2007 FINANCIAL REVIEW

This Financial Review seeks to provide an in-depth understanding of the operations of Capital régional et coopératif Desjardins (the "Company"). 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 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 event that may occur.

The Company ended fiscal 2007 with a net loss of $22.2 million and a negative return of 3.2%, thereby reducing net value per common share from $10.21 to $9.89 based on the number of common shares outstanding at year-end. Fiscal 2006 had closed with a net loss of $10.2 million and a negative return of 1.6%. A total of $101.8 million of capital was raised and net assets reached $732.5 million, up 11.9% over 2006. In recognition of the Company's achievements since inception, the Québec government adopted new measures in fall 2007. Under these new measures, the Company will have access to sufficient and permanent capitalization as well as investment standards adapted to market realities to fulfil its mission to foster the development of Québec cooperatives and businesses. Shareholders totalled 120,652 as at December 31, 2007, up 2.0% from 2006. The cost of investments impacting the Québec economy made or committed reached nearly $470 million, of which more than $396 million were disbursed.

COMPANY'S RETURN

	ANNUAL RETURN
2007	-3.2%
2006	-1.6%
2005	1.2%
2004	0.0%
2003	1.7%
2002	1.9%
2001 (57 days)	0.0%
	AVERAGE OF ANNUAL RETURNS*
Since inception	0.0%

*Arithmetic mean of annual returns

RETURN BY ACTIVITY

	2007				2006 RESTATED*			
	Average assets under management	Weighting	Return	Contribution	Average assets under management	Weighting	Return	Contribution
	$M	%	%	%	$M	%	%	%
Investment portfolio	341	49.9	-4.6	-2.3	286	46.4	-1.4	-0.6
Liquid portfolio	342	50.1	3.1	1.6	330	53.6	4.4	2.5
	683	100.0	-0.7	-0.7	616	100.0	1.9	1.9
Expenses, net of membership dues			-3.4	-3.4			-3.5	-3.5
Income taxes and capital tax			0.9	0.9			0.0	0.0
Company's return			-3.2	-3.2			-1.6	-1.6

*See explanations under Accounting Policies - Consolidation

RETURN BY ASSET CLASS

	2007				2006 RESTATED*			
	Average assets under management	Weighting	Return	Contribution	Average assets under management	Weighting	Return	Contribution
	$M	%	%	%	$M	%	%	%
Investment portfolio								
Venture Capital	113	16.5	-16.0	-2.8	106	17.2	-4.0	-0.7
Cooperatives and Resource Regions	105	15.4	-5.4	-0.8	91	14.8	-3.6	-0.5
Development Capital	48	7.0	13.0	0.8	34	5.5	4.9	0.3
Major Investments and Company Buyout	75	11.0	4.7	0.5	55	8.9	2.7	0.3
Liquid portfolio								
Fixed-income securities	334	48.9	3.2	1.5	330	53.6	4.4	2.5
Fund of hedge funds	8	1.2	6.3	0.1	–	–	–	–
	683	100.0	-0.7	-0.7	616	100.0	1.9	1.9

*See explanations under Accounting Policies - Consolidation

The Company's return is mainly attributable to the contribution of investment and liquid portfolio activities. Assets allocated to investment activities are focused primarily on fulfillment of the Company's economic development mission in all Québec regions. They are allocated across four lines of business and consist mainly of equities and debentures. This activity ended 2007 with a negative return of 4.6% compared with a negative return of 1.4% in 2006. While the Development Capital and Major Investments and Company Buyout lines posted positive returns, the performance of the Venture Capital and Cooperatives and Resource Regions lines resulted in negative overall return for investment activities. The main reasons for this are the high-risk nature of technology sector investments, the number of start-up businesses and the sharp appreciation in value of the Canadian dollar.

The liquid portfolio activity manages the portion of assets not invested with partner businesses. This portfolio was established to provide security for the Company's returns and ensure necessary liquidity. It consists of bonds, preferred shares and units of funds of hedge funds. This activity generated a return of 3.1% in 2007 compared with a return of 4.4% in 2006, due primarily to changing capital market conditions.

