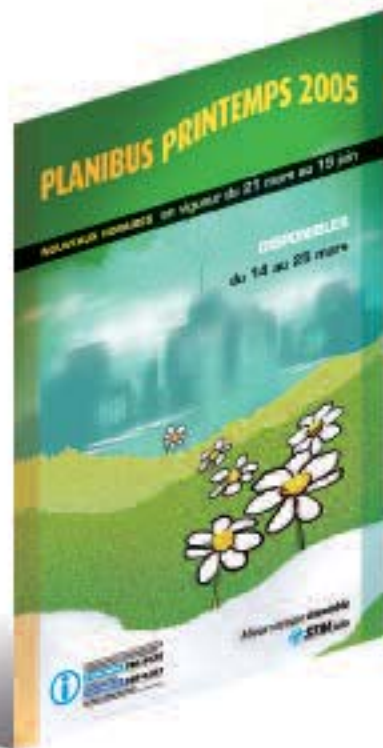
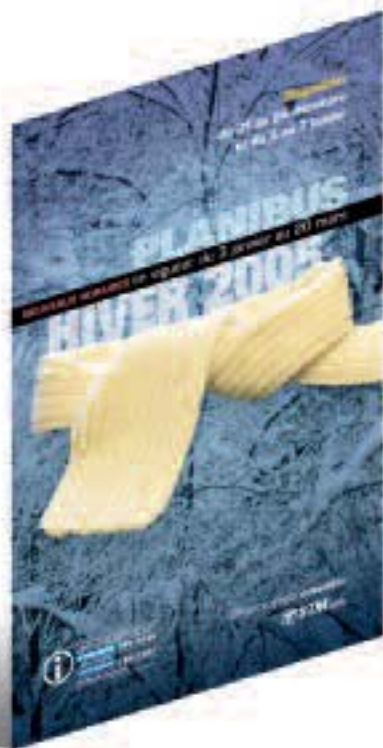


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Year in, year out, the STM courteously provides customers with fast and reliable, safe and comfortable transportation.

MESSAGE FROM STM LEADERS

ENSURING A BETTER FUTURE FOR THE COMMUNITY

We are pleased to present the 2005 Annual Report for the Société de transport de Montréal (STM). Several events marked 2005, the second year of the STM's 2004-2008 Business Plan. But first and foremost, allow us to briefly review the challenges facing the Société.

The STM is at a turning point in its role as a community leader in Montréal. The region's economic success and, by extension, that of a major part of the province; public transportation's significant contribution to the protection of the environment and its related quality of life; the close links between public transit services and many sectors of the health and educational systems; the need to get it right the first time, and at the right price; the satisfaction of current and future transit users, who are at the centre of these considerations; all these, and more, are the STM's reason for being.

Each action moves the company closer to playing an active role in the community's success. As a result, we meet employees every day who are proud of belonging to the STM and of taking part in its overall success. The following are but a few of the achievements in 2005 that will benefit our clients.

The STM realized a surplus of \$1.0 million in its routine operations, a remarkable performance in light of the very difficult financial context. Its balance sheet shows a deficit of \$5.3 million due to a shortfall of \$6.3 million recorded in 2004 and carried forward in 2005. The STM's revenues rose to \$870.9 million, an increase of \$23.2 million in comparison with 2004. Also, bus-métro ridership increased by a slim 0.3%.



At the Bus Network, five new bus routes were put into service and six others were modified, attracting some 1100 new clients. Environmentally-friendly bus driving techniques, the new fare collection boxes and the SAP PM integrated management system were successfully introduced. As for Paratransit, its 25th anniversary was marked by an 11.5% increase in the number of provided trips.

At the Métro Network, the introduction into service of the first of the renovated MR-73 cars and the installation of 200 recycling bins in the stations attracted attention. The temporary closing of Frontenac station over seven consecutive weekends starting November 4 went



off as planned. A new retail area concept also came into being at Lionel-Groulx station.

Elsewhere, the STM inaugurated an on-

line recruitment service and undertook broad distribution of its new Ethics Code to all its employees and administrators. The company also figured prominently in July as official transporter for the FINA World Championships held on Île Sainte-Hélène.

Despite these results and strict management of all its resources, the financial future of the STM is still not assured. For example, the agreement reached in November 2005 on the transfer of the federal gasoline tax will not be able to satisfy all the company's investment needs, estimated at \$3.5 billion dollars over the next ten years.

In this context, the STM must remind both governments of the importance of establishing a stable, permanent and predictable financial framework for public transit companies to enable them to provide the transportation services expected by the population and by all the administrations responsible for urban development and vitality.

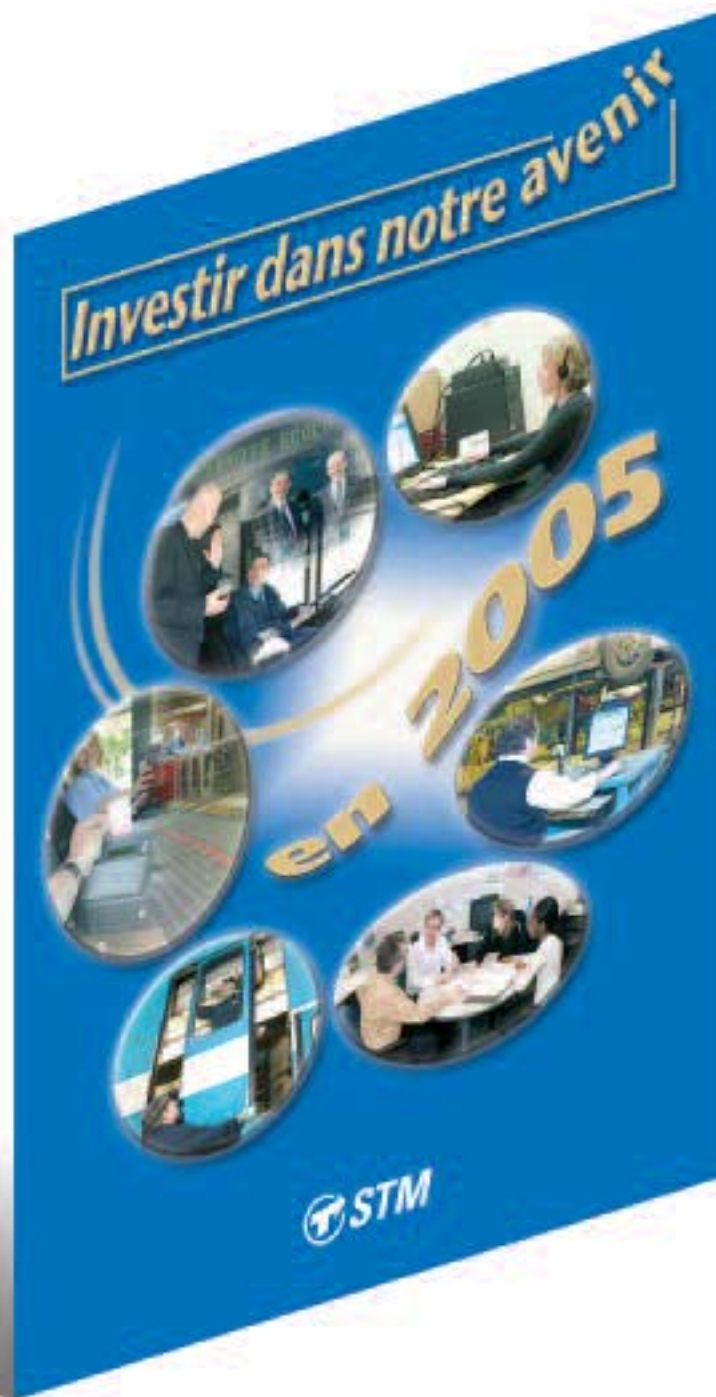
The *United Nations Climate Change Conference* held in Montréal last fall reminded us of the importance of taking the necessary steps now to protect our environment. By having the necessary means, the STM and other public transit organizations will be able to contribute to sustainable economic development and ensure a better future for the community.

Claude Dauphin
Chairman of the Board of Directors

Pierre Vandelac
Director general

Last November 16, I announced my decision to leave the STM in 2006. I have grown quite close to this company and I feel that being at its helm these past three years was a privilege. During that time, we have achieved many things and done much to improve upon client satisfaction and operational performance, while breathing new life in aging equipment and installations. Although the task ahead is daunting, I know that the commitment and determination of employees will overcome any obstacles.

Pierre Vandelac
Director general



The 2004-2008 Business Plan appears to have a rallying effect on employees, with 71% of management and 63% of employees in 2005 now agreeing the plan can be achieved by 2008.

THE 2004-2008 BUSINESS PLAN

At the end of the second year of its 2004-2008 Business Plan, the STM already has significant results to show for in terms of delivering client services, optimizing business processes, positioning itself with its partners, and rallying its staff. However, the uncertainty surrounding the issue of financing has resulted in delaying the green light for major projects needed for better network reliability and overall improvements to the company.

IMPROVED CUSTOMER SATISFACTION

For the Bus Network, providing an additional 42,000 hours of passenger service in 2005, introducing service improvements to the network, maintaining the level of delivered service at 99.3%, and constantly improving on-time performance (up to 82.9% in 2005 from 81.6% in 2003) have resulted in winning over some 1100 daily customers in 2005, and in a 15% decrease in customer complaints from 2003 to 2005.



At Paratransit, an 11.5% increase in the number of trips in 2005 was largely made possible by implementing phase II of the ACCES 5 project. Some 8% more customer calls were answered, and 10% fewer complaints were registered. Since 2003, the time spent waiting and processing trip requests dropped by 40%.

For the Métro Network, installing 200 recycling bins in 2005, maintaining the availability of fare collectors at 99.6%, showing an increase in the number of

clients arriving on time (98% in 2005 over 97.8% in 2003), installing a station name calling public address system aboard MR-63 train cars and the 500,000 km increase in métro service in 2004 have all combined to produce a 22% drop in complaints since 2003.



INCREASE IN AUTONOMOUS REVENUE

Development of the transit corporation's commercial potential has soared since 2004 with the creation of its Transgesco S.E.C. subsidiary, the installation of digital display panels inside two métro stations, the addition of a new retail area concept at Lionel-Groulx station, and the sale of technical expertise abroad.

IMPROVEMENTS TO BUS MAINTENANCE PRODUCTIVITY

Continued efforts by the bus maintenance team combined with reliability-improving maintenance programmes have increased vehicle performance compared to the mean distance between failure (MDBF) by some 17% since 2003 and improved the rate of service delivery, which reached 99.6% in 2005, up from 97.5% in 2003. Deployment of the SAP PM integrated management system was completed in all bus depots.

LOWERING THE COMPANY'S OPERATING COSTS

Benchmarking activities with NOVA, COMET and UITP member métro systems continued, while those involving the Bus Network continued to develop with Imperial College London and the Québec association of public transporters (ATUQ). The performance-analysis process, the optimization of administrative and operational business processes in all company sectors of activity, and the completion of projects like ACCES 5 have led to a \$3 million reduction in operating costs since 2003.

MAINTAINING THE MÉTRO'S RELIABILITY

The number of service disruptions lasting five minutes or more continued to decline in 2005. However, in the absence of any agreement on the issue of financing, the procurement process for new métro cars was never initiated. Neither was the Réno-Stations II programme nor was phase II of Réno-Systèmes. Still, the MR-73 refitting project is underway and will be completed by the end of 2007.

OPTIMAL MANAGEMENT OF LABOUR TRANSITION MEASURES

Renewing the labour force presents ongoing challenges, despite hiring over 1100 new employees since the business plan was first introduced. Made widely available to all employees, the plan appears to have had a significant rallying effect on employees, with 71% of management and 63% of employees in 2005 now agreeing the plan can be achieved by 2008. In 2004, results were 44% and 48% respectively.

2003 ORIGIN-DESTINATION SURVEY RESULTS MADE PUBLIC

Conducted in fall 2003 among 70,400 households throughout the metropolitan area, the Origin-Destination, or OD, survey has revealed two major facts. For the first time since 1970, public transit's market share during the morning rush hour has levelled off at 22% between 1998 and 2003, despite a 10% increase in motor vehicles during the same period. Moreover, over five years, public transit travel has increased by 8%, more than car travel at 6%.

Two factors explain these results: accelerated demographic growth on the Island of Montréal and public transit services adjusted to an evolving commuter market. Among other observations: the broad socio-demographic trends consistent with an aging population are holding up, the smaller size of households in general, the rise of employment and car use among women, and the accelerated urbanization of surrounding areas with respect to population and employment.

SIMULATED TERRORIST ATTACK

Tokyo, New York, Paris, Madrid, Bagdad... Urban areas are now a favourite target for terrorist attacks. Since 1998, when CAAM, Montréal's antiterrorist advisory board, was first created, everyone involved has spared no effort in establishing emergency procedures in preparation for potential threats. The main purpose for the simulation held on a Saturday in May at Square-Victoria station was to validate the response procedures.

The exercise, dubbed *Métropole 2005*, required two years of preparation and the participation of 300 first responders that day, including some 30 STM employees. The company supplied 13 low-floor buses, six for mass decontamination, three to shelter victims, one for preparing first responders and another two as dressing areas for them, and one ambulance-bus equipped with six stretchers to transport the injured to hospital. The simulation showed that the STM was ready to respond in case of a terrorist attack, although improvements could still be made.



A NEW MANAGEMENT STRUCTURE

As a way of developing the synergy and leadership needed to achieve the goals set out in its business plan, the STM called upon more than two hundred of its managers and employees to take part in a exercise aimed at improving its performance. Inspired by the best management practices used around the world, the group targeted a number of actions that will allow the company to become more efficient.

