments impacting the Québec economy instead reacts to more localized factors.

MANAGEMENT'S DISCUSSION OF FINANCIAL PERFORMANCE

On the initiative of Desjardins Group, Capital régional et coopératif Desjardins was founded on July 1, 2001 following adoption of the *Act constituting Capital régional et coopératif Desjardins* by Québec's National Assembly on June 21, 2001. DVC manages the Company's activities.

COMPANY VISION, MISSION, OBJECTIVES AND STRATEGIES

The vision, mission, objectives and strategies of the Company remain substantially the same as those described in its most recent annual MD&A.

RISK MANAGEMENT

RISK GOVERNANCE

Consistent with its oversight and accountability responsibilities, the Board of Directors ensures that the main risks related to the Company's operations are identified and that management controls are in place. To assist it in fulfilling its mandate and responsibilities, it is supported by various committees that divide the monitoring and control of these risks among themselves, regularly report to it on their activities and make the appropriate recommendations.The manager is also represented by its executives who attend all committee and Board meetings and report on outsourced activities.

The roles and responsibilities of the Executive Committee, the Audit Committee, the Financial Asset Management Committee, the Ethics and Professional Conduct Committee, the Portfolio Valuation Committee and the investment committees remain substantially the same as those described in the most recent annual MD&A.

NOTE TO THE READER

The following sections regarding market risks, credit and counterparty risks and liquidity risks have been reviewed by the Company's auditor within the audit of the financial statements concerning which an independent auditor's report was issued on August 16, 2012.

MARKET RISKS

Market risks pertain to the Company's role in the capital markets and, indirectly, to general changes in economic conditions. They also pertain to the impact of capital market movements on the value of the Company's assets. The various market risks directly impacting the Company are listed below.

Interest rate risk

Interest rate fluctuations have a significant impact on the market value of fixed-income securities held in the portfolio for which fair value is determined based on market conditions. Fixed-income securities held in the Other investments portfolio include money market instruments, bonds and preferred shares with a total fair value of $738.5 million ($667.6 million as at December 31, 2011).

Money market instruments with a fair value of $62.0 million ($63.4 million as at December 31, 2011) have not been valued based on fluctuations in the interest rates due to their very short term maturity and the Company's intention to hold them until maturity.

Bonds with a fair value of $627.4 million ($562.1 million as at December 31, 2011) are directly affected by fluctuations in interest rates. A 1% increase in interest rates would have resulted in a decrease of $32.1 million in net income, a 2.5% decrease in the Company's share price as at June 30, 2012 ($28.0 million for 2.4% as at December 31, 2011). Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a $34.1 million increase in net income, a 2.7% increase in share price ($29.7 million for 2.5% as at December 31, 2011). Given that the Company matches the maturities of bonds held in its portfolio with the average maturity of expected cash outflows, the long term effect of interest rates on results should be limited.

Preferred shares with a fair value of $49.1 million ($42.1 million as at December 31, 2011) may also be affected by interest rate fluctuations. However, unlike bonds, there is no perfect correlation between interest rate fluctuations and changes in the fair value of preferred shares. Also, the interest rate risk related to preferred shares is low given the amounts in question.

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 portfolio companies may also be affected by changes in stock prices.

As at June 30, 2012, the Investments impacting the Québec economy portfolio included four traded companies valued at $6.9 million, representing 0.5% of net assets (four companies valued at $5.6 million as at December 31, 2011, representing 0.5% of net assets). A 10% increase or decrease in the stock markets would have resulted in an increase or decrease in the Company's net income of $0.6 million respectively ($0.5 million as at December 31, 2011).

In accordance with the Company's global asset management approach, the overall impact of these interrelated risks is taken into account when determining overall asset allocation.

Currency risk

Changes in currency values have an impact on the business of a number of the Company's partner companies. The net effect of an appreciation in the Canadian dollar is not necessarily always negative for these companies, nor is a depreciation necessarily positive. However, rapid fluctuations in the Canadian dollar heighten the difficulties faced by these companies.

Currency fluctuations impact the fair value of assets initially measured in a foreign currency and subsequently translated into Canadian dollars at the prevailing rate of exchange. These assets, whose value varies in step with fluctuations in the value of a foreign currency, represent a fair value of $115.9 million, or 8.6% of net assets as at June 30, 2012, compared with $157.3 million, or 12.9% of net assets as at December 31, 2011. The decrease primarily reflects amounts received on disposal of the investment in Enobia Pharma in the first quarter of 2012.

The Company aims to systematically hedge currency risk for assets measured in foreign currency. A $5 million line of credit was granted to the Company for its foreign exchange contract transactions. As at June 30, 2012, the Company held foreign exchange contracts under which it is required to deliver US$105.2 million at the rate of CAD/USD 1.0283 and A$1.1 million (Australian dollar) at the rate of CAD/AUD 1.0250 on September 28, 2012.