CHANGES IN NET VALUE PER COMMON SHARE

	2007	2006 RESTATED*
	$	$
Beginning of year	10.21	10.37
Interest, dividends and negotiation fees	0.47	0.40
Realized losses	-0.24	-0.19
Changes in unrealized depreciations	-0.31	-0.04
Expenses, net of membership dues	-0.35	-0.34
Income taxes and capital tax	0.10	0.00
Decrease attributable to operations	-0.33	-0.17
Difference attributable to share issues and redemptions	0.01	0.01
End of year	9.89	10.21

*See explanations under Accounting Policies - Consolidation

As at December 31, 2007, the Company was in compliance with all the requirements of its incorporating act. The Company's top priorities continue to contribute significantly to Québec's economic development while generating attractive returns and reducing the risk of capital losses for its shareholders.

The tax credit, which reduces the cost of acquiring shares, must be factored in. A share purchased for $10 in 2001 would provide the investor with an annual compound return net of tax on the order of 9.5%, if redeemed for $9.89 following the seven-year holding period.

Balanced allocation across asset classes coupled with ongoing efforts to enhance partner business valuations within the portfolio of investments impacting the Québec economy will allow the Company to provide its shareholders attractive long-term returns.

ECONOMIC BACKGROUND

The Canadian economy saw relatively sustained growth in 2007. Consumer spending rose rapidly, more than offsetting falling exports as the manufacturing sector struggled with the negative impact of the strong dollar and increased global competition. However, the disparities in economic performance between Central and Western Canada remained high and difficulties in the manufacturing sector resulted in many job cuts in Ontario and Québec.

Canadian monetary authorities began to show concern over a possible upturn in inflation in Canada in spring 2007; in July, they announced a 25 basis-point rise in key interest rates.

Economic conditions shifted as we moved into fall. Signs of a correction in the U.S. real estate market became increasingly tangible and the subprime lending difficulties in the United States were echoed around the world. This became a full-blown crisis whose effects are still felt and which prompted a re-assessment of the risks associated with financial products. The difficulty in accessing credit on international financial markets drove the U.S. Federal Reserve to lower its target rate at its meeting in September.

The growing spread between Canadian and U.S. short-term interest rates together with the rising cost of raw materials, particularly oil, pushed the Canadian dollar to new heights in the fall. In December, the combination of the asset-backed commercial paper crisis, the increasingly noticeable slowdown of the U.S. economy, the possibility of tightened credit terms and the sharp rise of the loonie, led Canadian monetary authorities to lower its key interest rate by 25 basis points. This adjustment slowed the appreciation of the loonie, which had stabilized at year-end at near parity with the U.S. greenback.

In 2007, the spike in the Canadian dollar affected the performance of the Company's investment portfolio. The strain has been felt by a number of export manufacturing businesses. Another key factor were the difficulties experienced in various sectors tied to regional development, particularly the forest industry and the slowing construction sector.

OUTLOOK

Recent shifts in economic indicators point to a continuation during the first half of 2008 of the darkening economic outlook we have seen since fall 2007. While a recession may still be avoided, the U.S. economic growth rate will slow considerably in coming months. Reduced household wealth due to falling housing prices and the recent drop in market indexes will put the brakes on consumer spending capacity. The central banks will have no option but to lower their key interest rates to restore credit terms to more favourable levels.

Subject to some volatility due to oil prices, raw materials and the interest-rate gap with the U.S., our dollar is likely to soften early in the year and then reach parity with the greenback for the rest of 2008.

The future seems brighter for the Company's business partners who manage to withstand the loonie's sharp rise and difficulties in the manufacturing sector. In addition to enhancing their market share, they will be able to capitalize on lower equipment costs to increase productivity. They will also have the opportunity to take part in the consolidation of certain industry segments.

VENTURE CAPITAL MARKET

Québec continued to attract the lion's share of venture capital activity, with more than 31% of total Canadian investment and 46% of businesses financed. For the third straight year, the Québec venture capital industry saw greater activity reaching the highest level in five years. Investments grew by 8% for a total of $648 million across 189 businesses. The life sciences sector once again attracted the major share, 40%, of all investments in Québec. Information technology activities remained stable, reaching close to a third of investments. Telecommunications led investments in this sector in 2007.

Investment in the energy and green technology sectors more than tripled over 2006, reaching $59 million across 13 companies. Environmental technology activity was the highest ever reported in Québec.

Expanding or advanced development stage Québec businesses were the focus of venture capital activity in 2007, with two thirds of all investment. Overall, pre-startup and startup activities represented only 11% of all investments, which might be worrisome as these investments foster the development of tomorrow's leaders.