Following that one-year process, the STM implemented a new management structure in April (see page 9). The corporation is now divided into ten administrative units, including Business Plan/Management Information and Financial Strategies support branches, the Project Portfolio and Planning/Partner Relations corporate branches, the Communications and Marketing, Joint Services, Engineering and Construction, Bus Network, and Métro Network executive branches, as well as the Secretariat and Legal Affairs branch.



RIDERSHIP – FACTS AND FIGURES

Ridership (in millions)

	2003	2004	2005
Bus and métro	363.2	358.4	359.3
Paratransit only	1.4	1.5	1.7
Total	364.6	359.9	361.0

TRANSIT USER PROFILE

	TOTAL	MÉTRO	Bus
Montréal Island residents	86%	81%	95%
Age			
Under 18 years	14%	8%	18%
18 to 24 years	23%	26%	21%
25 to 64 years	55%	61%	52%
65 years and over	7%	5%	9%
Gender			
Women	56%	54%	57%
Men	44%	46%	43%
Purpose			
Work	42%	48%	39%
Studies	30%	28%	31%
Other	28%	24%	30%
Household income			
Under \$20 000	19%	18%	21%
\$20 000 to \$39 999	24%	25%	26%
\$40 000 to \$59 999	16%	17%	16%
\$60 000 to \$79 999	9%	10%	8%
\$80 000 to \$99 999	6%	6%	5%
\$100 000 and over	6%	6%	5%
Unknown	18%	17%	19%
Percentage of transit users from households without a car	40%	38%	44%

Average distance travelled using STM transit: 8 km

60% of transit users transfer at least once

Source: 2003 Origin-Destination Survey

THE BOARD OF DIRECTORS

(AT DECEMBER 31, 2005)

M^c Claude Dauphin

Chairman
Montréal city councillor
Chairman of Lachine Borough



Marvin Rotrand

Vice-chairman
Montréal city councillor
Côte-des-Neiges/Notre-Dame-de-Grâce
Borough



Yvette Bissonnet

Montréal city councillor
Saint-Léonard Borough



Bernard Blanchet

Borough councillor
Lachine Borough



Jacques Cardinal

Montréal city councillor
Chairman of Sainte-Geneviève/Sainte-Anne-
Bellevue/L'Île-Bizard Borough



Pierre Lapointe

Montréal city councillor
Ahuntsic/Cartierville Borough



Dominic Perri

Montréal city councillor
Saint-Léonard Borough



Brenda Paris

Public transit users' representative



Marie Turcotte

Paratransit users' representative



AUDIT COMMITTEE

(AT DECEMBER 31, 2005)

Jacques Cardinal

Chairman
Montréal city councillor
Chairman of Sainte-Geneviève/
Sainte-Anne-de-Bellevue/L'Île-Bizard Borough

Pierre Lapointe

Vice-chairman
Montréal city councillor
Ahuntsic/Cartierville Borough

Michel Bélanger, FCA

External Member
Financial Management Advisor

Robert Desforges, CA, Adm. A

External Member
Desforges, Germain, Gendron, CA

CUSTOMER SERVICE COMMITTEE

(AT DECEMBER 31, 2005)

Marvin Rotrand

Chairman
Montréal city councillor
Côte-des-Neiges/Notre-Dame-de-Grâce Borough

Yvette Bissonnet

Montréal city councillor
Saint-Léonard Borough

Brenda Paris

Public transit users' representative

Marie Turcotte

Paratransit users' representative

Pierre Vandelac

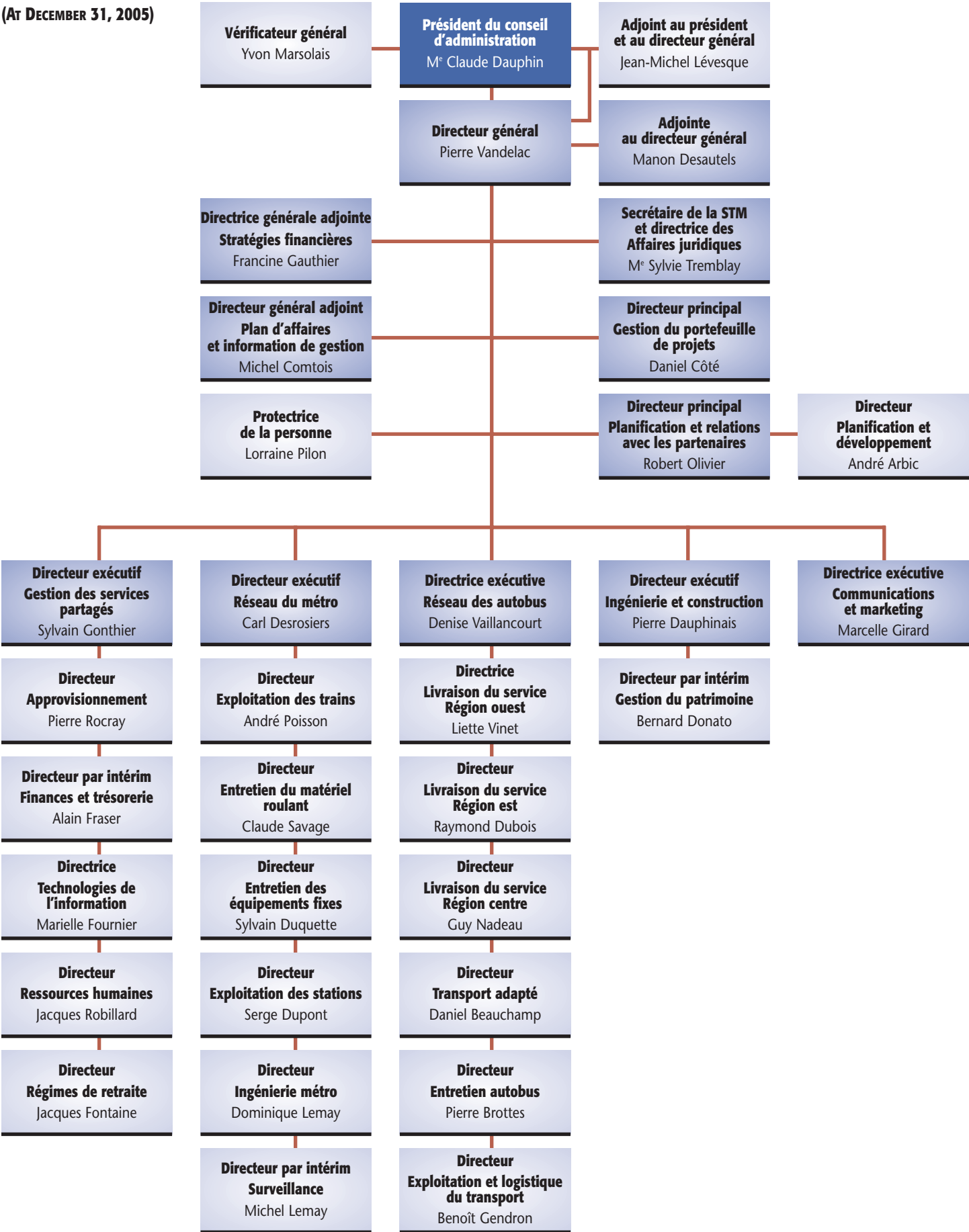
Director General

Robert Olivier

Coordinator
Senior Director
Planning and Partner Relations

MANAGEMENT STRUCTURE

(AT DECEMBER 31, 2005)



THE BUS NETWORK



Minor adjustments to bus service in Rivière-des-Prairies have made it possible for residents to enjoy transit services better suited to their needs.

TRANSIT SERVICES TAILORED TO THE NEEDS OF RIVIÈRE-DES-PRAIRIES RESIDENTS

Following service improvements in August 2004, the STM further fine-tuned its bus service in Rivière-des-Prairies in 2005. With these adjustments, area residents now enjoy better access to a transit network even more suited to their needs.

- Since January, the **41 – Rivière-des-Prairies** bus route provides service to most of the neighbourhood's major locations, such as the seniors' residential buildings on Gouin Boulevard, the retail stores along Maurice-Duplessis Boulevard, the Marie-Auxiliatrice church and Rivière-des-Prairies CLSC.
- The south portion of the **87 – Marien** bus route was also modified in March, and a new location was chosen its south terminus.
- The new **89 – Gouin/Perras** bus route has provided residents of Gouin Boulevard high-rises with a direct link to the métro since August. Its route is similar to the one travelled by the 48 – Perras, except that buses will follow Gouin Boulevard between Ozias-Leduc and Langelier Boulevard. Also, the 89 bus makes a limited number of stops between Langelier and Henri-Bourassa métro station.
- At the same time, two segments of the **40 – Henri-Bourassa** bus route were also redesigned. By taking Langelier Boulevard, Marie-Victorin Street and Albert-Hudon Boulevard in both directions, public transportation services were improved for CEGEP Marie-Victorin students. Then, further east, buses now travel along Saint-Jean-Baptiste Boulevard and the Metropolitan highway service road, thus providing service in a heavily industrialized sector.

- In August still, the **49 – Maurice-Duplessis** and **194 – Métrobus Rivière-des-Prairies** bus routes were also slightly changed, taking into considerations comments expressed by transit users and residents.

Fine-tuning bus service in Rivière-des-Prairies was the final step in the review process for public transit services in the sector, which was made possible thanks to the comments and feedback of neighbourhood residents and transit users obtained during a public consultation held in April 2005. The STM can rightfully say that transit services in the area are tailored to their needs!

OTHER MODIFICATIONS AND SERVICE IMPROVEMENTS

- At the start of the year, the STM increased the frequency of service on nine bus routes to improve passenger comfort. No less than 21,000 hours of bus service were added on the **24 – Sherbrooke**, **67 – Saint-Michel**, **70 – Bois-Franc**, **105 – Sherbrooke**, **121 – Sauvé/Côte-Vertu**, **141 – Jean-Talon-Est**, **144 – Avenue des Pins**, **506 – Voie réservée Newman** and **535 – Voie réservée du Parc/Côte-des-Neiges** bus routes. These nine routes alone are used for more than 180,000 trips each weekday.



- Introduced in June, the **39 – Des Grandes-Prairies** bus route links Montréal-Nord to Anjou's business district, while running through the industrial sectors of Anjou and Saint-Léonard boroughs, and serves the commercial area along Renaude-Lapointe Street. Running Monday to Friday at rush hour, the new route will gain importance as the commercial and industrial zones grow and expand.

- Also in June, the STM extended westbound service on the **146 – Christophe-Colomb/Meilleur** bus route to Henri-Bourassa métro station, all day Saturday and Sunday, as well as weekdays after 8 pm.

- Also introduced in March, the **173 – Métrobus Victoria** bus route provides residents of Lachine's west sector with rapid transit service from its west terminus at Dorval train station to Lionel-Groulx métro station, Monday to Friday at rush hour. As a result



of the new service, the west terminus for the **190 – Métrobus Lachine** is now located at the corner of Remembrance and 32nd Avenue. Customer satisfaction levels for the 173 – Métrobus Victoria have reached 86%, and the new route has succeeded in attracting 10% more clients along its route.

- Running Monday to Friday during rush hour, the **470 – Express Pierrefonds** has provided residents of Pierrefonds/Senneville, Dollard-des-Ormeaux/Roxboro and Pointe-Claire boroughs with express service to Côte-Vertu métro station since March. Thus, buses on the **216 – Transcanadienne** leave Fairview terminus and use the service road to reach Côte-Vertu station. Customer satisfaction for the new 470 – Express Pierrefonds is at 96%, and the new route has increased its ridership by 4%.



- The **Norman public taxi service** was introduced in Lachine borough at the end of May to offset the inconvenience generated by the closing of the 14th Avenue pedestrian overpass. The new service is provided during morning and afternoon rush hour and reservations are required. Moreover, the **Parc industriel Lachine/Gare Dorval public taxi service** now operates slightly differently. Users must call to reserve for morning rush hour transportation, while afternoon service remains the same, with taxis running according to a set timetable.



GREEN LIGHT FOR MONTRÉAL'S PRIORITY TRANSIT NETWORK

The City of Montréal's Executive Committee has authorized the establishment of a Transit Priority Network for Montréal (RPM). With new electronic traffic light controls and complementary measures introduced between now and 2009 along 15 strategic roadways totalling 230 km, STM buses will be given a competitive edge over cars, which could cut down travel times for passengers by an estimated 10 to 20% and increase ridership along targeted roadways.

To make it work, the STM must initially add a detection system to existing traffic lights to activate a priority signal for buses or extend the duration of a green light. The STM will subsequently expand its rapid transit bus network to link all major destinations. The 173 – Métrobus Victoria and 470 – Express Pierrefonds routes were created in 2005 to that end.

Estimated at \$35 million, this huge project ties in with the STM's 2004-2008 Business Plan and has been approved in principle par Transport Québec who will finance 75% of the project. In 2005, the STM completed its studies of the

intersections, the City is confirming its commitment to increasing public transit's competitiveness and limiting dependence on cars.

THE NEW CÔTE-VERTU TERMINUS NOW FINISHED

After inaugurating the northside installations in October 2004, the redesigned Côte-Vertu terminus was officially completed with the opening of its southside facilities on January 31, 2005. The new terminus serves more than 41,000 passengers and 1000 buses converge on it each day. Improvements have strengthened the intermodal quality of the terminus and its efficiency, while 90% of residents feel their neighbourhood's tranquility is enhanced. The project was carried out by Agence métropolitaine de transport (AMT) in collaboration with the City of Montréal, Saint-Laurent Borough, the STM and the Société de transport de Laval (STL).