This limits the Company's net exposure to foreign currencies to $7.7 million ($0.1 million as at December 31, 2011). Any fluctuation in the Canadian dollar will therefore not have a significant impact on the Company's results.

CREDIT AND COUNTERPARTY RISKS

In pursuing its Investments impacting the Québec economy mission, the Company is exposed to credit and counterparty risks related to potential financial losses if a partner company fails to fulfill its commitments or experiences a deterioration of its financial position. By diversifying its investments by asset class and financial instrument type and by limiting the potential risk of each partner company, the Company has limited portfolio volatility due to negative events.

The Company does not generally require guarantees to limit credit risk on its loans. Requiring guarantees would contravene the eligibility rules for Investments impacting the Québec economy.

Investments impacting the Québec economy, except those carried out through funds, are first ranked by risk from 1 to 9 based on the criteria defined by Moody's RiskAnalyst tool. Companies with a ranking of 7 and above are reviewed on a monthly basis to spread them across ranks 7 to 12.

Investments impacting the Québec economy made as funds are presented in the Low to acceptable risk category due to the structure of this type of product, and because they generally involve no indebtedness.

Ranked by risk, the breakdown of Investments impacting the Québec economy is as follows (fair value amounts):

		As at June 30, 2012		As at December 31, 2011	
Rank		(in thousands of $)	(as a %)	(in thousands of $)	(as a %)
1 to 6.5	Low to acceptable risk	528,108	95.8	434,950	80.3
7 to 9	At risk	14,384	2.6	96,713	17.8
10 to 12	High risk and insolvent	8,636	1.6	10,246	1.9

The reduced weight attributed to the At Risk category is largely due to disposal of the Company's investment in Enobia Pharma. Moreover, new investments in the Company Buyouts and Major Investments and Development Capital asset classes helped to improve overall portfolio credit risk compared with the previous year.

Other investments portfolio risks are managed by diversification across numerous issuers with a credit rating of BBB from Standard & Poor's or DBRS or better. Counterparty risks arising from cash and purchase/redemption transactions are limited to the immediate short term.

The concentration of the five largest Investments impacting the Québec economy and the five largest Other investments is as follows (percentages are based on fair asset value):

	As at June 30, 2012		As at December 31, 2011	
	% of portfolio	% of net assets	% of portfolio	% of net assets
Investments impacting the Québec economy	37.9	15.5	39.1	17.4
Other investments*	55.1	30.2	50.7	27.8

* Government issuers accounted for 100.0% (100.0% as at December 31, 2011) of the Other investments portfolio's five largest issuers or counterparties.

The portfolio summary presented at the end of this MD&A also provides relevant information for assessing credit concentration risk.

Counterparty risk is low for foreign exchange contracts given the amounts in question and that the contract counterparty is Caisse centrale Desjardins.

LIQUIDITY RISKS

The Company must maintain sufficient liquid assets to fund share redemptions and committed Investments impacting the Québec economy. If it failed to do so, the Company would be dependent on the markets and could be forced to carry out transactions under unfavourable conditions. With liquid investments that should represent approximately 40% of assets under management once the Company's capitalization reaches maximum limits and the pace of redemptions has stabilized at the expected level, and using a management approach that ensures that the average maturity of bonds is close to the average maturity of expected outflows, the Company can confirm that liquidity risks are adequately covered. Furthermore, credit facilities have also been put in place to provide greater cash management flexibility.

OPERATING RESULTS

COMPANY NET RESULTS AND RETURNS

The Company ended the first half of the year on June 30, 2012 with net income of $30.9 million, or a non-annualized return of 2.5% compared with net income of $11.9 million (non-annualized return of 1.2%) for the same period of 2011.

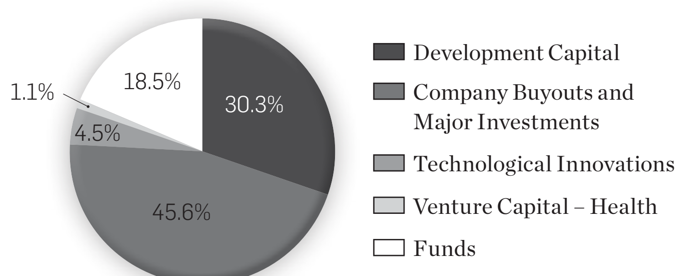
The Company's performance is driven primarily by Investments impacting the Québec economy and Other investments, which generated non-annualized contributions of 3.0% and 1.2% respectively while expenses, net of administrative charges and income taxes had an impact of 1.7% on the Company's non-annualized return.

The Company's asset allocation strategy provides for a more balanced overall portfolio profile, while actively contributing to Québec's economic development. This should limit the volatility of the Company's returns in periods of substantial market turbulence.

