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Capital régional et coopératif Desjardins
2 Complexe Desjardins
Suite 1717
P.O. Box 790, Desjardins Station
Montreal, Quebec
H5B 1B9



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Semi-annual Report

June 30, 2002



*Offering our
shareholders*



a rate of return



*that will encourage
reinvestment.*



**Capital régional et
coopératif Desjardins**
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**Capital régional et
coopératif Desjardins**

Message from the Chairman of the Board

Constituted in June 2001, Capital régional et coopératif Desjardins (the "Société") raises venture capital for enterprises and cooperatives from all regions of Quebec. As at June 30, 2002, our young Société had assets under management totalling over \$115 million. In less than a year and amid unfavourable economic conditions, these results reflect the Société's successful foray into the Quebec venture capital industry.

Supported by a solid network in Quebec and the venture capital experience acquired over almost thirty years by its portfolio manager, Investissement Desjardins, the Société was able to take concrete steps in the first months of 2002. Indeed, in accordance with its primary mission, it began its investing activities in enterprises and cooperatives from various regions of Quebec. Because of the manager's cautious investment strategy, quality clearly outweighed quantity considerations with respect to portfolio holdings. The glum economic situation that overshadowed the first half of 2002 turned out to be an advantage for the Société as business values shifted and it was able to make investments under attractive financial conditions. Consequently, as at June 30, 2002, some thirty enterprises and cooperatives benefited from the support of the Société in their efforts to become industry leaders. The projects undertaken by these businesses meet the strictest investment criteria and promise to enhance the vitality and dynamism of the industry and region where they are rooted.

To successfully fulfill its mission, the Société draws on its portfolio manager's solid team of professionals whose twofold mandate is to inject development capital in Quebec enterprises and cooperatives, in addition to providing advice with respect to proposed mergers, acquisitions or security listings intended to stimulate start-up operations, spur growth and extend their visibility. Present in all regions of Quebec, these professionals have a keen eye for experienced entrepreneurs, visionaries with a sense of integrity who have a sharply defined business plan and realistic projects. They assist businesses in formulating their strategies, in hiring top-of-the-line managers and directors and in forging relationships with strategic partners.

OUTLOOK

In light of developments of the past few months, we are optimistic about our ability to raise at least \$150 million among Quebec investors during fiscal 2002. By 2010, the Société expects to have raised \$1.5 billion and thus ensure the ongoing fulfillment of its mission to contribute to the sustainable economic development of Quebec. By teaming up with entrepreneurs and working with dynamic industry forces, we will be able to continue delivering on this vision, one that will generate even more attractive returns for our shareholders in the medium term.



Bruno Riverin
Chairman of the Board





Message from the President and General Manager

In the first half of fiscal 2002, Capital régional et coopératif Desjardins (the "Société") entered the second stage of its initial public offering and the beginning of its investing activities in Quebec enterprises and cooperatives. During the six-month period ended June 30, 2002, our Société raised almost \$36 million among 9,000 Quebec investors. Assets under management rose more than 43% from \$80 million as at December 31, 2001 to approximately \$115 million at the end of the first six months of the year. As well, the number of shareholders increased sharply from 35,000 at the end of fiscal 2001 to over 44,000 as at June 30, 2002.

SHARE VALUE

As at June 30, 2002, our share value was \$10, unchanged from December 31, 2001. Despite the uncertain economic conditions that have prevailed in the past few months and their negative impact on the capitalization of several public and private companies, we were able to maintain the value of our portfolio holdings. Considering the tax benefits related to the Société's shares, Capital régional et coopératif Desjardins shareholders have remained comfortably ahead of many other investors since the beginning of the year.

RAISING FUNDS

The pace at which the second stage of our initial public offering is unfolding reflects the confidence that Quebec investors have in the Société. More and more investors are gradually discovering the financial advantages of an innovative investment vehicle such as the Société's shares. This is partly attributable to the dynamic efforts of caisses Desjardins advisors in promoting our product daily to Quebec investors. It may be useful to point out that Quebec taxpayers have until February 28 of each year to drop by a caisse and acquire shares in the Société.