RPM's first five designated roadways, namely Saint-Michel, Rosemont and

Louis-Hippolyte-Lafontaine Boulevards, as well as Beaubien and East Notre-Dame Streets.

Installation work and service implementation will be carried out in 2006 in close collaboration with the City of Montréal. With this project, one that will enable the STM to become a world leader as far as giving priority to buses at

SAP PM INTEGRATED MANAGEMENT SYSTEM

On January 31, the SAP PM (System Application Product – Plant Maintenance) system software made its debut at the Legendre bus complex. It was a significant step, marking the end of a colossal undertaking by a multidisciplinary group over one year. Initially directed to review, improve and document all maintenance practices in garages and depots, the team also had to come up with an integrated system to support business processes.

Throughout the rest of the year, the new management tool was deployed among the remaining bus depots. Reviewing maintenance practices has led to several changes, such as drivers now calling in to report any defects on their vehicle and divisional clerks processing the information. Drivers previously noted any malfunctions on coupons that they deposited in a box, making it difficult to keep track of everything. The SAP PM system application has integrated all garage maintenance activities.

The benefits of SAP PM are numerous. Indeed, the system features detailed information about planning work schedules, pinpointing the origin of defects (accidents or vandalism), and being more thorough when submitting warranty claims. Maintenance workers can now refer to a vehicle's individual log-book containing a history of its maintenance, repair notices following a driver's report, and other malfunctions detected during previous inspections, to assist in making the right diagnosis.



SAEIC2: AN ONGOING PROJECT

The purpose behind the SAEIC2 project (customer information and operations assistance system – phase 2) is to replace several obsolete computer systems with proven applications that will:

- provide transit users with all service variations from published Bus Network timetables;
- improve payroll controls;
- measure actual service delivery by the Bus Network against planned service levels to determine compliance with standards set by the Board of Directors;
- reduce the corporation's operating costs.

Most of the system's modules were activated in 2005 and are operational. The project will be completed in 2006.

NEW 25-000 SERIES VEHICLES

In 2005, the STM took delivery of 48 new low-floor buses. The vehicles feature several improvements, including an electronic destination sign with a larger display surface. Passenger seats have also been covered with colourful fabric that is not only more appealing, but also much more resistant that was initially tested on a bus from the LaSalle garage. Finally, the new buses are powered by a cleaner electronic ISL Cummings engine that enables the STM to comply with new regulations pertaining to emissions by heavy vehicles.



ROAD-TESTING ARTICULATED BUSES

In early March and mid-April, two articulated buses were put to the test in the streets of Montréal. Themed *Road test to find the best*, focus groups were held with STM transit users to assess the vehicles' road-handling, in addition to the interior's layout and passenger flow. On loan from Réseau de transport de Longueuil (RTL) and OC Transpo (Ottawa), the articulated buses were also used for passenger service on the 535 - Voie réservée du Parc/Côte-des-Neiges route during rush hour. This testing period is part of the STM's 2008-2010 procurement programme.



THREE DRIVERS HONoured FOR THEIR 31 YEARS WITHOUT AN ACCIDENT

In September, a dinner was organized in honour of three ace drivers, Claude Bourgouin, André Brodeur and Michel Desroches, marking 31 years of driving without an accident. They were congratulated for their spotless driving record by the Director general, Pierre Vandelay, who added that such safety behind the wheel went a long way in encouraging the use of public transit.





25 YEARS OF PARATRANSIT

In 1980, the Québec government made public transit authorities across the province responsible for providing the disabled with

transportation within their respective operating areas. On April 1 that year, the CTCUM, forerunner to the STM, took over for Minibus Forest after inheriting its 16 vehicles. Twenty-five years later, there is no denying that adapted services have come a long way, literally and figuratively speaking. Indeed, Paratransit recorded 1.7 million trips in 2005, over twenty times more than the 90,000 trips initially provided in 1980.



AN ADDITIONAL \$1.1 M FOR PARATRANSIT

The STM Board of Directors agreed to add \$1.1 million to Paratransit's 2005 budget, for a total of \$36.3 million, to meet an 11% surge in client demand for transportation. The financial contribution

helped deal with that increase and provide service for a greater number of regular and occasional requests. Based on the 2004 service offer, 600 additional trips were provided each day in 2005.

By re-engineering its operational processes, the STM significantly improved its performance. Some of the best results were achieved with the call centre's greater accessibility and with the reliability of taxi service now reaching 99.5%.

Moreover, the STM has renewed contracts ending in 2006 with thirteen taxi companies, using the principle of a performance-based assessment of the quality and reliability of delivered services, a first in Québec.

A CUTA AWARD FOR THE STM

At its annual conference held in Gatineau in June, the Canadian Urban Transit Association (CUTA) presented the STM with a Recognition Award in the Exceptional Performance or Outstanding Achievement category for ACCES 5, a system that makes optimal use of resources dedicated to delivering transportation services adapted to the disabled.



TRIBUTE TO PARATRANSIT DRIVERS

As part of the activities marking intellectual deficiency week in March, the Lisette-Dupras rehabilitation centre organized a *Coup de cœur* gala. During the event, a heart-felt tribute was paid to all STM Paratransit drivers for their work with the disabled. Thanks to Paratransit service, clients of the Centre Lisette-Dupras can enjoy a wide range of activities aimed at facilitating their social development and integration.

BUS NETWORK FACTS AND FIGURES

191 bus routes (including 20 for night time service)

11 reserved lanes covering a distance of 45.5 kilometres

BUS FLEET

Standard buses	622
Low-floor buses	951
Paratransit minibuses	93
Standard minibuses	2

ON-TIME PERFORMANCE (Expressed in %)

	2003	2004	2005
Goal (-1 min. + 3 min.)	81.6	82.6	83.0

TOTAL DISTANCE TRAVELLED (KM)

Buses:	69,995,997
Paratransit minibuses:	2,760,120

ACCIDENTS WITH DAMAGES INVOLVING A BUS OR MINIBUS

	2003	2004	2005
	4.70	4.61	4.62

MOST HEAVILY-USED BUS ROUTES - Average daily ridership – weekdays

1. 67 – Saint-Michel	40,900
2. 121 – Sauvé/Côte-Vertu	36,200
3. 139 – Pie-IX	35,500
4. 535 – Voie réservée du Parc/Côte-des-Neiges	35,500
5. 69 – Gouin	28,700

DELIVERY OF PLANNED SERVICE

	2003	2004	2005
	99.38%	99.51%	99.31%

THE MÉTRO NETWORK



Refitting the MR-73 métro cars will help handle the increase in ridership expected with the opening of the three new Laval stations in 2007.

REFITTING THE MR-73 CARS

The first two refitted MR-73 métro cars were presented to the public on November 18. Over the next three years, all 423 second-generation cars, nearly 30 years old and each having travelled an average of 2.3 million kilometres, will be renovated and put back into service. The \$35.6 M project was made possible by the Québec government who contributed \$25.2 M to that end. That investment will extend the rolling stock's service life by at least ten years and help handle the increase in ridership expected from opening the three new Laval stations in 2007.

The goals of the programme are to provide passengers with redesigned métro cars with an interior layout more adapted to their needs, while increasing their comfort and each car's capacity by 10%. Among the tangible improvements in the refitted interiors are the increased amount of space for passengers, and easier circulation around doors and between seats. Also, new seating and support bars will improve on the comfort of passengers. Ventilation will be both more efficient and less noisy. Finally, the selected materials are more resistant to graffiti.

The redesigned MR-73 is the result of two years of work during which three different interior layouts were tested. The newly refitted métro cars will gradually be introduced into service, at a rate of 20 cars every month, without affecting customer service.



ONE OF THE BEST MANAGED MÉTROS IN THE WORLD

The process known as benchmarking consists in comparing one's performances with those of similar organizations around the world and analyzing the differences to better understand the nature of those best practices. Lead by Imperial College London, the first benchmarking group – COMET – was created in 1994.

A second group was established in 1997, NOVA Benchmarking, to which the STM belongs since 2001.

The STM is ranked among the top three in both NOVA and COMET groups for the following aspects: efficiency, railcar passenger loads, train operations (km-car per hour worked), station operations and security (hours worked per station), rolling stock maintenance (hours per railcar and km-car per hour worked), and stationary

equipment maintenance (hours per network-km). These results reflect the contributions of all STM groups supporting métro operations.

They also confirm the Montréal métro is one of the best managed in the world. Admittedly, because of the tight financial context in which the STM finds itself, each dollar spent must be spent wisely. Thanks to benchmarking activities, the company can identify potential solutions to some of its more problematic issues by studying what is done elsewhere. The NOVA Benchmarking Group also enables the STM to establish solid contacts and build up its network around the world. By sharing in everyone's expertise, the group's work can lead to improving the international métro community as a whole.



TEMPORARY CLOSING OF FRONTENAC STATION

As major infrastructure work had to be carried out, the STM closed Frontenac métro station during seven consecutive weekends, from early November to mid-December. The station was closed from 10 pm on Fridays, as well as all day Saturday and Sunday. During these periods, métro service was provided as usual, but the trains did not stop at Frontenac. Transit users for whom Frontenac station was their point of departure or destination had to use either Papineau or Préfontaine stations instead, and the shuttle service running between.

Renovation work was also carried out on floors and staircases in several métro stations. In all cases, regular métro service was maintained and transit users were asked to use another access or route. Renovations centred mainly on Langelier, Lionel-Groulx, Pie-IX, Plamondon, Préfontaine, Radisson, Square-Victoria and Vendôme stations.



THE ONGOING RÉNO-SYSTÈMES PROGRAMME

Begun in 2003, phase I of the Réno-Systèmes programme aimed at maintaining the safety and reliability of the métro's stationary equipment, particularly its control centre, telecommunications equipment, power supply grid components, and escalators in the initial 26 stations, as most have reached the end of their service life and must absolutely be replaced. The first phase of the work is financed by both federal and provincial governments, Agence métropolitaine de transport (AMT) and STM, thanks to an agreement reached within the framework of the *Infrastructure Canada-Québec 2000 Program*.

Several of the programme's elements were successfully completed in 2005, including the new Guizot ventilation unit located north of Jarry station. The new equipment will increase the safety of emergency ventilation operations, while complying with City of Montréal noise level standards. Inside stations, equipment upgrades continued with the replacement of 19 escalators and the addition of the infrastructure needed for the installation of 1200 ultra-modern cameras that will replace the 300 cameras currently in use by the end of 2006. Inside the tunnel, the replacement of some 183 switching controls was completed and all rail supports for the connecting line between the 1-Green and 4-Yellow lines were changed.

Moreover, the replacement of 13.5 km of 750-volt métro traction cables is finally complete. Begun in the fall of 2003, the project consisted mainly of replacing the cables linking the 750-volt disconnect switches to the third rail supplying power to the trains. The old cables dated back to the métro's inauguration in 1966 and became a reliability issue, with several service disruptions occurring in the last few years. Because these cables run under the tracks, they often come into contact with water seeping underground. The new cables have superior properties, making them more resistant in a humid environment, thereby ensuring greater reliability for métro service.

Finally, the first phase of work to replace the 12,000-volt cables, some 32 km of them, extended from fall 2003 to the end of 2005. Launched in 2005, the second phase will see another 7 km of cables being replaced by



the end of 2007. So far, replacing the 750-volt and 12,000-volt cables has required about 53 km of cable.

THE INSTALLATION OF TCPE ROOMS

As part of the Réno-Systèmes programme, several new telecommunications systems and operations control processes (TCPE) components are being installed throughout Montréal's underground network. At each métro station and in all workshops at terminus stations, a TCPE room will serve as a hub for all the new telemetry, radio-communications, video-surveillance, public address, telephony and networking equipment.

In some stations, it was impossible to modify the existing layout to include new rooms, so new underground space was excavated next to the Angrignon garage and at Laurier, Mont-Royal, Champ-de-Mars, Viau, Beaudry, Jolicoeur and Angrignon stations where, in that particular case, the roof of the TCPE room was covered with vegetation, blending into the surrounding station landscape.

Such interventions in public areas are always subject to the same care and concern for their architectural integration. That category would include Assomption, Atwater, Berri-UQAM, Édouard-Montpetit, Jarry, Jean-Drapeau, LaSalle, Longueuil – Université-de-

Sherbrooke, Place-d'Armes and Sherbrooke stations. At Place-des-Arts métro station, the new TCPE room is hidden by an architectural structure composed of perforated aluminium panels placed side by side abstract-shaped, hand-crafted mosaics created with Mosaïka Art & Design.



EXPANSION OF TRACK REPAIR SHOPS

Started in May 2004, the project to expand the track maintenance shop located at the intersection of Henri-Julien and Legendre Streets was completed by fall 2005. Expansion had become necessary because of the Réno-Systèmes programme, which called for an additional 340 m² of storage space, for the acquisition of 14 new service vehicles and six rail-mounted platforms in 2003 and 2004, and because of the métro's extension to Laval. The maintenance shop expansion also aimed at reducing the noise levels generated by moving rail-mounted vehicles at night.



Prior to work beginning, meetings were held with STM representatives, borough officials and neighbourhood residents. Information fliers were sent out to each household to answer any questions about the noise, dust and vehicle traffic generated by the maintenance shop's expansion. Raising such a structure presented quite a challenge for construction workers and employees, as track servicing operations continued uninterrupted throughout the work.