U.S. and foreign funds continue to grow with over 32% of total capital invested in Québec.

COMPANY STRATEGY

In 2007, the Desjardins Venture Capital team consolidated major investments and company buyout into one line of business. Besides being better fitted to the realities of the venture capital industry, the transfer of business ownership phenomenon and the needs of entrepreneurs, this approach was also closely aligned with the venture capital market trend toward a substantial portion of investment in more mature and in growing businesses. This type of investment is also less risky and generates positive returns more quickly.

In keeping with this approach, major investments focus on investments between $5 million and $20 million to support businesses with growth or acquisition projects. Major investments represent a minority interest in the share capital of these businesses. The company buyout mission is majority interest investment in the share capital of a business with a view to allowing either a potential acquiror or an existing management team to continue to operate the business. This approach gives seasoned managers who are ready to take the helm of a business access to financial resources to maintain not only jobs but the businesses themselves in the regions where they grew.

ACCOUNTING POLICIES

CONSOLIDATION

Since July 4, 2005, the Company has presented its financial statements on a consolidated basis with those of Desjardins – Innovatech, a limited partnership established with Société Innovatech Régions ressources. This consolidation was required under the "Investment Companies" (AcG-18) Accounting Guideline. During the fiscal year, the Canadian Institute of Chartered Accountants (CICA) modified AcG-18 criteria for identifying entities that must be consolidated. Desjardins – Innovatech S.E.C. does not meet the new criteria. For this reason, the Company's interest in Desjardins – Innovatech S.E.C. is now presented at fair value under the heading Investments and the financial statements are no longer presented on a consolidated basis. The financial statements and financial reporting in their Financial Review for the fiscal year ended December 31, 2006 have been restated to reflect these changes in accounting policies which had no impact on earnings or on net assets as at December 31, 2006 and 2007.

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 balance sheet date and the reported amounts of revenue and expenses during the reporting period.

The principal estimates are related to the determination of the fair value of investments impacting the Québec economy. Actual results could differ from those estimates. Those estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings (loss) in the period in which they are known.

The fair value of the investment portfolio impacting the Québec economy is determined on a semi-annual basis in accordance with methods recommended by the Desjardins Venture Capital manager's Portfolio 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 business valuation expert, as needed. The report is then submitted to the manager's Portfolio Valuation Committee. This Committee consists of a director of the Company's manager, one of the Company's directors and an external member. An external business valuation expert also attends Committee meetings. The Committee receives and discusses the report, ensures reasonableness based on the advice of outside experts, as necessary, and makes a final recommendation to the Company's Board of Directors.

In accordance with the manager's portfolio valuation methodology, the valuation technique is determined in the following order of priority:

- Based on market value for public companies for which an active market exists.
- Based on a recent transaction within the past 12 months, if applicable.
- Based on an alternative valuation method in other cases.

The alternative valuation method is based on the nature of the company's operations, in addition to its development stage, financial results and the qualitative progress of its operations.

NEW ACCOUNTING STANDARDS

In December 2006, CICA issued new accounting standards entitled "Capital Disclosures" (Section 1535), "Financial Instruments – Disclosures" (Section 3862) and "Financial Instruments – Presentation" (Section 3863) which will apply to the Company effective January 1, 2008. The purpose of Section 1535 is to require the disclosure of information that enables users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. It should be noted that Section 3861 "Financial Instruments – Disclosure and Presentation" will be replaced by sections 3862 and 3863. These two sections help users to better understand and evaluate the significance of financial instruments for the entity's financial position and performance, and to better evaluate the nature and extent of risks arising from financial instruments and how the entity manages those risks. Since these new standards specifically cover the disclosures to be provided, they will not affect the Company's results.