INVESTMENTS IMPACTING THE QUÉBEC ECONOMY

Portfolio composition

The Company's manager has allocated its Investments impacting the Québec economy activities across five asset classes. As at June 30, 2012, the fair value of the portfolio was allocated by asset class as follows:



Development Capital consists primarily of unsecured investments in the form of non-controlling interests in share capital, advances or loans. These financing packages are designed for growth-phase or mature companies. The packages may also be applicable for start-up businesses located in resource regions. The size of investments in this class ranges generally from $200,000 to $10 million. However, since July 2010, investments of $3 million or less in new partner companies have normally been carried out through the Capital Croissance PME S.E.C. (CCPME) fund and are therefore reported in the Funds class. A description of CCPME appears later in this text.

Company Buyouts and Major Investments has a dual mandate. First, the Company aims to acquire companies to ensure their continuity or to strengthen promising sectors while keeping ownership in Québec. In addition, it supports the growth of profitable companies in all Québec business sectors through interests in their share capital or as an unsecured creditor for amounts ranging from $10 million to $50 million.

Return by activity	June 30, 2012				June 30, 2011			
	Average assets under management	Weighting	Non-annualized return 6 months	Non-annualized contribution 6 months	Average assets under management	Weighting	Non-annualized return 6 months	Non-annualized contribution 6 months
	($M)	(%)	(%)	(%)	($M)	(%)	(%)	(%)
Investments impacting the Québec economy	547	42.9	6.8	3.0	434	41.5	4.4	2.0
Other investments and cash	728	57.1	2.2	1.2	612	58.5	1.8	1.0
	1,275	100.0	4.2	4.2	1,046	100.0	2.9	2.9
Expenses, net of administrative charges			(1.2)	(1.2)			(1.4)	(1.4)
Income taxes			(0.5)	(0.5)			(0.4)	(0.4)
Company's return			2.5	2.5			1.2	1.2

The Technological Innovations and Venture Capital – Health portfolios consist of direct investments in companies specializing in the information technology and life sciences sectors. The Company aims to optimize the value of the investments it holds but has made no new investments in these sectors since 2008. As at June 30, 2012, these portfolios comprised only 15 companies (fair value of $24.7 million) and 4 companies (fair value of $6.2 million), respectively.

In addition to investing directly in Québec companies, the Company holds interests in specialized funds and partner funds. These investments are reported in the Funds class. As its capitalization is limited, the Company constantly seeks innovative ways to make a greater contribution to the development of Québec's economy. To achieve this, it fulfills its mission by using several levers that it collaborates on developing with its manager, DVC.

- CCPME, whose main goal is to provide subordinated debt financing of $3 million or less to small and medium enterprises in Québec, was created on July 1, 2010. The Company and the Caisse de dépôt et placement du Québec (CDPQ), as sponsors of the fund, agreed to invest equal shares totalling $200 million over a period of three years. The manager of the limited partnership is DVC, which also manages the Company. As at June 30, 2012, the Company had disbursed $43.1 million of its total commitment of $100 million, allowing CCPME to support the development of 93 companies.

- The Fonds Relève Québec provides business transfer loans at favourable conditions to Québec business successors to finance a portion of their capital funding. The Québec government and two other partners share in financing the Fund. The Company has made a commitment in the amount of $10 million.

- The Company is also the majority sponsor of the Desjardins – Innovatech S.E.C. fund (DI). This limited partnership is also managed by DVC. In the budget speech delivered on March 20, 2012, the Québec Minister of Finance announced several initiatives involving DI. First, Société Innovatech Québec et Chaudière-Appalaches (SIQCA) will be converted into a mixed capital corporation in association with the Company. In concrete terms, the transaction provides for the transfer of the majority of SIQCA's assets to DI. The Company will also inject an additional $20 million into DI to support companies in the existing portfolio and provide financing for new projects. With its increased capitalization, DI has made a commitment to inject a total of $65 million into an ecosystem made up of various funds and partners to support Québec technology or innovation businesses through each stage of their development.

- Also in its March 20, 2012 budget, the Québec government announced the inception of the Coop Essor limited partnership with the objective of supporting the creation and growth of cooperatives in Québec. This new fund, which will also be managed by DVC, will be capitalized at $15 million. The Company will commit an amount of $10 million while the government of Québec and the Conseil québécois de la coopération et de la mutualité will complete the capital funding with a total contribution of $5 million. At the same time, the Business Development Bank of Canada and the Canada Deposit Insurance Corporation have committed a global sum of $15 million to co-invest, on a dollar for dollar basis, in each project supported by Coop Essor, resulting in total funds available to Québec cooperatives of $30 million.

- Last, in June 2012, the Company partnered with the government of Québec, CDPQ, Desjardins Group, the Fédération des chambres de commerce du Québec, the Fondation de l'entrepreneurship and Quebecor to announce the establishment of the Prêt à entreprendre program. This initiative targets and supports the most promising new entrepreneurs hailing from the four corners of Québec. The program provides comprehensive assistance for entrepreneurs by extending unsecured, interest-free loans to a maximum value of $30,000, combined with mentoring and technical support. The program budget is approximately $7 million. The Company committed to contributing $1 million through CCPME.