PARAMEDICS AT BERRI-UQAM STATION

Since January, métro users can count on the presence of a paramedic at Berri-UQAM station, from Monday to Friday, between 7 am and 11 pm. The two-year partnership agreement with Urgences-santé is part of



the STM 2004-2008 Business Plan and supports one of its main goals: improving customer satisfaction. During 2005, the four Urgences-santé paramedics answered 504 calls, 442 in Berri-UQAM alone. Their rapid response

time has reduced service disruption time by some 92 minutes.

MÉTROVISION SCREENS AT MCGILL STATION

After making their splashy debut at Berri-UQAM station in September 2004, Métrovision's urban television screens appeared at McGill station in February 2005. Métrovision is a privately-owned company, established by Transgesco, wholly-owned by the STM. As associates, they created a limited partnership, Montréal Super TV, operating under the trademark name of Métrovision.

The giant screens provide passengers with useful and relevant information in real-time, such as the current time, when to expect the next train, updates on the status of transit service and current news information.



A NEW RETAIL CONCEPT AT LIONEL-GROULX STATION

In early June, four new retailers greeted their first customers on the platform of Lionel-Groulx station: a Couche-Tard dépanneur, a Kiosk Urbain music store, as well as Underground Café and Dunkin' Donuts restaurants. Developed by Métrocom S.E.C., a subsidiary of the STM and of Beaurival established in 2004 to market the métro's commercial potential, the new retail concept allows passengers to extend their stay inside the network and make their commute more pleasant. The concept will be introduced in some twenty stations.



NEW ARTWORK INSIDE CÔTE-VERTU STATION

With the newly redesigned Côte-Vertu terminus, a new work of art was added to the Montréal métro's impressive collection. Created by artist Éric Lamontagne, as part of the Québec government's programme aimed at integrating art and architecture in public buildings, the *Homo Urbanus* mural

focuses on the anonymity of public transit users. Small photographs of passengers are set on a large mirror with tiny bolts and screws, giving the artwork a robotic quality.



LES QUATRE SAISONS RETURNED TO SNOWDON STATION

The work of art began its gradual return to Snowdon station in December. Damage of all kinds had convinced STM authorities to completely remove all four murals and to proceed with cleaning and/or restoring the sections located in front of each access leading to the train platforms. Now, laminated sheets of glass protect Claude Guité's work of art. This undertaking demonstrates the STM's commitment to protecting the métro's collection of artworks, a unique architectural heritage that makes Montréal the envy of many transit networks around the world.



MÉTRO NETWORK – FACTS AND FIGURES

4 lines totalling 66 km of tracks and serving 65 stations

Fleet of 759 cars, of which 336 are MR-63 and 423 are MR-73 models

Kilometres travelled (with passengers): **58,841,161**

BUSIEST STATIONS

1. Berri-UQAM:	11,523,956
2. McGill:	11,284,712
3. Henri-Bourassa:	8,071,504
4. Guy-Concordia:	7,099,154
5. Longueuil–Université-de-Sherbrooke:	7,006,655

BUSIEST DAY

Thursday, November 24 with 821,048 fares

RELIABILITY

Number of incidents lasting 5 minutes or more

CAUSES	2004	2005	%
Mischief, ill passengers	477	397	-17
Rolling stock	184	215	17
Train operations	70	53	-24
Stationary equipment	69	94	36
External factors	24	16	-33
Miscellaneous	38	22	-42
Combined	862	797	-8

PUNCTUALITY: 98.0% OF TRANSIT USERS ARRIVE ON TIME (standard: delayed by less than 5 minutes)

Number of trips delayed by 5 minutes or more*

CAUSES	2004	2005	%
Mischief, ill passengers	2,547,793	2,319,323	-9
Rolling stock	1,179,077	1,186,807	1
Train operations	301,490	183,441	-39
Stationary equipment	393,915	527,943	34
External factors	120,697	109,376	-9
Miscellaneous	223,049	138,176	-38
Combined	4,766,021	4,465,066	-6

DELIVERY OF PLANNED SERVICE

	2003	2004	2005
	99.56%	99.06%**	99.64%

* It should be noted that the métro provided more than 217.7 million trips in 2005.

** Consequence of Henri-Bourassa station closing.

De cling-clang @ bip-bip

Du nouveau dans votre autobus...

La STM introduit graduellement la boîte de contrôle des paiements dans les autobus pour une nouvelle génération d'équipement. Le client, le lecteur de carte à puce et les terminaux de paiement de 1000 unités de mesure de service. Le système est plus sûr, plus efficace et plus facile à utiliser. Le système est plus sûr, plus efficace et plus facile à utiliser. Le système est plus sûr, plus efficace et plus facile à utiliser.

Il vous permet de payer graduellement un ticket ou en espèces. Les changements sont rapides.

La nouvelle boîte...

- Accepte les billets de 100 et 200.
- Accepte les billets de 100 et 200.
- Accepte les billets de 100 et 200.

À partir du 15 novembre 2011
 les autobus circulant sur ces lignes
 seront graduellement dotés de la nouvelle boîte :

11 • 14 • 27 • 45 • 47 • 51 • 67 • 97 • 144
 357 • 359 • 368 • 410 • 430

STM.info

The new fare control system being installed aboard buses and in the métro will help secure the company's fare revenues.

FARE SALES AND COLLECTION PROJECT: WORK IS PROGRESSING WELL

In 2005, the modernization of fare control equipment continued. Indeed, the new system acquired by the STM and its transit partners will improve and simplify the process of purchasing fares and using them. The future equipment, along with the arrival of smartcards in spring 2008, will also contribute to securing the company's fare revenues.

At the Métro Network, preparations prior to installing new fare sales and collection equipment are moving forward. The work consists of cutting trenches in the station's floors to lay down cables. New flooring material of red ceramic tiles encased by two anthracite grey ceramic strips will mark the area where the new turnstiles will be located. At the same time, the STM has begun construction to replace the fare control booths in the initial network stations, in operation since 1966. Temporary fare sales booths have made it possible to maintain customer service without any disruptions.

At the Bus Network, the STM began installing new electronic fare boxes aboard its 1600 buses in December. To ensure the implementation goes smoothly and enable drivers to become proficient with the new technology, the STM chose to gradually replace the fare boxes, one bus depot at a time. Buses at the Mont-Royal garage were the first to receive them.

Other preparation work was carried out in the service area by the entrance to each bus depot, for the upcoming installation of equipment that will securely handle revenue collected from buses equipped with the new electronic fare box.

Given that the majority of transit users (84%) purchase weekly or monthly passes, this modification affects only those who pay with cash or tickets. They will have to change their habits slightly, because the new fare boxes are equipped with two different slots, one specifically for tickets, the other for coins. Like vending machines, the fare boxes do not accept pennies or paper currency, and coins must be inserted one at a time. Beeping sounds and displayed messages ensure fares are always paid in full.



DECLARATION ON THE FINANCING OF PUBLIC TRANSIT

Reiterating the importance of stable, permanent and predictable funding for the financing of public transit operating costs and capital expenditures, the participants in the *Forum métropolitain sur le financement du transport en commun* – including representatives from the STM – signed a declaration entitled *Faire le choix du transport collectif* on April 14. While the formula for dividing the revenue derived from the federal excise tax on gasoline had not yet been formalized, the signatories requested that the Québec government:

- maintain its infrastructure aid programme, thus confirming its support for the maintenance of the asset base and for the development of public transit in the Montréal Metropolitan Community;
- update its contribution to the aid programme for operating costs;
- allocate 25% of the revenue from the federal excise tax on gasoline to the financing of public transit capital expenditures and distribute this on the basis of ridership;
- give the Montréal Metropolitan Community new diversified tax room from new dedicated sources of revenue.

The signatories of the declaration agreed to continue the discussions within a follow-up committee. The basis of discussion for this committee will be the project dealing with the institutional and financial decentralization of public transit in the Montréal Metropolitan Community. The committee will also address the issues and measures to be proposed to increase public transit's modal share in the Montréal metropolitan area.

CREDIT RATINGS MAINTAINED

Standard & Poor's and Dominion Bond Rating Service (DBRS) once again confirmed the quality of the STM's management by maintaining their respective A+ and A (high) credit ratings. The strength of the local economy, stabilization of municipal contributions, new sources of financing from the federal government, as well as the anticipated new financial framework with the provincial government should permit the STM to maintain its operational performance and contain its level of indebtedness despite its major financing requirements.

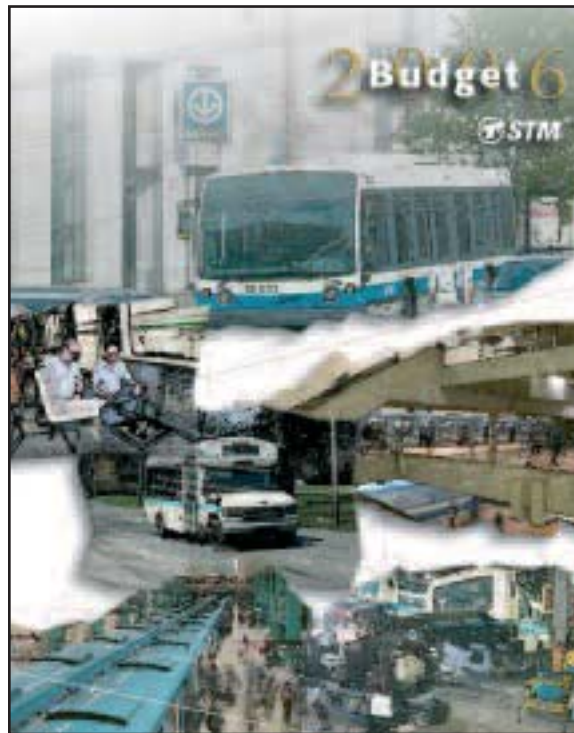
AGREEMENT ON THE TRANSFER OF THE FEDERAL EXCISE TAX ON GASOLINE

At the end of November, the federal government came to an agreement with the Québec government to pay SOFIL (the organization for financing local infrastructure in Québec) a portion of the receipts from the federal excise tax on gasoline. A sum of \$433 million (including Québec's share) has been allocated to the public transit companies in the Montréal region to cover a portion of their investment expenditures over the next five years. The STM will receive more than \$360 million, very welcome news in a context where investments estimated at 3.5 billion dollars will have to be made in its network over the next ten years.

BUDGET 2006

The STM's 2006 budget, presented in mid-December, has risen to \$864.4 million. It predicts a shortfall of \$32 million despite the additional contribution of \$10 million from the City of Montréal, the efforts to reduce expenditures by \$6.5 million, which the STM will pursue by continuing to optimize its business processes, and the increase of 2.9% in passenger revenue.

Three major factors explain the variation of \$33.3 million in comparison with the 2005 budget. First is the increase of \$16.8 million in remuneration costs linked primarily to the indexation called for in the collective agreements (2.5 %) and to the impact of legislative decisions regarding pay equity and the new parental leave programme. Second, energy costs, more specifically diesel and natural gas, will rise by more than 30%, or \$10.6 million. Finally, the growth in



the number of trips by Paratransit, combined with higher taxi rates, will result in additional expenditures of \$5.4 million for the STM.

Despite this difficult financial situation, the STM is staying the course on its Business Plan objectives. It plans to invest \$5.6 million in improving service quality by adding 21,000 hours of service to the Bus Network, implementing the Montréal transit priority network, increasing the number of Paratransit trips and increasing the length of trains on the métro's 5-Blue line. These efforts, combined with the impact of the rise in the cost of gasoline, should lead to a 1% increase in ridership for 2006.

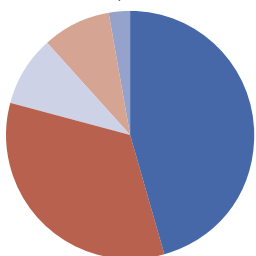
THREE-YEAR 2006-2008 CAPITAL ASSETS PROGRAMME

As part of its three-year capital assets programme (PTI) covering the investment expenditure forecasts for 2006-2008, the STM plans to invest \$804.6 million in subsidized projects, \$221.7 million in non-subsidized projects and \$52.6 million in

various other projects, for a total of 1.1 billion dollars. The portion of the investments dedicated to the Métro Network is \$619 million (57.4%), with \$334.8 million (31%) being allocated to the Bus Network and \$125.3 million (11.6%) to various administrative sectors. It should be noted that over the 2001-2005 period, the STM tripled its investments by injecting \$744.4 million into its assets, valued at 8.9 billion dollars.

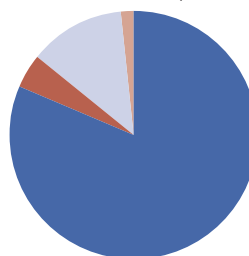
STM FINANCIAL FACTS AND FIGURES

REVENUE (in thousands of dollars)



Passenger	379,358
Contribution by the City of Montréal	276,200
Government of Québec subsidies	75,804
Regional contributions	61,607
Government of Québec contribution - financial framework review	10,818
RTL contribution	1,803
Other revenue	21,864
	827,454

EXPENDITURES (in thousands of dollars)



Bus and metro service	672,533
Paratransit service	37,338
Debt servicing and financial costs	104,437
Unforeseen expenditures	—
Asset maintenance	12,182
	826,490

Surplus for the year before accumulated deficit	964
Accumulated deficit from previous year	(6,311)
DEFICIT FOR THE YEAR	(5,347)

FARES

	2001	2002	2003 (Jan.)	2003 (July)	2004	2005
CAM						
Regular fare	\$48.50	\$50	\$52	\$54	\$59	\$61
Reduced fare	\$22.50	\$25	\$26	\$27	\$31	\$32.50
CAM hebdo						
Regular fare	\$13.50	\$14	\$15	\$16	\$18	\$18
Reduced fare	\$6.75	\$7	\$7.50	\$8	\$9.50	\$9.75
Strip of six tickets						
Regular fare	\$8.50	\$9	\$9.50	\$10	\$11	\$11.25
Reduced fare	\$4.25	\$4.50	\$4.75	\$5	\$5.50	\$5.75
Cash						
Regular fare	\$2	\$2.25	\$2.25	\$2.50	\$2.50	\$2.50
Reduced fare	\$1	\$1.25	\$1.25	\$1.25	\$1.25	\$1.25
Tourist Card						
1 day	\$7	\$7	\$7	\$7	\$8	\$8
3 days	\$14	\$14	\$14	\$14	\$16	\$16

FARE SALES

Fare	Regular fare	Reduced fare
CAM	2.2 million	1.6 million
CAM hebdo	1.6 million	0.3 million
Tickets	35.5 million	13.3 million
Cash	20.1 million	2.6 million
Tourist Card		
1 day	58,491	
3 days	51,999	



Thanks to the new on-line recruitment service, persons interested in working for the STM can access job postings at all times.