INVESTMENT PORTFOLIO

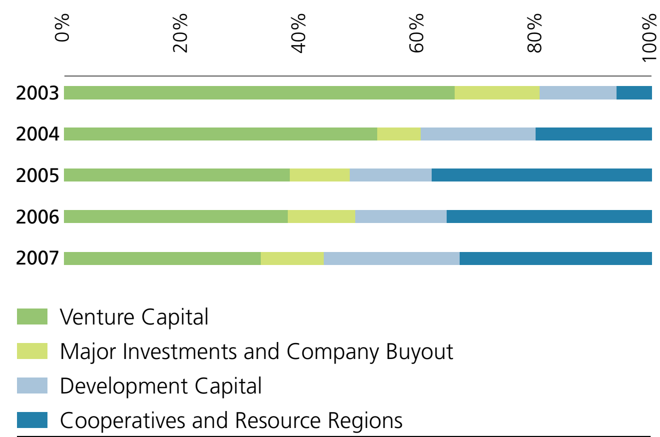
Disbursements of $115.3 million made during fiscal 2007, proceeds on disposal of $36.7 million and value depreciation of $34.1 million brought the fair value of the Company's investment portfolio to $360.8 million as at December 31, 2007.

Since 2007, the Company's manager has allocated investment activities across four business lines. The Venture Capital line covers the health and biotechnology, information technology and telecommunication sectors. The Cooperatives and Resource Regions team covers investments in cooperatives and all investments of less than $5 million in the industrial sector of the resource regions. The Development Capital team comprises investments of less than $5 million in the industrial sector in the balance of Québec's administrative regions. Lastly, the Major Investments and Company Buyout line comprises investments of more than $5 million in the industrial sector across all Québec regions.

As part of its business development activities, the Company's manager focuses from time to time on different economic sectors or lines of business to ensure investment portfolio balance. In order to generate both short and long-term returns for the Company's shareholders, the range of financial instruments used may also vary.

Portfolio diversification is assessed by adding the funds committed but not disbursed to investments at fair value. Over the last five fiscal years, the investment portfolio has been allocated by line of business:

INVESTMENTS AND FUNDS COMMITTED BUT NOT DISBURSED AT FAIR VALUE BY LINE OF BUSINESS 2003-2007 (IN %)



Investment activities should also be measured taking into account the change in funds committed but not disbursed. During 2007, new commitments totalled $88.2 million compared with $139.8 million in 2006. Disbursements of $116.8 million in 2007, higher than new commitments, enabled a reduction in the balance of funds committed but not disbursed to $73.6 million as at December 31, 2007 whereas it stood at $103.9 million as at December 31, 2006.

Investing activities reached a recurring annual volume that will enable the Company to continue meeting statutory investment requirements despite the fact that disposals of investments will be for increasingly higher amounts due to the weighting that debentures have assumed in this portfolio.

As at December 31, 2007, total commitments at cost amounted to $469.8 million in 195 companies and funds, of which $396.1 million was disbursed to 187 companies and funds within the portfolio.

REVENUE GENERATED BY INVESTMENTS *(in thousands of $)*	**2007**	**2006 RESTATED***
Current revenue	18,318	11,821
Realized or unrealized depreciation	(34,072)	(15,771)
	(15,754)	(3,950)

*See explanations under Accounting Policies - Consolidation

Current revenue consists of interest, dividends and negotiating fees related to investments. The increase in current revenue was mainly attributable to a higher average debenture balance, which increased interest revenue by more than 50% in 2007 compared with 2006.

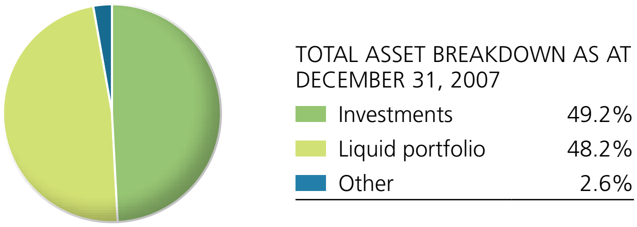
The Company accounts for its investments impacting the Québec economy at fair value. In fiscal 2007, two comprehensive portfolio reviews were carried out, with one covering the six-month period ended June 30 and the other covering the six-month period ended December 31. As a result of these reviews, 81 investments were revalued. Considering also the impact of the loss upon disposal of investments impacting the Québec economy, the Company recorded realized and unrealized depreciation of $34.1 million in its results for the year.

The fair-value valuation of the investment portfolio had an unfavourable impact on the Company's results. Given the nature of the Company's activities, i.e. unsecured investments in small and medium-sized businesses, difficulties are more likely to arise during the first years of an investment interest while observable successes take time and often reach their full potential only when an investment is realized. Prospects of a positive portfolio return should therefore be anticipated when the average age of investments reaches five to eight years. As at December 31, 2007, the average age of the Company's portfolio was less than four years. The past fiscal year has nonetheless seen a marked improvement in investment portfolio risk levels, due primarily to the Company manager's sustained focus on the valuation of partner businesses within the portfolio and to slowing investment in the Venture Capital line of business.