INITIAL INVESTMENTS

During the first six months of the year, our management team proceeded with the Société's first investments. As of June 30, 2002, the Société made commitments of more than \$14 million with 27 enterprises and eligible cooperatives that operate in various industries across Quebec. Thus, the investment made in Luzernes Belcan is representative of the Société's contribution to regional economic growth. By specializing in the processing of an underutilized raw material, the operation that was developed in partnership with the Société, a cooperative and a private company, broadened the economic landscape of the Saguenay-Lac-Saint-Jean region. As for other businesses, such as Sherbrooke-based Fivetricks, the Société's financial interest enabled the company to expand its operations to the U.S. Similarly, some funds were invested in more mature and high-growth businesses such as Laval-based 20/20 Technologies. With the injection of capital into this enterprise, which develops and distributes software for interior design and sales assistance in the residential and commercial sector, the company undertook the strategic acquisition of a competitor and became the leader in its market niche.

These investments reflect our support for and confidence in entrepreneurs who are pursuing realistic projects and with whom we are proud to be associated. In the months following our investment in Dynagram Software, a company based in Quebec City that specializes in digital imposition software for the printing industry, it acquired a major line of U.S. software products related to the same industry. Although the former owners were unsuccessful during two years of development, it took Dynagram a mere three months to market a new version of the software. Meanwhile, in an entirely different industry, the Société took part in the recovery of Plastiques TPI in Coaticook through an association with two former executives who currently own a complementary business. In addition to maintaining 180 jobs in the region, the investment abundantly demonstrates that the joint and sustained efforts of several Desjardins business stakeholders can have positive regional spinoffs. These are only a few concrete examples of the Société's active contribution to the diversification and sustained development of the regions of Quebec.

OUTLOOK

A wealth of opportunities awaits the Société in the second half of the year. Fully confident in our abilities, we will continue to make every effort to foster the growth of assets under management, in particular through further investments in growing enterprises and cooperatives based in Quebec. In the short term, our objective remains unchanged: to cautiously increase the value of our investments and provide our shareholders with a return that encourages reinvestment.

Luc Chabot
President and General Manager

Condensed Financial Statements

FINANCIAL RESULTS

The results presented are extracted from the audited financial statements prepared by PricewaterhouseCoopers. The complete interim financial statements of Capital régional et coopératif Desjardins including the notes and the auditors' report were deposited at the Commission des valeurs mobilières du Québec. These financial statements can be obtained free of charge by communicating with the Société or by transmitting the attached order form. Except for the information presented on a common share basis, the information provided is in thousands of dollars.

BALANCE SHEET	As at June 30 2002	As at December 31 2001
	\$	\$
		(restated)
Assets		
Unsecured investments impacting on the Quebec economy		
Investments (see Schedule)	8,203	-
Funds committed but not disbursed	6,164	-
	<u>14,367</u>	
Other investments	209,246	70,545
Accounts receivable	2,385	20,484
Cash and cash equivalents	615	5
Software (net of accumulated amortization of \$184; December 31, 2001 – nil)	1,977	1,582
Future income taxes	1,764	-
	<u>230,354</u>	<u>92,616</u>
Liabilities		
Deferred non-refundable grants	6,725	8,008
Accounts payable and accrued liabilities	106,737	5,510
Income taxes	1,836	21
	<u>115,298</u>	<u>13,539</u>
Net assets	115,056	79,077
Shareholders' Equity		
Share capital	115,025	79,054
Retained earnings	31	23
	<u>115,056</u>	<u>79,077</u>
Number of outstanding common shares	11,503,000	7,905,000
Net value per common share	10.00	10.00

Condensed Financial Statements (cont'd)

STATEMENT OF EARNINGS

For the six-month period
ended June 30, 2002

	\$
Revenue	
Interest on other investments	977
Membership dues	381
Negotiation fees	104
Interest on debentures	17
	<u>1,479</u>
Charges	
Operating expenses	1 879
Shareholder services	410
Capital tax	93
Amortization	184
Non-refundable grants	(1,283)
	<u>1,283</u>
Earnings before income taxes	196
Income taxes	<u>188</u>
Net earnings for the period	<u>8</u>
Weighted average number of common shares	9,326
Net earnings per common share	0.00

Notes to Financial Statements

ACCOUNTING CHANGE

During the year ended December 31, 2001, an amount of \$1,582,000 representing the cost of software development was recorded as an expense and an equivalent portion of the deferred grants was recorded against this expense, resulting in a nil effect on the net earnings. During the period ended June 30, 2002, the Société changed the accounting treatment of these items retroactively with restatement of the comparative figures. The restatement consisted in capitalizing the expense mentioned above and increasing the deferred non-refundable grants for the same amount. These changes did not affect any of the Société's net assets, net earnings or cash flows for the year ended December 31, 2001 and for the period ended June 30, 2002.