THE STM INTRODUCES AN ON-LINE RECRUITMENT SERVICE

The STM's new on-line recruitment service was launched in March. Since then, anyone interested in joining the ranks must refer to the Jobs section of the STM website. This new way of doing business will simplify matters, making it easier for them to access available job postings at any time, obtain all the information they need to submit their application, immediately receive an acknowledgement, and update their file, such as a change of address.

To register, candidates must have an e-mail address, which they get for free when subscribing to an electronic mail service, and expect to spend 15 to 30 minutes filling out the application form. Even if they do not own a computer, candidates can use one at any employment centre, in a public library or Internet café, and consult the list of available jobs or send in their application.

Thanks to this new recruitment tool, the human resources planning and hiring division handled over 16,000 resumé in 2005, a third of them for bus driver positions. It also received more than 3600 student applications for 146 summer jobs available in 2005. Sixty of them were

filled by returning students who had not worked more than two summers for the STM and whose performance assessment were satisfactory. In the interest of fairness, the remaining summer jobs were awarded by drawing names among new applicants.

ETHICS AT THE STM

In an environment where governments and companies are closely scrutinized, the question of ethics is occupying a more and more important place in organizations. The STM has not escaped this trend, and company management gave its support to an extensive ethics campaign within the organization. The Legal Affairs branch, who were mandated to update the Société's Code of Ethics, wanted to show some innovation in this area by supplementing the new edition of the Code of Ethics with an Ethics Guide. This guide will serve as a reference in determining ethical behaviour.

The Code of Ethics is a useful tool to consult to learn about the company's position on ethics. Its revised content states the Société's commitments to its clientele, its employees, its assets as well as to human rights and freedoms.

Serving customers with respect and dignity, treating employees in a fair and just manner, without discrimination in hiring or on the job, are examples of these commitments. It also covers the ethics standards for dealing with conflicts of interest, among other things.

The Code of Ethics includes additional guidelines on the specific behaviour to adopt in given situations. Where there is no regulation or law applicable to the current situation, or where a regulation exists but does not indicate the behaviour to be adopted, employees can refer to the Ethics Guide, which includes basic questions to determine whether a given behaviour is ethical or not. These two documents were handed out to all employees in the fall.



SKILLS MAINTENANCE PROGRAMME FOR MÉTRO OPERATORS

In response to recommendations by the American Public Transportation Association (APTA) and the requirements of the métro's operational safety improvement programme (PASEM), the STM developed a new, three-part skills maintenance programme for its operators, whose basic training course had been revised in 2002. The first is for employees returning from a prolonged absence, the second for employees whose performance points to a problem, and a third of a more general nature for all employees.

The training division developed tools for the maintenance of targeted skills, as well as a specific course for operational supervisors to help them accurately measure whether or not the work carried out by an operator is up to standard. When the work is not, the operator follows a training course to bring the work back up to standard. The training varies from a half-day to two days depending on the skill involved. This programme, in combination with the skills maintenance programme for fire safety as defined by the fire prevention section of the STM, will enable the company to maintain its high level of métro operating safety, recognized around the world.



NEW TOOLS FOR THE SELECTION OF BUS DRIVERS

In 2005, some 288 new bus drivers joined the ranks of the Société. With the objective of improving the selection of candidates and better defining their customer service skills and driving abilities, those responsible for hiring, in collaboration with representatives from the principal transit companies in Québec, purchased specialized videos, with translation provided by scientists at Laval University.

These tests, which are already used successfully by more than a hundred North American companies, replace the old written examinations, without affecting the other steps in the selection process. A multi-disciplinary team carried out research into existing tools on the market and the analysis of available products. The use of these two videos will improve the hiring process appreciably.



THE STM IS THERE!

Whether it be at job fairs, dinner meetings or even activities with community organizations, the STM is there to publicize the company's employees and its employment requirements. It participated in 25 events in 2005, including the Côte-des-Neiges/Notre-Dame-de-Grâce and Saint-Laurent job fairs, as well as the *Grande tournée des métiers de Lachine* (a tour of Lachine companies for job seekers).



PAY EQUITY

As a result of the efforts undertaken, the pay equity committee succeeded in completing its work in 2005. Meetings took place with employees and management to present the results. A new evaluation plan based on this work has been integrated into the collective agreement via a letter of understanding.

WORKFORCE

(At December 31, 2005)

	2003	2004	2005
Employment category			
Operational supervisors and first-level managers	297	304	315
Foremen	128	129	132
Managers	185	194	207
Professionals and non-union staff	83	83	85
Unionized professionals	191	192	193
Divisional clerks	177	170	201
Security officers	152	151	142
Unionized administrative staff	613	598	609
Drivers, operators and related services workers	3,588	3,580	3,611
Maintenance workers	1,916	1,918	1,894
Total	7,330	7,319	7,389

PROPORTION OF WOMEN

Women represent 20.7% of the corporation's workforce.

PROPORTION OF ETHNIC AND VISIBLE MINORITIES

The corporation's workforce includes 10.2% ethnic and visible minorities.

AVERAGE AGE OF EMPLOYEES

45.6 years

AVERAGE NUMBER OF YEARS OF SERVICE

14.3 years

RECRUITMENT

Of the 567 persons hired in 2005, some 365 were for permanent positions.

RETIREMENT ELIGIBILITY

1076 employees were eligible for retirement by the end of 2005.

UNIONS AND ASSOCIATIONS

Syndicat des chauffeurs d'autobus, opérateurs de métro et employés des services connexes au transport de la STM (section locale 1983 – SCFP)

Syndicat du transport de Montréal (Employés d'entretien – CSN)

Syndicat du personnel administratif, technique et professionnel du transport en commun, SCFP 2850 – FTQ

Syndicat des travailleuses et travailleurs de la STM – CSN

Fraternité des constables et agents de la paix de la STM

Syndicat des professionnelles et professionnels de la STM

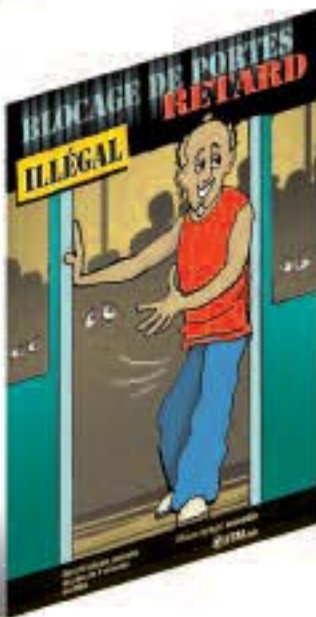
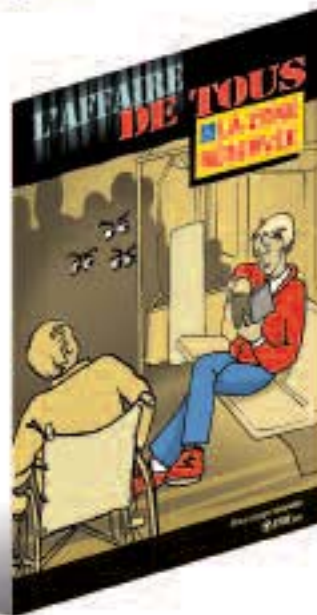
Association des chefs d'opérations – Réseau des autobus

Association des chefs d'opérations – Réseau du métro

Association des contremaîtres

Association des cadres et des professionnels de la STM

COMMUNICATIONS



The extensive behavioural campaign undertaken by the STM encouraged numerous clients to modify their inappropriate behaviour in the métro and on buses.

BEHAVIOURAL CAMPAIGN

Blocking the doors of a métro car, occupying the space reserved for people in wheelchairs, keeping one's knapsack on in a crowded bus, leaving a newspaper on a seat, not giving up one's seat to someone who has more need of it are some of the behaviours that, while not necessarily done intentionally, can have repercussions on the service provided and on the comfort of other passengers. In order to encourage users to modify their inappropriate behaviour, the Communications and Marketing Executive Branch developed six messages that ran successively throughout the year on buses and in the métro.

The results of the campaign are encouraging. The message dealing with the doors being held open was seen by more than two-thirds of clients surveyed and encouraged 63% of them to change their behaviour when travelling on the métro. In addition, 50.8% of respondents who had never or infrequently given up their seat to a person with reduced mobility stated that they had changed their behaviour after seeing the related message. Finally, 59.9% of respondents who saw the message regarding the recycling of newspapers said they had modified their behaviour, with 53.8 % now depositing their paper in the new bins and 39.6 % keeping it.



ADJUSTED TIMETABLES FOR THE AUTOBUS SYSTEM AND THE STM WEBSITE

Since March, clients with Internet access have been able to go to www.stm.info to obtain adjusted timetables for the AUTOBUS system (288-6287) for the upcoming seven days. This is the only information tool where daily timetables reflect event-related changes. The original AUTOBUS timetables are adjusted to indicate any bus stops that have been moved, cancelled departures, events that could affect bus routes and details of these changes. People with reduced mobility who must take a low-floor bus have access to adjusted low-floor timetables.

IMPROVED 2005 NETWORK MAP

Every year the STM distributes the network map free of charge to its clientele and its partners. In 2005, the team in the Customer Information Tools section reviewed the concept with the objective of improving it. As a result, the general information appearing on the map has been reduced to a minimum, and it now presents clients with ways in which to obtain more complete and

up-to-date information by using other information tools at their disposal. Improvements were also made to the map including the addition of new streets, the STM terminals and college institutions.

THE STM HONOURED BY AQTR

As part of its 40th Annual Congress, the AQTR (association concerned with the development of Québec's transportation and highway industries) awarded the STM the public transit prize in the category covering the optimization of customer resources and services for its project «SALSA – Intégration et amélioration des outils d'information». According to the AQTR, this project represents remarkable integration and improvement in the information tools provided to STM clientele.



CUSTOMER INFORMATION – FACTS AND FIGURES

MÉTRO NEWSPAPER

250 Info STM pages were produced with an average satisfaction level of 80%.

WEBSITE

9 million visitors (8.4 million in 2004).

AUTOBUS

10,913,673 calls, an average of 29,900 calls a day.

STM-INFO

483,959 calls of which 21% were transferred to AUTOBUS.

PLANIBUS

5,000,000, with 1,250,000 distributed four times during the year.

INFOBUS

18,000, with 4,500 timetables installed four times during the year.

COMMENTS AND COMPLAINTS

2003	2004	2005
21,862	17,600	17,862

THE STM AND THE ENVIRONMENT



By introducing its drivers to green driving, the STM is contributing to the effort to reduce greenhouse gas (GHG) emissions.

THE STM ADOPTS GREEN DRIVING TECHNIQUES

The STM chose Clean Air Day to announce that it had joined the SmartDriver for Transit programme to encourage its 2,700 bus drivers to take part in the drive to reduce greenhouse gas (GHG) emissions. Introduced by Natural Resources Canada, the two-day course can in fact lead to energy savings of 10%. During their training, drivers had the opportunity to learn about more fuel-efficient driving techniques, as well as review operational checklists. These «green» techniques focus on driver anticipation, defensive driving, gear shifting and adjusting vehicle speed to the environment.



By fall 2005, some 25% of STM bus drivers from three of its seven bus depots had received their training. Through the application of these techniques, drivers at the Anjou, Frontenac and Legendre bus depots contributed to reducing the STM's GHG emissions by 580,312 kg during the period of May to August 2005, equivalent to eliminating 382 cars running 20,000 km a year. In addition to the positive effects on the environment, green driving is without a doubt beneficial to the drivers' and their passengers' immediate surroundings: lower stress levels, smoother drive, greater feeling of safety on the road.

RECYCLING OF MÉTRO NEWSPAPERS

On March 9, in collaboration with Médias Transcontinentale, the *Métro* newspaper, NI Environnement and Cascades, the STM launched a recycling awareness campaign *Un métro qui nous est propre*. With the daily distribution of some 150,000 copies of free newspapers, the main goal of this campaign was to improve cleanliness in the métro in a responsible and sustainable manner. The highlight of the project was the installation of 200 new recycling bins throughout the 65 stations of the network.

The results are encouraging. After only eight months, the 214 recycling bins led to the recovery of 10 tonnes of paper per week, representing the recovery of more than 500 tonnes of paper on an annual basis. This recycling will save the equivalent of 7,000 trees per year. In addition to taking a positive step for the environment, people who use the recycling bins are helping to improve cleanliness in the métro and reduce service disruptions. In fact, the number of incidents caused by newspapers blocking the doors decreased by 46% in the six months following the installation of the bins.