In 2008, the main goal in relation to investments will be to enhance the valuations of current portfolio partner companies to generate future portfolio value appreciation and to increase the weighting of the Major Investments and Company Buyout line of business.

LIQUID PORTFOLIO

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



As at December 31, 2007, the Company's liquid portfolio (including cash and cash equivalents) totalled $353.7 million compared with $325.9 million as at December 31, 2006. These funds were invested mainly in fixed-income securities markets, highly liquid and low-credit risk instruments. At the end of fiscal 2007, over 54.1% of the portfolio securities were government-guaranteed. The portion of the liquid portfolio in relation to total assets was 48% at the end of fiscal 2007 compared with 50% as at December 31, 2006. The Company anticipates that this ratio will continue to decrease in 2008 and in coming years and will gradually stabilize around 36% as capitalization reaches maximum limits; in keeping with its core mission, this will allow an increase in funds allocated to investments impacting the Québec economy.

In addition to fulfilling its statutory mandate of fostering regional and cooperative development across Québec, the Company seeks to maximize total returns for its shareholders while maintaining their capital value to maturity. Using an overall portfolio management approach, the Company manages its portfolio of investments impacting the Québec economy together with its liquid portfolio. As a result, the Company's overall investment portfolio is balanced, and the impact on share value of changing economic conditions over the entire holding period by shareholders is mitigated.

To achieve its objectives, the Company has elected to use a global management approach. This differs from mutual fund management and is more similar to cash or pension fund management. Under this approach, the average maturity of total assets is matched with the average maturity of expected cash outflows.

Prior to making asset selection decisions affecting the liquid portfolio, the Company considers the statutory requirements to which it is subject, together with the structure of its portfolio of investments impacting the Québec economy. The main considerations are as follows:

- The Company's shareholders must hold their shares for at least seven years.
- The investments impacting the Québec economy have target maturities of five to eight 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 capital tax and to corporate income taxes.

To enhance total portfolio returns, the Company's manager is also authorized to take market positions using the same financial instruments stipulated in the investment policy and to carry out purchase/redemption transactions. Such trades are made in an overlay portfolio and their potential risk limits are defined and overseen by the Company's Investment Committee (liquid portfolio) and tracked daily by the Company's manager. As at December 31, 2007, the Company had no market positions.

In 2007, an initial investment of $15 million was made in a fund of hedge funds to enhance the performance prospects of the liquid portfolio while maintaining overall risk at a reasonable level. In 2008, other asset classes will be contemplated.

As regards the management of its liquidities and securities investments, the Company deals mainly with Desjardins Global Asset Management, Caisse centrale Desjardins, Desjardins Securities and Desjardins Trust.

REVENUE GENERATED BY THE LIQUID PORTFOLIO *(in thousands of $)*	**2007**	**2006 RESTATED***
Current revenue	13,556	15,415
Realized or unrealized appreciation (depreciation)	(2,611)	483
	10,945	15,898

*See explanations under Accounting Policies - Consolidation

Current revenue consists of interest, dividends and trading activities on liquid portfolio investments. Interest income (primarily from bonds) is recognized at the bond rate in effect at the acquisition date. Gains (losses) on disposal are recorded at the date of sale and correspond to the difference between the proceeds on disposal and the unamortized cost, regardless of the unrealized appreciation (depreciation) from prior years, which is reversed and reflected in the change in unrealized appreciation (depreciation) for the current period.

This liquid portfolio provides the Company with a major source of operating revenue even though interest rates have been low since the Company's inception. The portfolio's contribution totalled $10.9 million in 2007 compared with $15.9 million in 2006. The decrease in current revenue was mainly attributable to the delay in 2007 capital raising which did not close until December. For the second consecutive year, an increase in the key interest rates in the first half of the year flattened out later in the year, with interest rates at year-end comparable to those at the beginning of the year. However, the tightening in credit conditions resulting from the commercial paper crisis had a negative impact on the value of corporate securities in the liquid portfolio.