The Company and its manager, jointly with their partners, are currently working to implement various new initiatives stemming from the March 2012 provincial budget discussed above. These initiatives should gradually take form over the coming months.

Activities relating to Investments impacting the Québec economy

Investments of $99.7 million made during the first half of 2012, sale proceeds of $110.4 million and realized and unrealized net gains of $20.3 million increased the total fair value of the Company's investment portfolio, including foreign exchange contracts, to $551.8 million as at June 30, 2012 ($542.2 million as at December 31, 2011). Investments made during the first six months were significant due to two new major investments in Groupe Filgo and GFI Solutions Group as well as a large-scale reinvestment in La Coop fédérée.

Investment activities should also be measured taking into account funds committed but not disbursed, which stood at $125.5 million as at June 30, 2012, compared with $151.8 million as at December 31, 2011. Total commitments at cost as at June 30, 2012, amounted to $672.2 million in 206 companies, cooperatives and funds, of which $546.7 million was disbursed.

The November 30, 2010 acquisition of certain investments from Desjardins Venture Capital L.P. gave rise to notes payable with a fair value of $11.3 million ($14.3 million as at December 31, 2011). Their fair value is adjusted according to changes in the fair value of these investments held by the Company. During the six months ended on June 30, 2012, the Company repaid $2.2 million in notes and the fair value of the notes was written down by $0.8 million, thereby generating a net gain for the Company in the equivalent amount.

Portfolio return

During the first six months of fiscal 2012, the Investments impacting the Québec economy portfolio generated a positive contribution of $37.1 million, for a return of 6.8%, compared with $19.6 million for the same period of 2011 (a return of 4.4%). Company Buyouts and Major Investments posted a solid return of 13.6% due mainly to the improved profitability of a number of companies in the portfolio. Development Capital also made a positive contribution to the Company's overall return during the first six months of 2012 by maintaining a solid current revenue base.

Contribution generated by Investments impacting the Québec economy

(in thousands of $)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue	16,443	13,956
Gains and losses	20,625	5,622
	37,068	19,578

Revenue, consisting of interest, dividends and negotiation fees related to Investments impacting the Québec economy, provides a solid income base that promotes overall portfolio profitability.

The Company accounts for its Investments impacting the Québec economy at fair value. Two comprehensive portfolio reviews are carried out each year, with one covering the six-month period ending June 30 and the other covering the six-month period ending December 31.

The Company recorded a realized and unrealized gain of $20.6 million in its results for the six-month period compared with a gain of $5.6 million for the same period in 2011. Performance for the first six months stems primarily from the growth in value of companies in the Company Buyouts and Major Investments asset class.

As at June 30, 2012, the overall risk level of the Investments impacting the Québec economy portfolio had improved compared with its December 31, 2011 level.

OTHER INVESTMENTS

Managing the Other investments portfolio involves the portion of assets not earmarked for Investments impacting the Québec economy, including temporarily available cash resources prior to their investment in companies.

As at June 30, 2012, the Company's Other investments portfolio, including cash but excluding foreign exchange contracts, totalled $774.4 million compared with $682.5 million as at December 31, 2011. These funds were invested mainly in the fixed-income securities market in highly liquid, low-credit risk instruments. As at June 30, 2012, 70% of portfolio bond securities were government-guaranteed.

Other investments accounted for 57% of the portfolio's total net assets as at the end of the first six months of 2012 (56% as at December 31, 2011). Commitments already made but not disbursed of $125.5 million, representing nearly 9% of net assets, will eventually be covered from the Company's Other investments portfolio and allocated to Investments impacting the Québec economy. The Company anticipates that the percentage of the Other investments portfolio to total net assets will gradually decrease in coming years to around 40% as capitalization reaches maximum limits and the pace of redemptions levels off as expected. In keeping with its core mission, this will result in an increase in funds allocated to Investments impacting the Québec economy.

Return by asset class	June 30, 2012				June 30, 2011			
	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)	Average assets under management ($M)	Weighting (%)	Non-annualized return 6 months (%)	Non-annualized contribution 6 months (%)
Development Capital	158	12.3	6.0	0.7	160	15.3	2.8	0.5
Company Buyouts and Major Investments	220	17.3	13.6	2.1	129	12.3	5.8	0.6
Technological Innovations	24	1.9	8.6	0.2	47	4.5	32.9	1.9
Venture Capital – Health	46	3.6	(0.3)	0.0	25	2.4	(34.1)	(1.1)
Funds	99	7.8	0.2	0.0	73	7.0	(0.4)	0.0
	547	42.9	6.8	3.0	434	41.5	4.4	2.0

As at June 30, 2012, the Company had a cash position equal to 13.2% of the Other investments portfolio (11.4% as at December 31, 2011) to cover liquidity needs arising from redemption requests by shareholders and Investments impacting the Québec economy it expects to make. This level of liquidity, which the Company maintains in keeping with its sound management practices, limits the portfolio's overall potential return.