THE STM AND SUSTAINABLE DEVELOPMENT

Public transit is a fundamental component in sustainable development. In its report presented in March as part of the public consultation on Québec's Sustainable Development Plan, the STM submitted five recommendations: that the government uphold its commitment; that public transit be specifically identified in the bill as a priority in the area of sustainable development; that the government provide the financial means to ensure the sustainability of public transit and its long-term development; that the STM be called on to actively participate in the drawing up of the components for the sustainable development plan; that a mechanism be put in place to ensure coherence in the plans and actions of the municipal, provincial and federal jurisdictions.

Furthermore, during the 56th World Congress of the International Association of Public Transport (UITP) held in Rome in June, the STM became the first Canadian public transit network to commit to a sustainable development process by signing the UITP's Sustainable Development

Charter. In doing so, the STM agreed to ensure that public transit remains sustainable with regard to its social, economic and environmental impact. Within this context, a sustainable development policy is currently being drawn up and should be ready by the end of 2006.

MORE PARKING SPOTS FOR BICYCLES

To respond to the growing needs of its clients who use two-wheeled transportation to get to the métro, the Planning and Partner Relations Branch, with the help of the Engineering and Construction Branch, undertook to improve and expand the capacity for bicycles in the parking areas around the métro stations. To this end, the STM purchased 80 seven-place bicycle racks – for a total of some 560 new spaces – as part of the periodic major maintenance programme (PEPM) dealing with the maintenance of street furniture. This project involved a total of fourteen stations.



SANITARY MAINTENANCE IN THE MÉTRO GOES GREEN

The sanitary maintenance division of the métro network went green, a path it definitely intends to continue following. To that end, the washing of the floors and other surfaces in the métro is now carried out with a 100% biological product with no toxic risk, STM-ND (new degreaser). After a few months of use, the maintenance employees have confirmed the effectiveness of the cleaner, which leaves a thin anti-skid finish. The product, which can be diluted 300 times, offers another ecological advantage in that it reduces the number of plastic containers to be recycled.



RECYCLING PAPER AND CARDBOARD FOR A GOOD CAUSE

Québec has a waste management policy for industry, businesses and institutions that sets a recovery objective of 65% of the global volume of recoverable waste such as ferrous and non-ferrous metals, paper, cardboard, wood and tires. While the recovery of metals alone enables the STM to exceed this objective, the company continues its efforts with other recoverable waste, in particular cardboard. As a result, 66 metric tonnes of paper and cardboard were recovered in 2004 in the STM's principal workshops. The profits of \$5,000 generated by this activity were given to Réchaud-Bus, an organization of current and retired STM employees who help young Montréalers.



A BUS FLEET IN TOP CONDITION

Two indicators enable us to state that the STM's bus fleet is in top operating condition from an environmental standpoint. First, the progress made in the reduction of gas exhaust emissions is directly related to the rejuvenation of its fleet of vehicles and to a gradual tightening of the standards that apply to engines and components in new buses. The acquisition of 48 new buses in 2005 thus had a positive influence on the releases to air.

Second, the STM closely monitors the opacity of the exhaust gases from its buses. The opacity measurement is an indicator of the quality of engine combustion and thus is

an indirect measurement of the quantity of fine particles emitted into the atmosphere. Of the 93 buses tested, only one exhibited an opacity measurement exceeding the norm. Thus, the STM, with a failure rate of barely 1%, is in good shape when compared with the industry average of 12.5%.

CAR FREE DAY

For a third year, the STM partnered with the AMT for the *En ville, sans ma voiture!* event. This unusual activity held on September 22 attracted a crowd of almost 30,000. The STM's stand welcomed an imposing number of visitors, as witnessed by the 1,800 entry forms submitted to win an annual subscription to a CAM pass (a value of \$732) or one of the ten CAM passes for the month of October (value of \$61 each). Urbain, the STM mascot, and the team of facilitators on site took advantage of this meet and greet to approach attendees and make a friendly gesture by handing out flowers and other promotional items.



THE MONTRÉAL CONFERENCE

The *United Nations Climate Change Conference – Montréal 2005*, which took place from November 28 to December 9, brought together a total of 10,000 participants. The travel of all the delegates to Montréal, their stay, their related activities and their return home generated greenhouse gas (GHG) emissions estimated at 25,000 tonnes of CO₂. These emissions, while minor in comparison with all the GHGs emitted around the planet, still represented a contribution to climate warming.

The United Nations Climate Change Secretariat had set an objective for organizers to adopt the necessary measures to compensate for the equivalent of 100% of the GHG emissions associated with the Montréal Conference. Wanting to do better, Hydro-Québec brought together partners who proposed measures to reduce the GHGs emitted in connection with the conference by more than 200%. Among these partners was the STM who found the necessary financing to provide free access to public transit for the delegates at the Montréal conference.

AND EVEN MORE...

The STM also lent its support to the *Faites de l'air!* programme organized by AQLPA (the Québec association to fight air pollution), which enabled those owning cars that were ten or more years old to trade in their vehicles for public transit fares; the *Corvée du mont Royal*, organized by Les Amis de la Montagne, which welcomed some 750 people on May 1; *Équiterre's Transportation Cocktail*, which promotes the use of alternate methods of transportation such as public transit; and *Option transport durable's Show your support for Kyoto!* project, featuring stickers indicating the quantity of CO₂ emitted by vehicles.



THE STM IN PACE WITH MONTRÉAL



As the official transporter for the FINA World Aquatic Championships, the STM's performance was worthy of the top podium position.

FINA WORLD AQUATIC CHAMPIONSHIPS

Held July 16 to 31, the FINA World Aquatic Championships was the largest gathering of youth sports in Montréal since the 1976 Olympic Games. For the first time, competitions in five water sports categories were held in North America. As the event's official transporter, the STM shuttled thousands of athletes, journalists and officials to the competition site on Île Sainte-Hélène, while volunteers and spectators travelled by métro to reach Jean-Drapeau station.

According to the Aquatics Federation of Canada, the STM's performance was worthy of the top podium position. "It is a pleasure to express the sincere appreciation and thanks on behalf of the entire Canadian Team to those who have made sure we arrived safely at our destinations, relaxed and happy! The extra effort of each and every employee of STM was extraordinary, and we think you may have set a new standard of excellence for other countries to model for future competitions."



MONTREAL'S FÊTE DES NEIGES

From January 22 to February 6, Montréal's Fête des Neiges offered the magnificent decor of Île Sainte-Hélène to families and recreationists from the city and its surrounding area. Once again the STM acted as official transporter for the event by offering a free shuttle and Paratransit service between the parking area on Île Notre-Dame and the event site.

THE MONTRÉAL ALL-NIGHTER

The second Montréal All-Nighter, presented on Saturday February 26 and Sunday February 27 as part of the Montréal High Lights Festival, was a huge success. No fewer than 140,000 visitors participated in 70 activities organized in 45 different locations served by the two free STM shuttles. A travelling exhibition, *Pixel de marque*, was also presented on the buses in collaboration with la galerie [Sas] and the artist, Paul-Émile Rioux.



THE DÉFI SPORTIF

No fewer than 2,700 disabled athletes, 200 more than last year, participated in the 22nd Défi sportif held in Montréal from April 27 to May 1. Again this year the STM provided Paratransit service for the athletes and the 700 volunteers. During the five days of competition, these athletes nimbly demonstrated that physical activity is within reach of everyone, disabled or not.



MONTRÉAL MUSEUM DAY

The sun was in evidence on Sunday May 29 for the 19th edition of Montréal Museum Day. It was therefore no accident that more than 125,000 people visited the 33 participating museums, a new record for the event. A total of 42 STM buses were spread over five specially created routes to provide free transportation for visitors.

THE MONTRÉAL ALOUETTES

The STM continued its partnership with the Montréal Alouettes for an eighth consecutive year by providing football fans with a free shuttle service to Percival-Molson stadium. This shuttle service begins 1 h 45 before the start of each game and serves the Bonaventure, Square-Victoria and McGill métro stations. The service is also provided at the end of each game.

THE FÊTE DES ENFANTS DE MONTRÉAL

On the occasion of the *Fête des enfants de Montréal* on August 20 and 21, the STM provided a shuttle service between the Viau métro station and Maisonneuve Park, site of the event. In addition, upon presentation of family passes available at Montréal-area Jean-Coutu pharmacies, numerous families were able to travel free of charge on the buses and métro. Despite the uncertain weather on Saturday, the seventh edition of the *Fête des enfants de Montréal* attracted more than 200,000 attendees.

BEACH VOLLEYBALL WORLD TOUR

From August 24 to 28, the Beach Volleyball World Tour transformed the Uniprix Stadium at Jarry Park into a veritable California beach. Fans of volleyball, the beach and the sun had all they could wish for in the exciting environment created for the occasion. The STM acted as official transporter for this event, which welcomed athletes from some thirty countries.



ACCESSIBLE CULTURAL TOURS

On October 1 and 2, good humour abounded for the third *Parcours culturel accessible* organized by Kéroul as part of the Journées de la culture. Thanks to the collaboration of the STM's Paratransit, a group of individuals with restricted physical abilities was able to benefit from the warm welcome and passionate commentary of the employees of the Fur Trade at Lachine National Historic Site of Canada, the Musée d'art contemporain de Montréal, the Daniel Langlois Foundation for Art, Science and Technology and the Musée d'histoire du Sault-au-Récollet.



MONTRÉAL, WORLD BOOK CAPITAL

From April 23, 2005 to April 22, 2006, Montréal became the World Book Capital, a designation awarded by UNESCO to promote books and reading. The STM was among the partners who agreed to support the event, acting as official transporter and also organizing literary events throughout the year in collaboration with organizations in the book and literature milieu.



OPENING OF THE GRANDE BIBLIOTHÈQUE

The Grande Bibliothèque opened its doors to the public on Saturday, April 30. Thanks to the invaluable assistance of the STM, clients of Berri-UQAM métro station had the opportunity to take an advance look from April 11 to 14 by taking out a free membership in this great new cultural institution linked directly to the métro. The phenomenal success of the Grande Bibliothèque enabled Berri-UQAM station to take away the title of busiest station, a position it had occupied briefly in 2001, from McGill station.



POETRY ON THE MÉTRO AND BUSES

From mid-October to mid-November, ten poems on the theme of light were posted in 350 STM buses. This project entitled *La poésie prend le bus* was inspired by the series *La poésie prend le métro*, appearing for a third consecutive year on the electronic displays in the métro cars. Elsewhere, users of the Mont-Royal, Outremont and Place-des-Arts stations were able to discover the works of Montréal poets written in English, Creole, Italian, Spanish and Arabic.



PORTRAITS DE FAMILLE EXHIBITION

On the occasion of the tenth Semaine québécoise des familles, a call went out to Montréal métro users to gather together hundreds of family portraits with the objective of creating a giant mosaic showcasing Québec families. Close to 1000 families answered the call, and the huge family portrait was revealed to the public on May 12 at Place-des-Arts métro station.



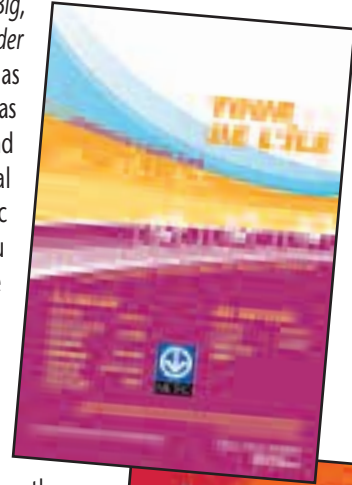
ALWAYS PREPARED... TO VISIT THE MÉTRO!

On Saturday October 22, the métro was the site of the second Great Urban Race organized by Scouts Canada and bringing together more than 200 cubs, scouts and venturers. In a race against the clock, the young people had in hand a one-day transit pass along with a passport containing several questions on eight métro stations and their surroundings. An original and stimulating way to discover the métro network, which was transformed into an exciting rally for these youngsters.



AND EVEN MORE...

The STM was also associated with the Canadian Centre for Architecture's exhibition, *The 60s: Montréal Thinks Big*, the Opéra de Montréal's *Carmen under the stars* and Old Montréal's Xmas Fairies. Its installations also served as the setting for various film shoots and events including classical musical concerts presented by the Music Department of the Université du Québec à Montréal (UQAM), the *Anti-gala Karv* and a recital by the Young Musicians of the World. Finally, the STM continued to play an essential role in major events such as the Tour de l'île, the Canadian Grand Prix, the Jazz Festival and the Molson Indy by transporting tens of thousands of participants who had come from all over.





For ten years, Réchaud-bus has regularly travelled the streets of Montréal coming to the aid of youngsters who are going hungry.

TEN YEARS OF RÉCHAUD-BUS

On January 27 tribute was paid to the Réchaud-bus team who were celebrating their tenth anniversary on that date. In fact, January 27, 1995, was the official launch date of Réchaud-bus, an initiative of current and retired employees of the STM. Four days later, an old bus transformed into a mobile canteen carried out its first tour through the streets of Montréal coming to the aid of youngsters who were going hungry. Since that time Réchaud-bus has distributed tens of tonnes of food as well as tens of thousands of hot meals to its young clientele in all four corners of the city.