CAPITAL RAISING

The Company sells its shares exclusively through the Desjardins caisse network. As at December 31, 2007, this distribution network consisted of 509 caisses Desjardins and 864 service centres, for a total of 1,373 sales outlets.

The common shares of the Company are part of a continuous offering. However, the Company is authorized to raise a maximum of $100 million in capital during the capitalization period ending February 29, 2008. For any capitalization period starting after February 29, 2008, the Company will be able to raise a maximum of $150 million per capitalization period provided it has not exceeded $1 billion in share capital for the first time by the end of a capitalization period. Beginning with the capitalization period following this event, the Company may raise, per capitalization period, the lesser of $150 million and the amount of the reduction in share capital attributable to all of the shares the Company redeemed or purchased by agreement during the preceding capitalization period. Each capitalization period, which lasts 12 months, will begin on March 1 of each year. A minimum holding period of seven years applies before shares are eligible for redemption. 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.

Since November 10, 2007, subscription of shares of the Company entitles the investor to receive a non-refundable tax credit, which applies only to Québec tax, for an amount equal to 50% of all amounts subscribed from that date, up to a maximum tax credit of $2,500. For the 2007 taxation year, subscription of shares of the Company before November 10, 2007 entitles the investor to a tax credit for an amount equal to 35% of amounts subscribed during the year prior to that date, up to a maximum of $875.

A total of $101.8 million of capital was raised during fiscal 2007 compared with $79.5 million for fiscal 2006 due primarily to the increase in tax credit from 35% in 2006 to 50% as of November 10, 2007. The Company does not expect to issue further capital during the current capitalization period ending February 29, 2008. Share capital reached $750.3 million, reflecting a total of $1.6 million in common share redemptions. As at December 31, 2007, the Company had 74,097,440 common shares outstanding. The number of shareholders reached 120,652 as at December 31, 2007 compared with 118,250 as at December 31, 2006.

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

In 2008, holders of shares issued by the Company during the first capitalization period that ended December 31, 2001 will become eligible to share redemption. Note however that investors who withdraw some or all of their shares as part of a redemption after a seven-year holding period will not be able to claim the tax credit for any subscription for which the tax credit could be applied in the current or subsequent taxation years.

BREAKDOWN OF SHAREHOLDERS' EQUITY BY ISSUE

YEAR ISSUED	ISSUE PRICE $	BALANCE* $M	YEAR OF POTENTIAL REDEMPTION
2001	10.00	77.2	2008
2002	10.00	199.1	2009
2003	10.12 and 10.24	86.8	2010
2004	10.25	97.3	2011
2005	10.25	96.5	2012
2006	10.37 and 10.21	78.9	2013
2007	10.21 and 9.92	96.7	2014
Shareholders' equity		732.5	

*Calculated at net asset value per share as at December 31, 2007

LIQUIDITY AND CAPITAL RESOURCES

During fiscal 2007, the Company invested $115.3 million ($97.0 million in 2006) in Québec entities, primarily using cash flows from capital raising initiatives and from the disposal of certain investments. As at December 31, 2007, cash and cash equivalents amounted to $38.1 million compared with $20.6 million as at December 31, 2006 due to the size of the commitments related to the investment portfolio for which minimum payments during fiscal 2008 are estimated at $46.9 million. The Company is of the opinion that its operating and financing activities would be sufficient to cover any shortfall.

Given the investment management approach 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 term and expects to be able to repurchase shares issued at least seven years earlier from those shareholders who make such a request as of November 2008.

EXPENSES

EXPENSES *(in thousands of $)*	2007	2006 RESTATED*
Management fees	20,613	18,623
Other operating expenses	1,206	1,279
Trustee fees	1,770	1,713
Other shareholder service expenses	252	265
Capital tax	527	286
Amortization of software	338	735
	24,706	22,901

*See explanations under Accounting Policies - Consolidation

OPERATING EXPENSES

Management fees in fiscal 2007 amounted to $20.6 million, or 94.5% of total operating expenses of $21.8 million, compared with $18.6 million, or 93.5% of total operating expenses in 2006.

The billing basis is comparable from one period to another since no changes were made to the management agreement. Management fees are equivalent to 3% of the Company's annual average assets' net value. The management fees incurred by the Company are adjusted to avoid double billing on the Company's interest in certain investment funds. In addition, the management fee percentage will be reduced to 2.5% as of the fiscal year following that in which the Company's net asset value reaches $750 million. In light of the $150 million capital raising authorized in 2008, the Company expects that this reduced rate will be applicable as of fiscal 2009.

