Quarterly Consolidated Financial Statements of

CANADA PENSION PLAN INVESTMENT BOARD

June 30, 2006

(Unaudited)

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Balance Sheet
As at June 30, 2006
(Unaudited)

($ millions)		**June 30, 2006**		March 31, 2006		June 30, 2005
ASSETS						
Investments (note 2)	**$**	**93,857**	**$**	89,781	**$**	68,862
Amounts receivable from pending trades		**658**		255		236
Premises and equipment		**8**		6		4
Other assets		**4**		6		2
TOTAL ASSETS		**94,527**		90,048		69,104
LIABILITIES						
Investment liabilities (note 2)		**885**		775		329
Amounts payable from pending trades		**1,726**		703		367
Accounts payable and accrued liabilities		**36**		38		16
TOTAL LIABILITIES		**2,647**		1,516		712
NET ASSETS	**$**	**91,880**	**$**	88,532	**$**	68,392
NET ASSETS, REPRESENTED BY						
Share capital (note 4)	**$**	**-**	**$**	-	**$**	-
Accumulated net income from operations		**17,613**		20,092		10,148
Accumulated net transfers from the Canada Pension Plan (note 5)		**74,267**		68,440		58,244
NET ASSETS	**$**	**91,880**	**$**	88,532	**$**	68,392

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Net Income (Loss) and Accumulated Net Income from Operations
For the three-month period ended June 30, 2006
(Unaudited)

	Three-months ended	
($ millions)	**June 30, 2006**	June 30, 2005
INVESTMENT INCOME (LOSS) , NET OF EXTERNAL INVESTMENT MANAGEMENT FEES (note 6)	$ **(2,461)**	$ 2,205
OPERATING EXPENSES		
Salaries and benefits	**9**	5
General operating expenses	**7**	4
Professional and consulting fees	**2**	1
	18	10
NET INCOME (LOSS) FROM OPERATIONS	**(2,479)**	2,195
ACCUMULATED NET INCOME FROM OPERATIONS, BEGINNING OF PERIOD	**20,092**	7,953
ACCUMULATED NET INCOME FROM OPERATIONS, END OF PERIOD	**$ 17,613**	$ 10,148

Consolidated Statement of Changes in Net Assets
For the three-month period ended June 30, 2006
(Unaudited)

	Three-months ended	
($ millions)	**June 30, 2006**	June 30, 2005
NET ASSETS, BEGINNING OF PERIOD	$ **88,532**	$ 58,580
CHANGES IN NET ASSETS		
Canada Pension Plan transfers (note 5)		
Transfers from the Canada Pension Plan	**10,240**	10,647
Transfers to the Canada Pension Plan	**(4,413)**	(3,030)
Net income (loss) from operations	**(2,479)**	2,195
INCREASE IN NET ASSETS FOR THE PERIOD	**3,348**	9,812
NET ASSETS, END OF PERIOD	$ **91,880**	$ 68,392

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Portfolio
As at June 30, 2006
(Unaudited)

The CPP Investment Board's investments are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, before allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

	Fair Value		
($ millions)	**June 30, 2006**	March 31, 2006	June 30, 2005
EQUITIES (note 2)			
Canada			
Public markets	$ **16,822**	$ 20,003	$ 22,077
Private markets	**682**	628	541
	17,504	20,631	22,618
Non-Canada			
Public markets	**30,867**	27,743	13,641
Private markets	**4,225**	3,822	2,560
	35,092	31,565	16,201
TOTAL EQUITIES[1]	**52,596**	52,196	38,819
NOMINAL FIXED INCOME			
Bonds (note 2c)	**18,285**	17,288	11,110
Money market securities	**12,304**	10,356	14,899
TOTAL NOMINAL FIXED INCOME[2]	**30,589**	27,644	26,009
REAL RETURN ASSETS (note 2d)			
Public markets real estate	**1,657**	1,178	976
Private markets real estate	**3,797**	3,676	1,687
Inflation-linked bonds	**3,692**	3,837	422
Private markets infrastructure	**778**	350	309
TOTAL REAL RETURN ASSETS[3]	**9,924**	9,041	3,394
INVESTMENT RECEIVABLES			
Accrued interest	**359**	513	211
Derivatives receivable (note 2a)	**266**	259	335
Dividends receivable	**123**	128	94
TOTAL INVESTMENT RECEIVABLES[4]	**748**	900	640
TOTAL INVESTMENTS	$ **93,857**	$ 89,781	$ 68,862
INVESTMENT LIABILITIES			
Debt on real estate properties (note 2d)	**(545)**	(664)	(239)
Derivative liabilities (note 2a)	**(340)**	(111)	(90)
TOTAL INVESTMENT LIABILITIES[5]	**(885)**	(775)	(329)
NET INVESTMENTS	$ **92,972**	$ 89,006	$ 68,533