To enhance total portfolio returns, the securities advisor mandated by the Company's manager is also authorized to take market positions using purchase/redemption transactions. Such trades are made in an overlay portfolio and their potential risk limits are defined and overseen by the Company's Financial Asset Management Committee and tracked daily by the securities advisor. This activity generated a gain of $0.6 million for the first six months of 2012 ($0.9 million for the same period in 2011). As at June 30, 2012, the Company had no market positions.

Contribution generated by Other investments

(in thousands of $)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Revenue	9,993	9,093
Gains and losses	5,108	1,072
	15,101	10,165

Revenue consists of interest, dividends and trading activities related to Other investments. Interest income (primarily from bonds) is recognized at the bond rate in effect at the acquisition date.

Other investments continues to generate significant operating revenue for the Company even though interest rates are low. Other investments contributed $15.1 million in the first six months of 2012 compared with $10.2 million a year earlier. Current revenue was up compared with the same period of 2011, due mainly to a higher average bond balance.

Lastly, in the first half of 2012, the Company recorded a net gain of $5.1 million on its Other investments portfolio. The Bank of Canada has not increased its key rate since the end of the last fiscal year given the continuing uncertainty over global economic conditions and the sovereign debt crisis in Europe. Typical returns on 5-year Canadian government bonds were 1.25% as at June 30, 2012 (1.27% as at December 31, 2011). The medium term portion of the portfolio performed better given the changes in the corresponding rates.

Over the last few years, the fair value of the bond portfolio benefited from repeated interest rate decreases. A potential rise in rates will have a negative impact on unrealized changes in value. The Company's asset management strategy is to match the average maturity of Other investments with the average maturity of expected cash outflows, thereby limiting the long term effect of interest rates on results.

CAPITAL RAISING

The Company offers its shares exclusively through the Desjardins caisse network. As at June 30, 2012, this distribution network consisted of 377 Desjardins caisses and 983 service centres, for a total of 1,360 points of sale.

Subscription of shares of the Company entitles the shareholder to receive a non-refundable tax credit, which applies only to Québec tax, for an amount equal to 50% of all amounts subscribed, up to a maximum tax credit of $2,500 per capitalization period. The minimum holding period for shares of the Company is seven years to the day from the date of purchase before the shareholder would normally be eligible for a redemption. Note however that shareholders who request a redemption to withdraw some or all of their shares after the seven year holding period may not claim a tax credit for any subscription for which the tax credit would apply in the current tax year or in any subsequent tax year.

The Company may raise a maximum of $150 million per capitalization period until its share capital reaches the Company's $1,250 million capitalization limit for the first time by the end of a capitalization period.

Beginning with the capitalization period following the period in which the limit is reached for the first time, per capitalization period, the Company may raise the lesser of $150 million and the amount of the reduction in share capital attributable to the Company's redemptions or purchases by agreement during the preceding capitalization period. Each 12-month capitalization period begins on March 1 of each year. A special tax is payable by the Company if it fails to comply with these limits, and control mechanisms have been implemented by the Company to ensure compliance.

As at June 30, 2012, the Company had $1,202.9 million in share capital for 119,544,005 outstanding shares.

A total of $150.0 million of capital was raised during the first six months of 2012 compared with $105.5 million for the same period of 2011.

The 2012 issue that went on sale at the end of May met with unprecedented success as the $150 million maximum available amount for the current capitalization period sold out entirely in under five days.

For the first six months of 2012, redemptions and purchases by agreement totalled $52.8 million ($55.5 million for the first six months of the previous fiscal year). The Company believes that the current economic conditions and weak interest rates are behind the low volume of redemptions.

As at June 30, 2012, the balance of shares eligible for redemption totalled almost $320 million. As the sale of the securities of the 2005 issue ended during the first six months of 2005, no other shares will become eligible for redemption prior to the end of fiscal 2012.

The shareholders' equity of the Company as at June 30, 2012 totalled $1,348.5 million broken down by issue as follows:

Issue	Issue price ($)	Balance* ($M)	Eligible for redemption
2001	10.00	34.1	2008
2002	10.00	99.5	2009
2003	10.12 and 10.24	48.8	2010
2004	10.25	61.8	2011
2005	10.25	75.2	2012
2006	10.37 and 10.21	89.0	2013
2007	10.21 and 9.92	109.2	2014
2008	9.89 9.83 and 9.54	160.1	2015
2009	9.54 9.62 and 9.73	174.9	2016
2010	9.73 and 9.80	172.3	2017
2011	9.91 and 10.02	170.1	2018
2012	11.02	153.5	2019
Shareholders' equity		1,348.5	

* Calculated at net asset value per share as at June 30, 2012

During the first six months of 2012, the Company gained 5,237 new shareholders which, after taking redemptions into account, brought the number of shareholders to 104,857 as at June 30, 2012, compared with 106,577 as at December 31, 2011. Despite this decline in the number of shareholders which allows the Company to optimize its costs, shareholders' equity increased due to a higher average investment per shareholder, with current shareholders subscribing for new shares year after year. Note that until 2007, each shareholder was limited to a subscription of $2,500 per year, compared with the current limit of $5,000.