SHAREHOLDER SERVICES

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 services expenses. For fiscal 2007, Desjardins Trust's services amounted to $1.8 million, or 87.5% of the Company's shareholder services expenses; this level is comparable to that of 2006. In the Company's view, the trustee fees have stabilized at a recurring level because the number of shareholders now varies little from year to year.

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 remuneration are payable to any person by the Company as regards the distribution of its shares.

CAPITAL TAX AND INCOME TAXES

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, 2007, 92.7% of the liquid portfolio consisted of eligible investments for Québec capital tax purposes, compared with the entire portfolio as at December 31, 2006. This decrease results primarily from the introduction of interests in a fund of hedge funds to the liquid portfolio. In addition, certain investments impacting the Québec economy were not considered as eligible investments.

Income taxes reduced the loss before income taxes by $7.1 million in 2007 compared with a tax reduction of $0.6 million in 2006. In addition to current income taxes, future income taxes represent a major component of the Company's tax liability. Revenue type also has a significant impact since capital gains and business income are taxed at different rates.

STATUTORY REQUIREMENTS

According to the statutory requirements taking effect as of fiscal 2006, the Company's average investments in eligible entities must represent 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 Québec's resource regions or in eligible cooperatives. If these criteria were not met, the Company would be subject to penalties.

On November 9, 2007, Québec's Ministère des Finances issued an information bulletin that included measures designed to ease investment standards, particularly with respect to investments made by the Company after November 10, 2007 otherwise than as first purchaser for the acquisition of securities issued by an eligible entity.

As at December 31, 2007, the Company had exceeded the statutory target by 15% for its aggregate eligible investments and had also exceeded expectations by 21% for investments in cooperatives and in the resource regions.

The Company expects to continue meeting its investment objectives, in particular by maintaining a presence in all Québec regions via its manager's twenty-some business offices.

In the balance sheet, the non-disbursed portion of eligible investments is combined with other non-eligible investments under "Investments impacting the Québec economy," whereas the portion of funds committed but not disbursed is disclosed under note 4b). Finally, a "Schedule of cost of investments impacting the Québec economy," disclosing the investments granted to each of the partner companies, and a "List of investments at cost made by specialty funds and partner funds" are also included in this Annual Report.

RISK MANAGEMENT

RISK GOVERNANCE

In keeping with the portfolio asset management approach, risks are managed globally, taking into account all of the Company's contractual commitments. In accordance with its Governance Policy, the Board of Directors established four committees to assist in fulfilment of its control and monitoring responsibilities. Monitoring and control of different risks are allocated across the committees. Some risk governance responsibilities are assumed by the Company's manager

Executive Committee

The Executive Committee is authorized to exercise all of the Board's powers with respect to the management of the Company's business, except those statutory powers that must be exercised by the Board. In addition to specific mandates assigned from time to time by the Board of Directors, the Executive Committee is responsible for supervision of the annual review process regarding the effectiveness of the Board of Directors and its committees and the performance of the directors. The Committee is also mandated to interpret and apply the purchase-by-agreement policy and make recommendations concerning it to the Board of Directors. Furthermore, it reviews quarterly reports from the Company's manager concerning high-risk files and the corrective measures taken.

Investment Committee

The Investment Committee recommends investment strategies and risk management limits for the liquid portfolio. The Committee also oversees compliance with the investment policy approved by the Board of Directors. The Committee ensures that the necessary oversight measures are taken to ensure the proper execution of the manager's mandate. It also reviews results and recommends corrective action, as applicable, to the Board of Directors.

Audit Committee

The Audit Committee consists exclusively of members who are independent and is responsible for monitoring the financial reporting process. To this end, the Committee reviews the quarterly, semi-annual and annual financial statements for approval by the Board of Directors, financial reporting, internal control systems, monitoring of risks related to financial reporting, internal and external audit processes, procedural implementations, regulatory compliance and any other responsibility assigned by the Board of Directors.