ACTS OF CITIZENSHIP AND BRAVERY

On August 30, the Director general, Pierre Vandelac, presented certificates of recognition to 17 employees as part of the programme to highlight their acts of citizenship and bravery. During the affair, Nicole Beauséjour, Réjean Bélisle, Harold Boily, Stéphane Carrière, Pascal Côté, Adolfo Cuartas, Gilles Deschênes, Louis Dionne, Christian Dumais, André Fournier, Paul Gilbert, Daniel Hébert, Jeannine Landry, Hélène Lebeau, Patrick Majeau, Joseph Racz and Jean Sauriol told their stories, giving rise to some great moments, and bringing participants to the realization that sometimes a simple gesture can stop a situation from deteriorating.



ANNUAL FUND-RAISING DRIVE

Active and retired STM employees showed their overwhelming generosity during the corporation's tenth annual fund-raising drive held November 1-30. Indeed, while the campaign's goal had been set at \$475,000, in the end, the four beneficiary organizations received some \$506,412.32. That sum was distributed as follows: \$103,525.03 to Centraide for the Greater Montréal area; \$87,703.80 to the Québec chapter of the Canadian Red Cross; \$74,642.89 to Partenaire santé-Québec, and \$240,540.60 to the STM Réchaud-bus.

LES BONNES ŒUVRES DES EMPLOYÉS

STM clients were also quite generous during the employees' annual fund raiser, *Les bonnes œuvres des employés*, now in its eighth year, held November 24, 25 and 26. For the occasion, volunteer employees collected money donations inside several métro stations to help out families in need. This year, the public gave \$64,576.75, to which was added another \$12,047.30 collected from employees. The campaign netted a total of \$76,624.05, which was used to purchase food to prepare Christmas baskets that were later distributed to 750 underprivileged families in various Montréal neighbourhoods.

AND EVEN MORE...

Among the good causes embraced by STM employees during the year were the *Fondation des auberges du cœur*, an organization helping homeless youngsters and youngsters in difficulty, the Foundation for Research into Children's Diseases and Camp Papillon, one of the leading summer camps for disabled children in North America.



FINANCIAL STATEMENTS

(At December 31, 2005)



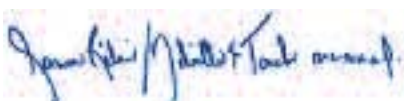
AUDITORS' REPORT

TO THE MEMBERS OF THE BOARD OF DIRECTORS OF THE SOCIÉTÉ DE TRANSPORT DE MONTRÉAL

We have audited the balance sheet of the Société de transport de Montréal as at December 31, 2005, and the statements of financial activities, investment activities, accumulated deficit, reserved funds, net investment in long-term assets and changes in financial position for the year then ended. The responsibility for these financial statements rests with the Société's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted Canadian auditing standards. These standards require that we plan and execute an audit so as to provide reasonable assurance that the financial statements are free of material misstatements. The audit includes examining on a test basis evidence supporting the amounts and other disclosures in the financial statements. It also includes assessing the accounting principles followed and the significant estimates made by management as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Société at December 31, 2005, and the results of its operations and change in its financial position for the fiscal year then ended according to the generally accepted municipal accounting principles in Québec.



Samson Bélair/Deloitte & Touche S.E.N.C.R.L.
Chartered Accountants

Montréal
March 22, 2006



Michel Doyon, CA
Auditor General of Montréal

Montréal
March 22, 2006

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of dollars)

	NOTES	BUDGET	2005	2004
Revenue				
Passengers	3	384,921	379,358	368,176
Contribution from the City of Montréal		268,000	276,200	263,000
Subsidies from Government of Québec	4	80,822	75,804	69,570
Regional contributions	5	58,766	61,607	61,148
Contribution from the Government of Québec - revision of financial framework	4	19,200	10,818	—
Contribution from the Réseau de transport de Longueuil	6	1,803	1,803	1,803
Other revenue	7	17,588	21,864	17,302
		831,100	827,454	780,999
Revenue from third parties relating to investment activities	10	150	37,668	60,752
Revenue from sinking fund investments		6,449	5,870	5,949
		837,699	870,992	847,700
Expenditures				
Bus and métro service		666,700	667,293	641,194
Paratransit service		31,037	34,456	32,058
Interest and financing costs	8	42,869	38,859	36,093
Unforeseen expenditures		5,204	—	—
Asset maintenance		13,697	11,662	9,639
		759,507	752,270	718,984
Other financial activities				
Repayment of long-term debt	9	64,511	70,568	66,710
Transfer to statement of investment activities	10	3,630	44,561	70,586
		68,141	115,129	137,296
		827,648	867,399	856,280
Surplus (deficit) from financial activities before appropriations		10,051	3,593	(8,580)
Appropriations				
Accumulated surplus (deficit) from prior year carried forward to the current year		—	(6,311)	3,138
Reserved funds				
Contribution to sinking and working capital funds		(51,166)	(51,066)	(52,092)
Use of sinking fund		41,115	48,437	51,223
		(10,051)	(2,629)	(869)
Deficit for year		—	(5,347)	(6,311)
Commitments (note 23)				
Contingencies (note 25)				

STATEMENT OF INVESTMENT ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of dollars)

	NOTE	BUDGET	2005	2004
Sources of financing				
Long-term loan issued		75,000	69,836	189,195
Transfer from financial activities	10	3,630	44,561	70,586
Working capital fund		—	—	2,630
		78,630	114,397	262,411
Investment expenditures				
Buildings		8,855	32,205	2,687
Original network and métro extensions		4,875	3,201	14,123
Improvements to métro infrastructure		22,860	24,684	12,002
Improvements to local infrastructure		11,317	—	—
Rolling stock - buses		38,579	29,725	55,762
Rolling stock - minibuses		3,363	3,250	561
Rolling stock - other		—	3,297	8,362
Office equipment and computer software		16,598	2,528	11,105
Machinery, tools and equipment		7,453	867	10,986
Capital assets in progress		240,599	104,931	70,653
Investment in a limited partnership		—	—	999
		354,499	204,688^(b)	187,240
Over-financing (under-financing) for year^(a)		(275,869)	(90,291)	75,171

^(a) The over-financing (under-financing) for the year is carried over to the statement of reserved funds.

^(b) The Société was committed to various suppliers in the amount of \$299.6 million at December 31, 2005.

BALANCE SHEET

AT DECEMBER 31, 2005

(in thousands of dollars)

	NOTES	2005	2004
ASSETS			
Current assets			
Cash		10,533	8,611
Restricted investments in the sinking fund	11	60,451	39,991
Subsidies receivable	12	25,052	23,482
Regional contributions receivable		28,801	28,538
Contribution receivable from the Réseau de transport de Longueuil		902	902
Other receivables	13	31,094	28,857
Inventories of supplies and replacement parts		22,981	20,998
Current portion of long-term debt	17	22,981	15,704
		202,795	167,083
Capital assets	14	1,224,651	1,103,218
Deferred charges	15	2,098	3,597
Restricted investments in the sinking fund	11	80,944	100,524
Long-term investments	16	3,248	1,951
Long-term debt	17	244,244	254,204
		1,757,980	1,630,577
LIABILITIES AND EQUITY			
Current liabilities			
Short-term loans	18	116,419	34,850
Accounts payable and accrued liabilities	19	127,719	115,745
Current portion of long-term debt	20	108,671	75,732
		352,809	226,327
Long-term debt	20	567,421	601,092
Deferred subsidies	14	478,427	392,323
		1,398,657	1,219,742
Equity			
Provision for future amounts	21	(17,585)	(19,393)
Accumulated deficit		(5,347)	(6,311)
Reserved funds		43,899	131,561
Net investment in long-term assets	22	338,356	304,978
		359,323	410,835
		1,757,980	1,630,577

STATEMENT OF ACCUMULATED DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of dollars)

	2005	2004
Balance at start of year	(6,311)	3,138
Appropriation to financial activities	6,311	(3,138)
Deficit for year	(5,347)	(6,311)
Balance at end of year	<u>(5,347)</u>	<u>(6,311)</u>

STATEMENT OF RESERVED FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of dollars)

2005

	Balance at start of year	Provided by financial activities	Used for financial activities	Provided by (used for) investment activities	Balance at end of year
Sinking fund	140,515	^(a) 49,317	(48,437)	—	141,395
Working capital fund	2,020	1,749	—	—	3,769
Financing of projects in progress	(11,147)	—	—	(90,291)	(101,438)
Balances on hand from closed loan by-laws	173	—	—	—	173
	131,561	51,066	(48,437)	(90,291)	43,899

2004

	Balance at start of year	Provided by financial activities	Used for financial activities	Provided by (used for) investment activities	Balance at end of year
Sinking fund	141,850	^(a) 49,888	(51,223)	—	140,515
Working capital fund	2,446	2,204	—	(2,630)	2,020
Financing of projects in progress	(86,318)	—	—	75,171	(11,147)
Balances on hand from closed loan by-laws	173	—	—	—	173
	58,151	52,092	(51,223)	72,541	131,561

	2005	2004
^(a) Contribution to sinking fund	43,447	39,991
Contribution to sinking fund (cancellation of refinancing in 2005)	—	3,948
Revenue from sinking fund investments	5,870	5,949
	49,317	49,888

STATEMENT OF NET INVESTMENT IN LONG-TERM ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of dollars)

	2005	2004
Balance at start of year	304,978	393,116
Plus		
Acquisition of capital assets	204,688	186,241
Issuance of long-term debt	43,117	97,794
Repayment of long-term debt	70,568	66,710
Amortization of deferred subsidies	25,162	21,943
Purchase of investment in a limited partnership	—	999
	343,535	373,687
Less		
Capital asset depreciation	82,521	79,034
Disposition of capital assets	734	1,586
Reduction in long-term debt	45,800	40,294
Issuance of long-term debt — investment activities	69,836	189,195
Deferred subsidies	111,266	151,716
	310,157	461,825
Balance at end of year	338,356	304,978

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED DECEMBER 31, 2005

(in thousands of dollars)

	2005	2004
Operating activities		
Deficit for year	(5,347)	(6,311)
Transactions not affecting cash		
Carry forward of deficit (surplus) from prior year	6,311	(3,138)
Share of profit from the limited partnership	(3,897)	(967)
Withdrawals from the limited partnership	2,600	—
Amortization of deferred charges	1,499	1,199
Transfer to working capital fund	1,749	2,204
	<u>2,915</u>	<u>(7,013)</u>
Transactions not affecting operations		
Transfer to the statement of investment activities	6,893	9,834
Repayment of long-term debt	22,131	15,487
Contribution to the sinking fund	43,447	43,939
	<u>75,386</u>	<u>62,247</u>
Net change in non-cash components		
Subsidies and contributions receivable	(1,833)	(240)
Other receivables	(2,237)	10,666
Inventories of supplies and replacement parts	(1,983)	(2,863)
Accounts payable and accrued liabilities	11,974	8,432
Provision for future amounts	1,808	1,954
Cash flow from operating activities	<u>83,115</u>	<u>80,196</u>
Investment activities		
Acquisition of restricted investments	19,580	(1,172)
Acquisition of long-term investment	—	(498)
Acquisition of capital assets	(204,688)	(186,241)
Cash flow used for investment activities	<u>(185,108)</u>	<u>(187,911)</u>
Financing activities		
Issuance of long-term debt	75,000	217,000
Repayment of long-term debt, net of refinancing	(70,568)	(66,710)
Buy back of bonds through refinancing	(5,164)	(27,805)
Capital asset expenditures financed by a third party	37,668	60,752
Revenue from sinking fund investments	5,870	5,949
Cash flow from financing activities	<u>42,806</u>	<u>189,186</u>
Increase (decrease) in cash flow	(59,187)	81,471
Cash position, start of year	<u>13,752</u>	<u>(67,719)</u>
Cash position, end of year	<u>(45,435)</u>	<u>13,752</u>

Cash consists of cash on hand, restricted investments and short-term loans.

NOTES TO FINANCIAL STATEMENTS

AT DECEMBER 31, 2005

1. GOVERNING STATUTES AND NATURE OF ACTIVITIES

The Société de transport de Montréal (hereinafter the Société) is incorporated under the *Loi sur les sociétés de transport en commun* (L. R. Q. chapter S-30.01) and is responsible for organizing and providing public transit, primarily on the territory of the island of Montréal.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Accounting principles

The financial statements are prepared in accordance with generally accepted municipal accounting principles in Québec, as contained in the *Manuel de présentation de l'information financière municipale au Québec* published by the ministère des Affaires municipales et des Régions.

Accounting projections

In order to prepare its financial statements in accordance with the generally accepted municipal accounting principles in Québec, the management of the Société must make projections and assumptions that have an effect on the amounts presented in the financial statements and their accompanying notes. These projections are based on management's knowledge of the events in progress and on the measures that the Société could take in the future. The actual results could differ from these projections.

Budget data

The budget data relating to the financial activities reflect the 2005 budget adopted by the Board of Directors of the Société in November 2004 and by the municipal council of the City of Montréal in December 2004. The budget data relating to the investment activities is derived from the 2005-2006-2007 triennial capital expenditures program, also adopted by the Board of Directors of the Société in November 2004 and by the municipal council of the City of Montréal in December 2004.

Revenue and expenditures

The Société uses the accrual method of accounting under which revenue and expenditures are accounted for in the year in which the transactions or events occur. Expenditures related to the employee pension plan, however, are recorded on a modified accrual accounting basis. Pension agreements over and above the employee pension plan obligations are not capitalized. A provision determined with the help of actuaries is recorded to cover the value of accumulated services.

The expenditures presented in the statement of financial activities are detailed as follows:

«Bus and métro service» includes all activities relating to the operation and maintenance of the bus and métro networks as well as the support for these activities. The principal operations support functions are: joint services (finance and treasury, retirement plans, human resources, information technology and procurement), construction and maintenance of infrastructure, communications and marketing, planning and partner relations and corporate services (senior management, management of the project portfolio, secretariat and legal affairs, and business plan and management information).