The Company's policy is to reinvest income from operations rather than pay dividends to its shareholders in order to increase the capital available for investment in eligible entities and to create share value appreciation.

EXPENSES AND INCOME TAXES

Expenses

(in thousands of $)

	Six months ended June 30, 2012	Six months ended June 30, 2011
Management fees	13,331	12,518
Other operating expenses	1,486	843
Shareholder services	1,032	983
	15,849	14,344

Since January 1, 2012, the annual management fees paid to manager DVC amount to 2.25% of the Company's annual average assets' net value, less any amounts payable related to Investments impacting the Québec economy and Other investments. The rate was previously 2.5%. Management fees for the first half of 2012 amounted to $13.3 million compared with $12.5 million for the same period of 2011. As in the past, the management fees incurred by the Company are adjusted to avoid double billing as regards the Company's holdings in certain investment funds. The parties have agreed to review the terms and conditions of the contract prior to its December 31, 2012 expiry date.

The $0.6 million increase in Other operating expenses resulted mainly from fees related to the implementation process for new investment software to manage higher volumes of direct and indirect investments.

The Company has appointed Desjardins Trust Inc. as shareholder registrar and share transfer agent. Desjardins Trust also acts as an intermediary for various shareholder support services. Since the Company began operations, Desjardins Trust has represented the largest component of the Company's shareholder service expenses. This contract was renewed at the same terms and conditions until December 31, 2012.

The Company has entrusted the Fédération des caisses Desjardins du Québec with the activities related to the distribution of the Company's shares across the Desjardins caisse network. Other than reimbursing certain direct expenses, no commissions or other forms of compensation are payable to any person by the Company for distribution of its shares. The contract is renewable from year to year at market conditions, unless written notice is given by one or the other of the parties three months in advance.

Shareholder service expenses for the first six months of 2012 are comparable to those for the same period of 2011.

Income taxes for the first six months of fiscal 2012 amounted to $5.9 million, compared with $4.0 million for the same period in 2011. Revenue type has a significant impact since, unlike business income, capital gains are eligible for deductions and mechanisms allowing income tax refunds.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from capital raising initiatives net of redemptions for the six-month period ended June 30, 2012 totalled $97.1 million ($49.9 million for the same period of 2011). Operating activities generated cash outflows of $3.4 million, compared with cash inflows of $5.2 million for the same period in 2011. This change arose mainly from increased taxes receivable and decreased accounts payable included in changes in non-cash working capital items. The Company's investment activities resulted in cash outflows of $73.7 million for the first six months of 2012, compared with $90.3 million for the same period of 2011. Cash outflows in Investments impacting the Québec economy amounted to $96.9 million for the first six months of 2012, compared with $62.3 million for the same period of 2011.

This increase was largely driven by the acquisition of three significant investments in the first six months of 2012. In accordance with the Company's financial asset management strategy, a portion of the excess liquidities generated by operating and financing activities was allocated to the Other investments portfolio, which posted net investments of $68.1 million for the first six months of 2012, compared with $99.7 million for the same period of 2011.

As at June 30, 2012, cash and cash equivalents totalled $52.5 million ($32.5 million as at December 31, 2011). This cash level is maintained to cover redemption requests and the anticipated outflows related to the Investments impacting the Québec economy portfolio.

The Company has an authorized line of credit of $10 million. In the event that liquidity needs exceeded expectations, this line of credit could be used on a temporary basis to cover the Company's obligations. This additional flexibility optimizes cash levels held and reduces the risk of having to dispose of assets hastily under potentially less advantageous conditions. The line of credit was not used during the first six months ended June 30, 2012.

Given the management approach for Other investments of matching the average maturity of the Company's total assets with the average maturity of its expected cash outflows, the Company does not anticipate any shortfall in liquidities in the short or medium terms and expects to be able to repurchase shares issued at least seven years earlier from those shareholders who make such a request.

RECENT EVENTS

ACCOUNTING POLICIES – INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Background

In 2008, the Accounting Standards Board of Canada (AcSB) confirmed that as of January 1, 2011, the International Financial Reporting Standards (IFRS) would replace the Canadian generally accepted accounting principles (GAAP) currently in effect for certain companies, including public companies.

The International Accounting Standards Board (IASB), the organization responsible for IFRS, in the first half of 2010 began a review of the standards on consolidation and financial instruments that investment companies must apply. This led, in August 2011, to the publication of an exposure draft, *Investment Entities*. The key effects of the proposed amendments on the Company are discussed in the subsequent section *Main impacts of transition to IFRS*.

In January 2011, to allow investment companies to wait until these revised standards take effect before converting to IFRS, the AcSB approved mandatory deferral to January 1, 2013 of the IFRS adoption date for investment companies currently subject to Accounting Guideline AcG 18 *Investment Companies*. Following the IASB's publication of the exposure draft, the AcSB decided in December 2011 to grant an additional year's deferral. Accordingly, the Company will adopt IFRS for its interim and annual financial statements for annual periods beginning on or after January 1, 2014. Until that time, the Company will continue to apply the current Canadian standards.