Cost of investments is as follows:
[1]Equities: June 30, 2006 - $48,275; March 31, 2006 - $43,994; June 30, 2005 - $33,626.
[2]Nominal fixed income: June 30, 2006 - $31,578; March 31, 2006 - $28,199; June 30, 2005 - $25,820.
[3]Real return assets: June 30, 2006 - $9,556; March 31, 2006 - $8,635; June 30, 2005 - $3,330.
[4]Investment receivables: June 30, 2006 - $484; March 31, 2006 - $641; June 30, 2005 - $306.
[5]Investment liabilities: June 30, 2006 - $557; March 31, 2006 - $666; June 30, 2005 - $233.

The accompanying notes are an integral part of these consolidated financial statements.

CANADA PENSION PLAN INVESTMENT BOARD
Consolidated Statement of Investment Portfolio
As at June 30, 2006
(Unaudited)

The CPP Investment Board's direct investments, derivatives, associated money market securities and investment receivables and liabilities are grouped by asset class based on the intent of the investment strategies of the underlying portfolios. The investments, after allocating derivative contracts, associated money market securities and other investment receivables and liabilities to the asset classes to which they relate, are as follows:

($ millions)	**June 30, 2006** Fair Value	**(%)**	March 31, 2006 Fair Value	(%)	June 30, 2005 Fair Value	(%)
EQUITIES[1]						
Canada	**$ 26,647**	**28.7** %	$ 29,138	32.8 %	$ 28,999	42.3 %
Non-Canada	**35,952**	**38.7**	32,568	36.6	22,181	32.4
NOMINAL FIXED INCOME						
Bonds[2]	**18,610**	**20.0**	17,752	19.9	11,303	16.5
Money market securities[3]	**2,211**	**2.3**	1,049	1.2	2,616	3.8
REAL RETURN ASSETS						
Real estate[1,4]	**4,912**	**5.3**	4,190	4.7	2,424	3.5
Inflation-linked bonds[1,2]	**3,859**	**4.2**	3,959	4.4	701	1.0
Infrastructure[1]	**781**	**0.8**	350	0.4	309	0.5
NET INVESTMENTS	**$ 92,972**	**100** %	$ 89,006	100 %	$ 68,533	100 %

[1] Includes derivative receivables and liabilities and associated money market securities.
[2] Includes accrued interest.
[3] Includes dividends receivable and accrued interest.
[4] Net of mortgage debt on real estate properties, as described more fully in note 2d.

The accompanying notes are an integral part of these consolidated financial statements.

ORGANIZATION

The Canada Pension Plan Investment Board (the "CPP Investment Board") was established pursuant to the *Canada Pension Plan Investment Board Act* (the "Act"). The CPP Investment Board is a federal Crown corporation, all of the shares of which are owned by Her Majesty the Queen in right of Canada. The CPP Investment Board is responsible for assisting the Canada Pension Plan (the "CPP") in meeting its obligations to contributors and beneficiaries under the *Canada Pension Plan.* It is responsible for managing amounts that are transferred to it under Section 108.1 of the *Canada Pension Plan*, and its interest in any bonds transferred to it (described in note 2), in the best interests of the beneficiaries and contributors. The CPP Investment Board's assets are to be invested with a view to achieving a maximum rate of return without undue risk of loss, having regard to the factors that may affect the funding of the CPP and the ability of the CPP to meet its financial obligations on any given business day.