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

Ethics and Professional Conduct Committee

The Ethics and Professional Conduct Committee consists exclusively of members who are independent. The Committee considers all matters pertaining to the Company's Code of Ethics and Professional Conduct and ensures compliance with the contract awarding and review rules therein. It is responsible for reviewing potential conflicts and making appropriate recommendations to the Board of Directors. It seeks assurances from the Company's manager that the Company's dedicated resources are familiar with the Code's requirements and that the mechanisms are in place to detect and resolve any ethical issues. It also reviews candidates' eligibility for the two directorships to be voted on by the Meeting of Shareholders and determines the independence of each director on an annual basis.

Manager's Investment Committees

The Company's manager has set up investment committees to evaluate and approve purchases/sales of interests in companies consistent with the policies and strategic plan defined by the Company's Board of Directors. These committees also perform a quarterly review of investment portfolio quality.

MARKET RISK

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 market risks directly impacting the Company are as follows:

Interest Rate Risk

Interest rate fluctuations have a significant impact on the market value of fixed-income securities held in the portfolio. This impact has been more apparent since 2005 as a result of the adoption of the fair value accounting method for investments. A 1% increase in interest rates would have resulted in a 1.2% decrease in the Company's share price as at December 31, 2007. Similarly, a 1% decrease in interest rates would have had the opposite effect, resulting in a 1.3% increase in share price.

Currency Risk

Changes in currency values have an impact on several companies with which the Company is associated. However, the net effect of an appreciation in the Canadian dollar is not necessarily negative for these companies. While it has an adverse effect on certain exporters, it can also be beneficial for companies that import a significant portion of their inputs or for companies that seize the opportunity to acquire equipment in order to drive future productivity.

Currency fluctuations impact the fair value of investments valued initially in foreign currencies and subsequently translated into Canadian dollars at the prevailing rate of exchange. These investments whose value varies in step with fluctuations in the value of the U.S. dollar represent a fair value of $38.1 million as at December 31, 2007, compared with $44.4 million as at December 31, 2006. In December 2007, the Company authorized the implementation of a systematic hedging strategy against the foreign exchange risk related to existing investments with exit horizons of more than 12 months, as well as for any new foreign exchange position. This strategy will be phased in during 2008.

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.

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.

Credit and Counterparty Risks

In pursuing its venture capital investment mission, the Company is exposed to credit risk related to potential financial losses of a partner company. By diversifying its investments by industry segment, stage of development and type of financial instrument, and by limiting the potential risk related to each individual company, the Company keeps portfolio volatility to a minimum with respect to the potential occurrence of negative events.

Liquid portfolio risks are managed by diversification across numerous issuers with a BBB credit rating or higher. Counterparty risks arising from cash and repurchase agreement transactions are limited to the immediate short term.

IMPACT OF CREDIT AND COUNTERPARTY RISKS ON THE COMPANY *(as at December 31, 2007)*	**% OF ASSET CLASS**	**% OF NET ASSETS**
Weighting of the top five ownership interests (investment portfolio)	33.2	16.3
Weighting of the top five issuers/ counterparties (liquid portfolio)*	53.8	26.0

*Government issuers accounted for 42.2% of the liquid portfolio's five largest issuers or counterparties.

LIQUIDITY RISKS

The Company must maintain sufficient liquid assets to fund share redemptions. 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 representing 36% of assets under management and as a result of the management approach, which ensures that the average maturity of assets matches the average maturity of expected outflows, the Company can confirm that its management approach factors in this risk.

REGULATORY MATTERS

The Company is subject to provincial and federal laws, rules, standards, regulations and policies as well as internal rules, regulations and policies that provide a framework for its operations. Some risk is associated with the Company's ability to fulfill its obligations and to adapt to regulatory changes or moves to tighten existing policies.

VISION, MISSION AND GOALS

MAIN ACTIVITIES

On the initiative of the Desjardins Group, the Company was founded on July 1, 2001, following the adoption of its incorporating act (the "Act") by Québec's National Assembly on June 21, 2001.

VISION

The Company aims to achieve recognition 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 take an active 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 (the "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.

GOALS

In keeping with its vision and mission, the Company pursues three main goals:

- Enhance the value of our associated companies to maximize shareholder returns.

- Provide support and financing to underpin the continuity of Québec businesses, particularly by making strategic investments to capitalize on the consolidation of certain markets.

- Partner with the Desjardins Business Centres to provide entrepreneurs with access to one-stop traditional and venture capital financing services.

Additional Company information, including the annual information form, is available on the SEDAR website (www.sedar.com).

February 14, 2008