Work completed to date

The Company has drawn up a three-stage conversion plan: Step 1 – Analysis; Step 2 – Planning and Design; and Step 3 – Implementation. Throughout these stages, the Company will benefit from the support and expertise of a specialized Desjardins Group team, as well as assistance from external experts.

The analysis stage began in 2009 and continued throughout the fiscal year ended December 31, 2010. This stage allowed the Company to identify those areas that would be most impacted by IFRS application. Since then, the Company has been monitoring the work of the IASB with respect to, among others, changes in the standards on consolidation and financial instruments. During the last quarter of 2011, the Company carried out a primary analysis of the standards proposed in the exposure draft to determine their impacts on its accounting, its financial reporting, its management and its information systems.

Main impacts of transition to IFRS

IFRS use a conceptual framework similar to GAAP, but contain certain differences. In particular, the standards on consolidation and financial instruments, if applied by the Company in their present form, could have significant impacts on the financial information the Company reports. Beyond these standards, the differences identified between Canadian GAAP and IFRS should not have significant impacts.

Under the accounting standards currently in force in Canada, specifically AcG 18, the Company must recognize all investments held by it at fair value, and is not obliged to apply all of the rules concerning financial instruments.

There is no equivalent to AcG 18 under current IFRS. Rather, the provisions of IAS 27, *Consolidated and Separate Financial Statements* apply. Under this standard, the Company could be required to consolidate some of its investments. The Company is of the opinion that the consolidation of certain investments is undesirable as it would render use of its financial statements more complex, significantly increase financial reporting costs and would not provide an accurate picture of its financial position. Furthermore, the issue and redemption prices of the Company's shares would not be calculated on the same basis used to prepare the financial statements.

In addition, under current IFRS, all requirements with respect to the recognition and disclosure of financial instruments must be applied. Therefore, the Company would have to list its financial instruments according to the different categories under IFRS and apply the corresponding recognition method. Their categorization would also result in increased disclosure in the financial statements, in particular as relates to the measurement of financial instruments.

The exposure draft circulated in August 2011 by the IASB establishes criteria under which a company would qualify as an investment entity. A qualifying investment entity would be required to present at fair value all investments it holds, including in entities it controls. These proposals reflect the spirit of AcG 18 currently in force in Canada.

Also, under the proposed standards, certain additional disclosures relating to investments held would be required. Within the framework of the usual consultation process following publication of the exposure draft, the Company, jointly with other partners in the Québec development capital fund industry, addressed certain comments to the IASB and the AcSB in this respect. The Company continues to monitor the IASB's work in 2012.

Subsequent to comments to the exposure draft on investment entities, the IASB continued its deliberations and contemplates publication of a new standard for investment entities before the end of 2012.

Quantification of impacts

The exposure draft, if approved without amendment, would have no impact on the Company's results and financial position.

Moreover, the Company's constituting act provides that the issue and redemption price of its shares shall be calculated based on adjusted IFRS, if need be, to reflect the fair value of investments and cancel the effects of consolidation. As a result, the transition to IFRS will have no substantial impact in that respect, regardless of the outcome of the discussions concerning the exposure draft currently underway.

RELATED PARTY TRANSACTIONS

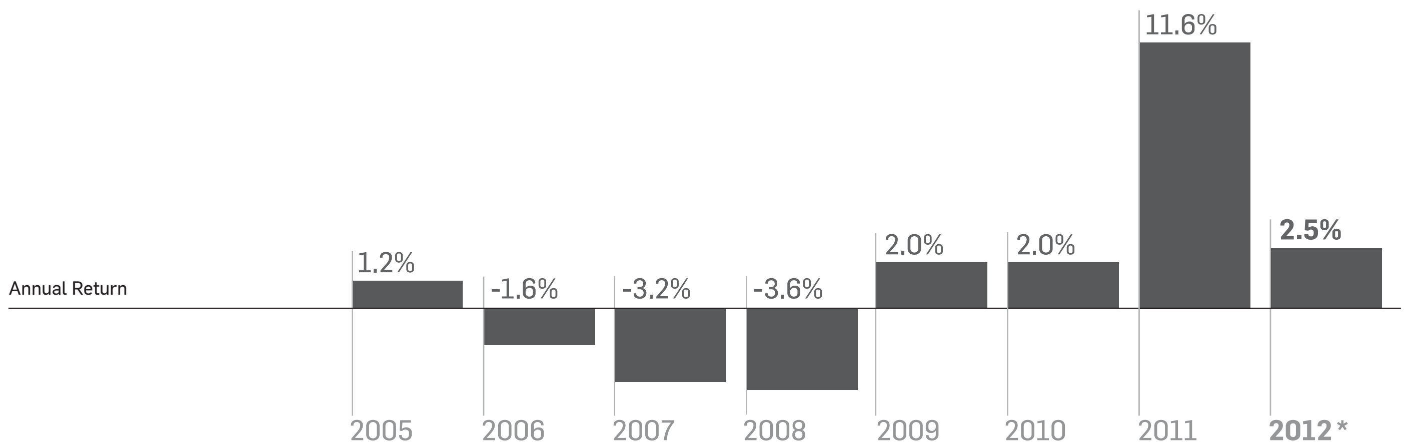
The Company enters into certain transactions with related companies in the normal course of business. These transactions are described in note 16 to the financial statements of the Company.