SIGNIFICANT ACCOUNTING POLICIES

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the balance sheet and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. These estimates are reviewed periodically and, as adjustments become necessary, are reported in earnings in the period in which they are known.

Unsecured investments impacting on the Quebec economy

Unlisted shares and debentures and advances

Unlisted shares, and debentures and advances are valued at their fair value, determined in accordance with appropriate methods of valuation, including primarily comparison to arm's length transactions or takeover bids, and the capitalization of earnings before interests, taxes and amortization and capitalization of significant assumptions used in the determination of fair value can include discount or capitalization rate, rate of return and the weighting of forecasted earnings.

Funds committed but not disbursed

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

Other investments

Other investments consist of term deposits recorded at cost and bonds recorded at their unamortized cost net of the provision for losses, if necessary. The fair value is calculated according to the market value at the date of the balance sheet which is the stock quotation closing price.

Notes to Financial Statements (cont'd)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand. In accordance with the sector practice, short-term investments with original terms to maturity of three months or less are not included in cash and cash equivalents; but in other investments.

Software

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

Income taxes

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

Revenue recognition

Gains and losses on disposal of investments

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

Membership dues

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

Premiums and discounts

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

Non-refundable grants

The non-refundable grants received from the ministère de l'Industrie et du Commerce du Québec and Mouvement des caisses Desjardins are allocated to net earnings when the related expenses are committed.

Notes to Financial Statements (cont'd)

SCHEDULE OF UNSECURED INVESTMENTS IMPACTING ON THE QUEBEC ECONOMY (in thousands of dollars)

	Industry segment	Voting shares	Unsecured investments		
			Non-voting shares	Debentures and advances	Total
		\$	\$	\$	\$
2754-1564 Québec inc. (Groupe Beaudry)	I	-	100	-	100
9116-4509 Québec inc. (Plastiques Anchor Ltée)	I	-	400	-	400
Aegera Therapeutics inc.	H	-	1,000	-	1,000
Aqua-Biokem BSL inc.	H	-	200	-	200
BioAxone Thérapeutique inc.	H	-	522	-	522
Bois Biss-Beau inc. (Groupe Beaudry)	I	-	139	240	379
Coopérative funéraire du Bas-St-Laurent	I	-	-	200	200
DuponTrolley Industries inc.	I	-	-	280	280
Fivetracks Inc.	I	-	120	160	280
Groupe Documens inc.	IT	-	667	-	667
IndustryHub inc.	IT	-	400	-	400
IPS Thérapeutique inc.	H	-	-	80	80
Les Logiciels Dynagram inc.	IT	-	368	-	368
Les Luzernes Belcan du Lac-St-Jean inc.	I	160	-	120	280
Les Plastiques TPI inc.	I	-	-	400	400
MayaTeck inc.	I	240	-	60	300
Nature 3M inc.	I	100	-	60	160
Technologies 20-20 inc.	IT	-	-	1,000	1,000
Usital Canada inc.	I	-	120	-	120
Viamode Photonics inc.	TC	-	1,067	-	1,067
TOTAL - AT COST		500	5 103	2 600	8 203
Unrealized appreciation (depreciation)					-
Funds committed but not disbursed					6 164
FAIR VALUE					14 367

Notes to Financial Statements (cont'd)

INDUSTRY SEGMENT LEGEND

I:	Industrial
H:	Health and Biotechnology
TC:	Telecommunications
IT:	Information Technology

Agreements related to unsecured investments impacting on the Quebec economy may include clauses providing for options as to conversion and redemption. These investments were all carried out during the six-month period ended June 30, 2002.

The debentures and advances bear interest at a weighted average rate of 13.42% and have an average residual term of 4.7 years.