The consolidated financial statements provide information on the net assets managed by the CPP Investment Board as at June 30, 2006. They exclude certain assets held by the CPP but which will ultimately be transferred to the CPP Investment Board by April 2007. The remaining CPP holdings yet to be transferred to the CPP Investment Board consist of a portfolio of non-marketable federal, provincial and territorial bonds of $6.7 billion at fair market value and are discussed in note 2. These consolidated financial statements do not include the pension liabilities of the CPP.

The CPP Investment Board has a fiscal year end of March 31.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and the requirements of the Act and the accompanying regulations. These statements follow the same accounting policies and methods of computation as the March 31, 2006 annual consolidated financial statements. These interim consolidated financial statements do not include all of the information and note disclosures required by GAAP for annual financial statements and therefore should be read in conjunction with the March 31, 2006 annual consolidated financial statements. The interim consolidated financial statements include all adjustments which are, in the opinion of management, necessary for a fair presentation of the results of the interim period presented.

These interim consolidated financial statements present the consolidated financial position and results of operations of the CPP Investment Board, its wholly-owned subsidiaries, variable interest entities where the CPP Investment Board is the primary beneficiary and the proportionate share of the fair value of assets, liabilities and operations of privately held real estate investments in joint ventures.

Intercompany transactions and balances have been eliminated in preparing these consolidated financial statements.

Certain comparative figures have been reclassified to conform with the current period financial statement presentation.

(b) Valuation of Investments, Investment Receivables, and Investment Liabilities

Investments, investment receivables and investment liabilities are recorded on a trade date basis and are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act.

Fair value is determined as follows:

(i) Quoted market prices for publicly traded equities and unit values for public equity funds are used to represent fair value for these investments. Unit values reflect the quoted market prices of the underlying securities. In the case where quoted market prices are not reliable, such as those for securities that are not sufficiently liquid to be used as a basis for fair value, fair value is determined using accepted industry valuation methods.

(ii) In the case of private equity and infrastructure investments, where quoted market prices are not available, fair value is determined based on carrying values and other relevant information reported by external managers of the investments. These carrying values are determined by the external managers using accepted industry valuation methods. These methods include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows and third party transactions, or other events which would suggest a significant change in the value of the investment. On a quarterly basis, when there is evidence of a significant change in fair value, the valuation is adjusted as appropriate. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for private equity and infrastructure investments unless there is evidence of a significant change in value.

(iii) Fair value for non-marketable federal, provincial and territorial bonds is calculated using discounted cash flows based on current market yields of instruments with similar characteristics, adjusted for the non-marketability and rollover provisions of the bonds.

(iv) Money market securities are recorded at cost, which, together with accrued interest income, approximates fair value.

(v) Quoted market prices are used to represent the fair value for public markets real estate.

(vi) The fair value of private markets real estate investments is determined using accepted industry valuation methods, such as discounted cash flows and comparable purchase and sales transactions. Debt on real estate investments is valued using discounted cash flows based on current market yields for instruments with similar characteristics. On a quarterly basis, when there is evidence of a significant change in fair value, the valuation is adjusted as appropriate. In the first year of ownership, cost is generally considered to be an appropriate estimate of fair value for real estate investments unless there is evidence of a significant change in value.

(vii) Quoted market prices are used to represent the fair value for inflation-linked bonds.

(viii) Fair value for over-the-counter derivatives such as swaps and forward contracts is determined based on the quoted market prices for underlying assets. Fair value for exchange-traded futures is based on quoted market prices.

2. INVESTMENTS AND INVESTMENT LIABILITIES

The CPP Investment Board has established investment policies which set out the manner in which assets shall be invested. In setting the policies, the CPP Investment Board takes into consideration certain specified CPP assets which are held outside of the CPP Investment Board and which are in the process of being transferred to the CPP Investment Board as set out in the following paragraph.

