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June

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2006

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Address:	First name:	D Ms. D Mr.	French C English

FOR THE SIX-MONTH PERIODS ENDED JUNE 30, REVENUE Realized revenue Interest on investments Gain (loss) on disposal of investments Interest on debentures and dividends Loss on disposal of investments impacting the Québec economy	2006 \$	2005 \$
Realized revenue Interest on investments Gain (loss) on disposal of investments Interest on debentures and dividends Loss on disposal of investments impacting the Québec economy	·	\$
Realized revenue Interest on investments Gain (loss) on disposal of investments Interest on debentures and dividends Loss on disposal of investments impacting the Québec economy	7 700	
Interest on investments Gain (loss) on disposal of investments Interest on debentures and dividends Loss on disposal of investments impacting the Québec economy	7 700	
Gain (loss) on disposal of investments Interest on debentures and dividends Loss on disposal of investments impacting the Québec economy	7 7 2 0	
Interest on debentures and dividends Loss on disposal of investments impacting the Québec economy	7,729	7,680
Loss on disposal of investments impacting the Québec economy	(167)	912
	5,056	1,604
	(2,012)	(310)
Negotiation fees	772	908
Membership dues	118	214
Change in unrealized appreciation (depreciation)		
Investments impacting the Québec economy	(2,775)	(5,761)
Investments	(7,556)	8,399
Initial effect of accounting for investments at fair value (note 1)	-	1,517
	1,165	15,163
EXPENSES		
Operating expenses	11,145	9,307
Shareholder services	939	1,115
Capital tax	102	275
Amortization of software	367	368
	12,553	11,065
Earnings (loss) before income taxes and minority interest	(11,388)	4,098
Income taxes (recovered)	(1,708)	1,288
Net earnings (loss) for the period before minority interest	(9,680)	2,810
Minority interest (note 2)	35	-
Net earnings (loss) for the period	(9,715)	2,810
Weighted average number of common shares	58,736,643	53,415,554
Net earnings (loss) per common share	(0.17)	0.05

NOTES FOR THE READER

1 Change in accounting policies 2 Business acquisition

CTATENTENTS OF EADNINGS $(I \cap CC)$

Accounting Guideline 18 (AcG-18) on invest- the creation of Desjardins – Innovatech S.E.C. Company has completed its purchase price units held by IRR. ment companies which requires investment through a cash contribution of \$30,000,000 allocation using the estimated fair value of companies to carry investments at fair value. for units representing a 53.1% interest in the the net assets acquired based on information One of these adjustment clauses will be The Company decided to apply this standard limited partnership. The second limited part- and valuations available as at July 4, 2005. exercised during the year ending December prospectively starting with the year begin- ner, Société Innovatech Régions ressources ning January 1, 2005. Consequently, bonds ("IRR"), has contributed to the creation Assets and liabilities described below have the Company's investments impacting the previously carried at unamortized cost are through the transfer of a portfolio, including been transferred by IRR: carried at their fair value. This change in related commitments, for an amount of accounting policy increased both the invest- \$26,500,000. Its units represented a 46.9 ment and unrealized appreciation (deprecia- interest in the limited partnership. Desjardi tion) balances by \$1,517,000 each, decrea- Venture Capital inc. has contributed \$564 sed future income taxes by \$289,000, and the general partner. increased net assets per common share by \$0.03 to \$10.28 as at January 1, 2005. The acquisition has been accounted for un- The purchase agreement with IRR included Another adjustment clause is still in force

are included in the consolidated financial ments would be settled by the issuance of

OT		>
1%	Investments	26,265,310
ins	Cash	1,534,690
as	Provision for surety	(1,300,000)
	Net assets acquired	26,500,000

operations, cash flows, assets and liabilities and to the provision for surety. These adjust- a maximum of 1.2%.

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In January 2004, the Standards Board issued On July 4, 2005, the Company took part in statements since July 4, 2005. In 2005, the units to IRR or the cancellation of certain

31, 2006. The effect of this adjustment on Québec economy balance and the minority interest balance will be determined upon the conclusion of negotiations. The effect on the Company's net assets will not be significant and the net assets per common share will not be affected.

der the purchase method and the results of adjustment clauses related to certain assets and could reduce the Company's interest by

Desjardins Capital régional et coopératif

INVESTOR RELATIONS TELEPHONE 1 888 522-3222 (514) 281-7808 FAX WEB SITE www.capitalregional.com





SEMI-ANNUAL REPORT

30.06.2006





MESSAGE FROM THE CHAIRMAN OF THE BOARD

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

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

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

Desjardins Venture Capital, our manager, actively pursued investment activities in the various regions of Ouébec. With the contribution of some 118.000 individual investors, we are partner to more than 191 companies and cooperatives that benefit from commitments totalling \$322.7 million. Also, we are very proud to confirm that we met the requirements of our incorporating act regarding investment in Québec's resource regions and cooperatives-in advance of the date stipulated in the Act.

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

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ANDRÉ LACHAPELLE

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The results presented are extracted from the audited interim consolidated financial statements. The interim consolidated financial statements of Capital régional et coopératif Desjardins, including the notes and the auditors' report and the non-consolidated schedule of cost of investments impacting the Québec economy were deposited at the Autorité des marchés financiers. These documents can be obtained free of charge by communicating with the Company or by transmitting the attached order form.

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

AS AT

BALANCE SHEETS

	JUNE 30, 2006 \$
ASSETS	
Investments impacting the Québec economy	251,785
Investments (note 1)	385,261
Accounts receivable	6,161
Cash and cash equivalents	29,082
Software (net of accumulated amortization of \$2,534;	
December 31, 2005 – \$2,167)	706
Income taxes receivable	1,473
Future income taxes	5,837
	680,305
LIABILITIES	
Accounts payable and accrued liabilities	2,487
Income taxes payable	-
	2,487
MINORITY INTEREST (note 2)	26,348
	28,835
	654.470
NET ASSETS	651,470
SHAREHOLDERS' EQUITY	
Share capital	646,517
Retained earnings	4,953
	651,470
Number of outstanding common shares	63,781,367
Net assets per common share	10.21

AS AT DECEMBER 31, 2005 \$	
244,114	
352,319 5,622	
5,622 10,581	
1,073	
- 3,421	
617,130	
2,595	
1,507	
4,102	
26,313	
30,415	
586,715	
572,032	
14,683 586,715	
500,715	
56,600,254	
10.37	

INTERIM FINANCIAL STATEMENTS

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

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

or

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

Desjardins Capital régional et coopératif 2 Complexe Desjardins, Suite 1717 P.O. Box 760, Desjardins Station Montréal, Québec H5B 1B8