PAST PERFORMANCE

This section presents the Company's historical returns. These returns do not include the $50 administration fee paid by shareholders or the tax credit they enjoy as a result of their investment. Past performance is not necessarily indicative of future returns.

ANNUAL RETURNS

The following chart shows the Company's annual returns and illustrates the change in returns from one period to the next for the past seven fiscal years and the six-month period ended June 30, 2012. Annual return is calculated by dividing income (loss) per share for the period by the share price at the beginning of the period.



* Non-annualized return for the six-month period ended June 30, 2012..

COMPOUNDED RETURN OF THE SHARE AS AT JUNE 30, 2012

The compounded return is calculated based on the annualized change in the price of the share over each of the periods shown.

7 years	5 years	3 years	1 year
1.3%	2.6%	5.4%	12.5%

PORTFOLIO SUMMARY

MAIN ASSET CLASSES

As at June 30, 2012, assets in the Investments impacting the Québec economy and Other investments portfolios were allocated on a fair value basis as follows:

Asset classes	% of net assets
Investments impacting the Québec economy*	
Development Capital	12.4
Company Buyouts and Major Investments	18.7
Technological Innovations	1.8
Venture Capital – Health	0.5
Funds	7.5
Total – Investments impacting the Québec economy	40.9
Other investments	
Cash and money market instruments	7.3
Bonds	46.5
Preferred shares	3.6
Total – Other investments	57.4

* Including foreign exchange contracts

MAIN INVESTMENTS HELD

As at June 30, 2012, on a fair value basis, the issuers of the 25 main investments held by the Company were as follows:

Issuer	% of net assets
Investments impacting the Québec economy (12 issuers)*	25.2
Canada Housing Trust	10.3
Province of Québec	9.8
Financement Québec	3.6
Province of Ontario	3.4
CDP Financial	3.1
Toronto—Dominion Bank NHA (CMHC guaranteed)	3.0
Bank of Montreal	2.0
The Toronto-Dominion Bank	1.9
Bank of Nova Scotia	1.5
Royal Bank	1.4
Canadian Imperial Bank of Commerce	1.4
Bank of Nova Scotia NHA (CMHC guaranteed)	1.1
GE Capital Canada Finance Inc.	0.9

* The 12 issuers who collectively represent 25.2% of the Company's net assets are:

- A. & D. Prévost inc.
- Avjet Holding Inc.
- Camoplast Solideal Inc.
- CANMEC Group Inc.
- Capital croissance PME S.E.C.
- Desjardins – Innovatech S.E.C.
- Groupe Filgo inc.
- Groupe GFI Solutions Inc.
- Knowlton Development Corporation Inc.
- La Coop fédérée
- Regal Confections Inc.
- TELECON Group

This summary of the Company's portfolio may change at any time due to transactions carried out by the Company.

August 16, 2012

August 16, 2012

MANAGEMENT'S REPORT

The Company's financial statements together with the financial information contained in this interim report are the responsibility of the Board of Directors, which delegates the preparation thereof to management.

In discharging its responsibility for the integrity and fairness of the financial statements, management has ensured that the manager maintains an internal control system to provide reasonable assurance that the financial information is reliable, that it provides an adequate basis for the preparation of the financial statements and that the assets are properly accounted for and safeguarded.

Furthermore, the Company's General Manager and Chief Financial Officer have certified that the method used to determine the fair value of each of the Investments impacting the Québec economy complies with the requirements of the Autorité des marchés financiers and have confirmed the reasonableness of the aggregate fair value of the portfolio of Investments impacting the Québec economy.

The Board of Directors discharges its responsibility for the financial statements principally through its Audit Committee. The Committee meets with the independent auditor appointed by the shareholders with and without management present to review the financial statements, discuss the audit and other related matters and make appropriate recommendations to the Board of Directors. In addition, the Committee meets with the Company's internal auditors. The Committee also analyzes the management discussion and analysis to ensure that the information therein is consistent with the financial statements.

The financial statements present the financial information available as at August 16, 2012. These statements have been prepared in accordance with Canadian generally accepted accounting principles and audited by PricewaterhouseCoopers LLP.

The Board of Directors has approved the financial statements, together with the information in the management discussion and analysis. The financial information presented elsewhere in this report is consistent with the Company's financial statements.

(signed) Yves Calloc'h, CPA, CA

Chief Financial Officer