The *Canada Pension Plan*, the Act and an administrative agreement between Her Majesty the Queen in right of Canada and the CPP Investment Board (the "Agreement") together provide for the transfer of certain specified CPP assets currently administered by the federal government to the CPP Investment Board. These assets, totalling $6.7 billion at fair market value as at June 30, 2006, consist of a portfolio of non-marketable federal, provincial and territorial bonds to be transferred to the CPP Investment Board in 36 installments over a period that began May 1, 2004 and ends on April 1, 2007 (see note 2c).

(a) Derivative Contracts

A derivative is a financial contract, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates.

The CPP Investment Board uses the following types of derivative instruments as described below:

Equity and inflation-linked bond swaps

Swaps are over-the-counter contractual agreements between two counterparties to exchange financial returns with predetermined conditions based on notional amounts. Swaps are used for yield enhancement purposes and to adjust exposures to certain equities and inflation-linked bonds without directly purchasing or selling the underlying asset.

Equity, interest rate and nominal bond futures

Futures are standardized contracts transacted on an exchange to purchase or sell specified quantity of equities, interest rate sensitive financial instruments or nominal bonds at a predetermined price and date in the future. Futures are used to adjust exposure to specified equities, interest rate sensitive financial instruments and nominal bonds without directly purchasing or selling the underlying asset.

Foreign exchange forward contracts

Foreign exchange forward contracts are over-the-counter contractual agreements negotiated between two counterparties to exchange a specified amount of one currency for a specified amount of a second currency on a predetermined date in the future. Foreign exchange forward contracts are used to manage exposures to currencies other than the Canadian dollar.

All derivative contracts have a term to maturity of one year or less. Notional amounts of derivative contracts are used to compute the cash flows and for determining the fair value of the contracts. Notional amounts are not recorded as assets or liabilities on the balance sheet.

The notional amounts and fair value of derivative contracts held are as follows:

($ millions)	June 30, 2006		March 31, 2006		June 30, 2005	
	Notional Amount	**Fair Value**	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**
Equity swaps	**$ 9,544**	**$ (59)**	$ 8,874	$ 169	$ 6,364	$ 266
Equity futures	**1,096**	**(1)**	1,047	(2)	6,038	(36)
Foreign exchange forward contracts	**12,561**	**(13)**	6,184	(14)	2,402	11
Inflation-linked bond swaps	**-**	**-**	126	(5)	274	4
Bond futures	**807**	**(2)**	-	-	-	-
Interest rate futures	**2,949**	**1**	-	-	-	-
Total	**$ 26,957**	**$ (74)**	$ 16,231	$ 148	$ 15,078	$ 245

(b) *Private equity investments*

Private equity investments are generally made through ownership in limited partnership arrangements with a typical term of 10 years. The private equity investments represent equity ownerships or investments with the risk and return characteristics of equity.

The CPP Investment Board advances capital to the limited partnerships, a portion of which, commonly referred to as management fees, is used by the general partners to select and provide ongoing management support to the underlying companies. Management fees generally vary between 1% and 2% of the total amount committed to the limited partnerships, and are included as part of the CPP Investment Board's cost of the investments. During the three-month period ended June 30, 2006, management fees of $26.0 million (three-month period ended June 30, 2005 - $20.4 million) were included in the capital advanced to the limited partnerships and recorded as part of the cost of the investment. As discussed more fully in note 1b, the carrying values of these investments are reviewed quarterly and any resulting adjustments are reflected as unrealized gains or losses in investment income (see note 6).

(c) *Bonds*

The transfer to the CPP Investment Board of the CPP portfolio of non-marketable federal, provincial and territorial bonds began on May 1, 2004. Bonds of $2.1 billion based on fair market value at the time of transfer were transferred during the three-month period ended June 30, 2006.

The non-marketable bonds issued by the provinces and territories and purchased by the CPP prior to 1998 contain a rollover provision which will permit these issuers, at their option, to roll over the bonds for a further 20-year term at a rate based on capital markets borrowing rates existing at the time of rollover. The non-marketable bonds are also redeemable at the option of the issuers for redemption amounts calculated in accordance with Section 110 of the *Canada Pension Plan*.

Effective June 2005, the Agreement was amended to permit the CPP Investment Board to purchase replacement bonds directly from a province or territory upon the maturity of the non-marketable bonds issued by the provinces and territories prior to 1998, subject to the relevant province or territory having entered into an agreement with the CPP Investment Board. The maximum term of such securities is 30 years including rollover periods. The issuer may elect to have the CPP Investment Board purchase a replacement debt security or securities in a total principal amount not exceeding the principal amount of the maturing security for a term of not less than five years and not greater than 30 years. Such replacement bonds contain rollover provisions which will permit the issuer, at its option, to roll over the debt security for successive terms of not less than five years and subject in all cases to the maximum 30 years outside maturity date. The replacement bonds are also redeemable at the option of the provinces or territories prior to maturity. Agreements between the CPP Investment Board and the relevant provinces or territories were effective commencing July 1, 2005.

The terms to maturity of the bonds, not including any rollover options, are as follows:

($ millions)	**Terms to Maturity**				
	Within 1 Year	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**
Government of Canada bonds	$ 1,018	$ 863	$ 10	$ -	**$** 1,891
Provincial and territorial bonds	1,252	5,989	1,982	7,171	16,394
Total	$ 2,270	$ 6,852	$ 1,992	$ 7,171	**$** 18,285

(d) Real return assets

The CPP Investment Board obtains exposure to real estate through investments in publicly traded securities and privately held real estate.

Private markets real estate investments are held by a wholly-owned subsidiary and are managed on behalf of the CPP Investment Board by external advisors and managers through co-ownership arrangements. As at June 30, 2006, the subsidiary’s share of these investments includes assets of $3,797 million (March 31, 2006 - $3,676 million; June 30, 2005 - $1,687 million) and $545 million of liabilities related to mortgage debt (March 31, 2006 - $664 million; June 30, 2005 - $239 million), with a weighted average fixed interest rate of 7.17% and terms to maturity of one to 21 years.

Included in the private markets real estate are investments in joint ventures. The CPP Investment Board's proportionate share of the fair value of assets and liabilities in joint ventures at June 30, 2006 is $3,445 million (March 31, 2006 - $3,312 million; June 30, 2005 - $1,527 million) and $545 million (March 31, 2006 - $664 million; June 30, 2005 - $239 million), respectively. The proportionate share of the revenues and expenses in joint ventures for the three-month period ended June 30, 2006 is included in investment income (see note 6) and totals $113 million (three-month period ended June 30, 2005 - $22 million) and $73 million (three-month period ended June 30, 2005 - $13 million), respectively.

Infrastructure investments are generally made directly or through limited partnership arrangements. The investments represent ownerships in entities that invest in infrastructure assets. Management fees for limited partnership infrastructure investments are treated similarly to private equity management fees as discussed in note 2b. During the three-month period ended June 30, 2006, management fees included in the capital advanced to the limited partnerships were $0.8 million (three-month period ended June 30, 2005 - $nil).

The terms to maturity of the inflation-linked bonds held by the CPP Investment Board as at June 30, 2006 are as follows:

	Terms to Maturity				
($ millions)	**Within 1 Year**	**1 to 5 Years**	**6 to 10 Years**	**Over 10 Years**	**Total**
Inflation-linked bonds	$ -	$ 331	$ 548	$ 2,813	$ 3,692

(e) Securities lending

The CPP Investment Board participates in a securities lending program to enhance portfolio returns. Credit risk associated with the securities lending program is mitigated by requiring the borrower to provide daily collateral in the form of readily marketable investments of greater market value than the securities loaned. As at June 30, 2006, the CPP Investment Board's investments include securities loaned with an estimated fair value of $1,421 million (March 31, 2006 - $1,847 million; June 30, 2005 - $1,117 million). The fair value of collateral received in respect of the securities loaned is $1,495 million (March 31, 2006 - $1,942 million; June 30, 2005 - $1,175 million).

3. CREDIT FACILITIES

The CPP Investment Board maintains $1.5 billion (March 31, 2006 - $1.5 billion; June 30, 2005 - $1.5 billion) of unsecured credit facilities to meet potential liquidity requirements. As at June 30, 2006, the total amount drawn on the credit facilities is $nil (March 31, 2006 - $nil; June 30, 2005 - $nil).

4. SHARE CAPITAL

The issued and authorized share capital of the CPP Investment Board is $100 divided into 10 shares having a par value of $10 each. The shares are owned by Her Majesty the Queen in right of Canada.

5. CANADA PENSION PLAN TRANSFERS

Pursuant to Section 108.1 of the *Canada Pension Plan* and the Agreement, referred to in note 2 above, amounts not required to meet specified obligations of the CPP are transferred to the CPP Investment Board. The funds originate from employer and employee contributions to the CPP, proceeds of maturing and redeemed government bonds held in a portfolio administered by the federal government and interest income generated from this portfolio.

The CPP Investment Board is responsible for providing cash management services to the CPP, including the periodic return, on at least a monthly basis, of funds required to meet CPP benefits and expenses.

During the three-month period ended June 30, 2006, a total of $10.2 billion was transferred to the CPP Investment Board, including bonds of $2.1 billion, based on fair market value at the time of transfer, and cash of $8.1 billion. During the same period, a total of $4.4 billion was returned to the CPP to meet its liquidity requirements.

The accumulated transfers are as follows:

($ millions)		**June 30, 2006**		**March 31, 2006**		**June 30, 2005**
Accumulated transfers from CPP	**$**	**102,035**	$	91,795	$	67,943
Accumulated transfers to CPP		**(27,768)**		(23,355)		(9,699)
Accumulated net transfers from CPP	**$**	**74,267**	$	68,440	$	58,244

6. INVESTMENT INCOME (LOSS), NET OF EXTERNAL INVESTMENT MANAGEMENT FEES

Investment income (loss) is reported net of external investment management fees. Investment management fees in respect of public markets investments are expensed as incurred. These fees include an incentive portion that fluctuates with investment performance. Investment management fees for private markets real estate investments are deducted by the asset manager before the CPP Investment Board receives its share of net operating income from the properties. For a discussion of private equity and infrastructure management fees, see notes 2b and 2d.

Investment income (loss) by asset class, net of external investment management fees and after giving effect to derivative contracts and investment receivables and liabilities, are as follows:

($ millions)	**Three-months ended June 30**			
		2006		2005
Equities	**$**	**(2,446)**	$	1,740
Less: Public markets external investment management fees		**(6)**		(7)
		(2,452)		1,733
Nominal fixed income		**(96)**		430
Real return assets		**88**		43
Less: Private markets real estate external investment management fees		**(1)**		(1)
		87		42
Investment income (loss), net of external investment management fees[1]	**$**	**(2,461)**	$	2,205

[1]Includes realized gains and losses on disposal of investments; unrealized gains and losses on investments held at quarter end; dividend income (recognized on ex-dividend date); interest income; operating income from private markets real estate investments, net of debt interest; securities lending income and foreign exchange gains and losses.

7. COMMITMENTS

The CPP Investment Board has committed to enter into investment transactions, which will be funded over the next several years in accordance with the agreed terms and conditions. As at June 30, 2006, the remaining commitments total $8.9 billion (March 31, 2006 - $8.3 billion; June 30, 2005 – $6.2 billion).

As at June 30, 2006, the CPP Investment Board has made lease commitments of $25.6 million (March 31, 2006 - $26.0 million; June 30, 2005 - $19.7 million) over the next eight years.

8. GUARANTEES AND INDEMNIFICATIONS

The CPP Investment Board provides indemnifications to its officers, directors and, in certain circumstances, to various counterparties. The CPP Investment Board may be required to compensate these parties for costs incurred as a result of various contingencies such as changes in laws and regulations and litigation claims. The contingent nature of the indemnification agreements prevents the CPP Investment Board from making a reasonable estimate of the maximum potential payments the CPP Investment Board could be required to make. To date, the CPP Investment Board has not received any claims nor made any payments for such indemnifications.