«Paratransit service» groups together all the activities required for the planning and provision of transportation for the disabled by minibus or taxi.

«Interest and financing costs» include short-term and long-term interest, but exclude short-term financing costs, which are allocated to the loan by-laws.

«Unforeseen expenditures» reflect expenditures that are not likely to repeat frequently in future years, that are not typical of normal company activities and that do not result from management decisions or judgements.

«Asset maintenance» covers the costs of the periodic major maintenance program aimed at keeping the Société's infrastructure in good working order.

Inventories of supplies and replacement parts

The inventories of supplies and replacement parts are valued at the lesser of average cost or replacement cost.

Restricted investments in the sinking fund

Restricted investments in the sinking fund are recorded at the amortized cost and are devalued in the event that permanent decreases in their value are identified. The premiums or discounts on the purchase of these investments are amortized on a straight-line basis over the period of the investments to which they relate.

Long-term investments

Long-term investments are recorded on an equity basis.

Capital assets

Capital assets are recorded at cost and are depreciated over their useful life using the straight-line method over the following periods:

Land	40 years
Buildings	40 years
Original network and métro extensions	40 and 100 years
Improvements to métro infrastructure	25, 40 and 100 years
Local infrastructure	20 and 40 years
Regional infrastructure	20 and 40 years
Rolling stock – buses	16 years
Rolling stock – minibuses	5 years
Rolling stock – other	5 and 10 years
Leasehold improvements	Length of lease
Office equipment and computer software	5 and 10 years
Machinery, tools and equipment	15 years

The depreciation expense is not recorded on the statement of financial activities. This expense is shown on the statement of net investment in long-term assets.

The deferred subsidies are amortized at the same rate as their related capital assets. The capital assets are depreciated as soon as they are put in service irrespective of the closing date of the loan by-law, provided that they are financed by long-term debt or by means of a cash subsidy.

Charging of the provision for future amounts to financial activities

The provision for a future amount for sick leaves and vacation days accumulated prior to January 1, 2000, is charged to the statement of financial activities according to the greater of the straight-line depreciation of the balance over a period of 20 years or the annual disbursements.

Reserved funds

Sinking fund

This fund is used to accumulate amounts to repay certain long-term debts.

Working capital fund

The working capital fund, with a set limit of \$7.0 million, is used for the acquisition of capital assets. The sums used must be repaid over a maximum period of five years.

Currency conversion

The revenues and expenditures relating to foreign currency transactions are converted into Canadian dollars at the prevailing rates on the date of the transactions.

The monetary assets and liabilities denominated in foreign currency are converted at the prevailing rate of exchange on the balance sheet date.

Financial derivatives

The Société uses financial derivatives to reduce its exchange and interest rate risk exposure on its long-term debt. It does not use financial instruments for transaction or speculation purposes.

The Société uses currency swap contracts to manage the risk associated with loans covered by a currency exchange agreement. These currency swaps are converted at the prevailing exchange rates on the balance sheet date.

In addition, the Société uses interest rate swap contracts to manage the interest rate risk related to its debt. These contracts give rise to interest exchanges that are charged to the interest expense on the long-term debt. The amounts payable or receivable are taken into account through adjustment of the accrued interest on the corresponding debt.

3. PASSENGERS

(in thousands of dollars)

	BUDGET	2005	2004
Bus and métro service	355,356	350,004	340,268
Paratransit service	1,593	1,716	1,380
Regional revenue ^(a)	27,972	27,638	26,528
	<u>384,921</u>	<u>379,358</u>	<u>368,176</u>

^(a) The regional revenue attributable to the Société is derived from the sharing of revenue from the sale of city transportation fares.

4. Subsidies from the government of Québec

(in thousands of dollars)

	BUDGET	2005	2004
Capital assets ^(a)	56,114	50,855	45,689
Paratransit service ^(b)	24,708	24,926	23,803
Other	—	23	78
	<u>80,822</u>	<u>75,804</u>	<u>69,570</u>
Transition funding ^(c)	19,200	10,818	—
	<u>100,022</u>	<u>86,622</u>	<u>69,570</u>

^(a) Public transit assistance program:

In accordance with the Government of Québec's public transit assistance program and special agreements, the Société is eligible for subsidies at rates ranging from 48% to 75% for admissible expenses incurred during fiscal year 2005. Admissible expenses include bus purchases, building construction, renovation of métro stations, renovation of métro cars and other specified expenses.

These subsidies are paid in the form of a contribution to debt servicing or as a cash payment in accordance with the terms of the assistance program and the special agreements.

^(b) Adapted transit government assistance program:

In accordance with the powers conferred on the Transport Minister by order-in-council 279-2005, the Société is eligible for a subsidy of up to 75% of the costs deemed admissible by the ministère des Transports.

^(c) In accordance with order-in-council 280-2005 of March 30, 2005, the Government of Québec awarded a non-recurring one-time subsidy of \$20.0 million to the public transit companies for 2005 pending the new Québec-municipalities fiscal pact planned for 2006. The portion attributable to the Société is \$13.2 million, with \$10.8 million coming from the ministère des Transports du Québec and \$2.4 million from the sharing of the Agence métropolitaine de transport's 2004 surplus.

The order-in-council stipulates that payment of the subsidy by the ministère des Transports du Québec is conditional on an additional equivalent investment by the municipalities. Thus, the City of Montréal increased its 2004 contribution of \$263.0 million to \$276.2 million in 2005.

5. REGIONAL CONTRIBUTIONS

(in thousands of dollars)

	BUDGET	2005	2004
For trips on the métro system ^(a)	43,700	43,601	43,480
For trips on city bus lines ^(a)	5,766	6,019	6,226
For equipment and infrastructure ^(b)	1,437	1,471	1,414
Share of surplus from the Agence métropolitaine de transport ^(c)	—	2,582	2,405
Fare integration ^(d)	395	466	—
	51,298	54,139	53,525
Debt financing - commuter trains ^(e)	7,468	7,468	7,623
	58,766	61,607	61,148

^(a) Buses and métro:

The Société receives assistance from the Agence métropolitaine de transport for trips taken by métro or bus on the city transportation system.

^(b) Regional equipment and infrastructure:

The Agence must acquire from the Société the equipment and infrastructure necessary for the city bus transportation system. At December 31, 2005, the contract stipulating the date and terms of the transfer of these assets was not signed. Despite the eventual transfer of ownership, the Société remains responsible for the debt servicing relating to the financing of this property. However, the Agence reimburses the Société for the operating costs and debt servicing, net of any government subsidy.

^(c) Share of surplus from the Agence métropolitaine de transport:

The Agence's surplus was distributed on a pro rata basis for each of the transit operating authorities based on the amounts of city bus and métro aid as well as the aid allocated in 2005 for reduced fares.

^(d) Fare integration:

Introduction in 2005 of new metropolitan aid for transport entities, the objective of which is to ensure that, for each fare zone, no entity assumes a portion of the discount exceeding that accorded to purchasers of the TRAM monthly passes for that zone.

^(e) Commuter trains:

As of January 1, 1996, the Agence assumed the rights and obligations of the Société with regard to the commuter train system.

The track-based rolling stock and all other assets related to the operation of the commuter train system are the property of the Agence. However, the Société retains the long-term debt associated with this property. The Agence reimburses the Société for the principal and interest and, in the event of default, is guaranteed repayment of the debt servicing related to the commuter trains.

6. CONTRIBUTION FROM THE RÉSEAU DE TRANSPORT DE LONGUEUIL

On March 23, 2005, the Government of Québec adopted order-in-council 227-2005 covering the establishment of conditions of operation for the métro line linking the territories of the Société de transport de Montréal and the Réseau de transport de Longueuil. The contribution from the Réseau de transport de Longueuil was set at \$1.8 million for fiscal year 2005.

7. OTHER REVENUE

(in thousands of dollars)

	BUDGET	2005	2004
Advertising	10,166	11,316	9,916
Rentals	240	158	1,795
Incidental activities ^(a)	—	90	469
Share of profit from the limited partnership	3,432	3,897	967
Other	3,750	6,403	4,155
	<u>17,588</u>	<u>21,864</u>	<u>17,302</u>

(in thousands of dollars)

	BUDGET	2005	2004
^(a) Incidental activities			
Métro extension			
Revenue	—	5,649	11,289
Expenditures	—	(5,649)	(11,109)
	<u>—</u>	<u>—</u>	<u>180</u>
Other projects			
Revenue	—	917	1,356
Expenditures	—	(827)	(1,067)
	<u>—</u>	<u>90</u>	<u>289</u>
Surplus	<u>—</u>	<u>90</u>	<u>469</u>

8. INTEREST AND FINANCING COSTS

(in thousands of dollars)

	BUDGET	2005	2004
Interest on long-term debt	41,569	37,778	35,690
Financing costs			
short-term	1,300	2 117	2,006
for loan by-laws	—	(1,036)	(1,603)
	<u>1,300</u>	<u>1,081</u>	<u>403</u>
	<u>42,869</u>	<u>38,859</u>	<u>36,093</u>

9. REPAYMENT OF THE LONG-TERM DEBT

(in thousands of dollars)

	BUDGET	2005	2004
Repayment of principal			
from financial activities	23,396	22 131	15,487
from sinking fund	41,115	48,437	51,223
	<u>64,511</u>	<u>70,568</u>	<u>66,710</u>

10. TRANSFER TO THE STATEMENT OF INVESTMENT ACTIVITIES

(in thousands of dollars)

	BUDGET	2005	2004
Capital asset expenditures financed by a third party			
Asset maintenance program for stationary equipment in the métro ^(a)	—	37,390	59,352
Replacement of an operating system	—	(7)	1,017
Disposal of buses	150	126	342
Project office - bus purchase	—	123	—
	150	37,632	60,711
Transfer of métro assets in accordance with legal requirements	—	36	41
	150	37,668	60,752
Capital asset and investment expenditures financed from revenue			
Bus and métro service	250	3,491	8,886
Paratransit service	2,927	2,883	99
Asset maintenance	303	519	849
	3,480	6,893	9,834
	3,630	44,561	70,586

^(a) In accordance with order-in-council 737-2002 and agreement no 527001 of July 16, 2004, covering financial aid for the first phase of the asset maintenance program for stationary equipment in the métro, the federal government made a cash contribution of 33.33% of the admissible expenses under the 2000 Canada-Québec Infrastructure Program, while the Agence métropolitaine de transport made a cash contribution of 12.5%. The contribution from the Government of Québec was set at 41.67% and was paid in the form of a subsidy for debt servicing.

11. RESTRICTED INVESTMENTS IN SINKING FUND

(in thousands of dollars)

	2005	2004
Cash	28,741	929
Bonds and bond coupons, at unamortized cost (market value \$112 285, \$140 438 in 2004)	111,118	138,004
Interest receivable	1,536	1,582
	141,395	140,515
Short-term portion	(60,451)	(39,991)
	80,944	100,524

The maturities of the investments held by the Société are as follows:

	Investments guaranteed by the Government of Québec	Other investments	Total	Weighted nominal interest rate
2006	16,683	21,473	38,156	3.96%
2007	47,271	—	47,271	6.55%
2008	—	—	—	—
2009	2,717	—	2,717	5.50%
2010	2,942	—	2,942	6.25%
More than 5 years	20,032	—	20,032	5.84%
	89,645	21,473	111,118	

12. SUBSIDIES RECEIVABLE

(in thousands of dollars)

	2005	2004
Government of Québec		
Capital assets	180	3,000
Paratransit service	7,437	6,642
Transition funding	1,078	—
Other	749	1,153
	<u>9,444</u>	<u>10,795</u>
Government of Canada		
Capital assets	<u>7,726</u>	<u>9,500</u>
Agence métropolitaine de transport		
Capital assets	<u>7,882</u>	<u>3,187</u>
	<u>25,052</u>	<u>23,482</u>

13. OTHER RECEIVABLES

(in thousands of dollars)

	2005	2004
Regional revenue receivable	4,102	2,383
Work accident payments recoverable	727	729
Tax claims submitted to governments	1,988	3,911
General accounts receivable	12,563	14,052
Deposit on bus purchase	5,285	4,892
Other	6,429	2,890
	<u>31,094</u>	<u>28,857</u>

14. CAPITAL ASSETS

(in thousands of dollars)

	2005			2004
	Cost	Accumulated depreciation	Net book value	Net book value
Land	7,352	6,073	1,279	1,331
Buildings	178,988	69,436	109,552	80,544
Original network and métro extensions	1,453,953	1,215,722	238,231	252,325
Improvements to métro infrastructure	237,540	56,049	181,491	163,469
Local infrastructure	11,702	2,999	8,703	9,034
Regional infrastructure	11,499	7,312	4,187	4,784
Rolling stock - buses	593,738	271,532	322,206	328,853
Rolling stock - minibuses	9,717	5,943	3,774	1,584
Rolling stock - other	27,527	12,486	15,041	14,765
Leasehold improvements	7,170	5,963	1,207	1,690
Office equipment and software	68,371	40,602	27,769	33,792
Machinery, tools and equipment	70,660	40,050	30,610	35,376
Capital assets in progress	280,601	—	280,601	175,671
	<u>2,958,818</u>	<u>1,734,167</u>	<u>1,224,651</u>	<u>1,103,218</u>

	2005			2004
	Opening balance	Change	Closing balance	Closing balance
Deferred subsidies	<u>392,323</u>	<u>86,104</u>	<u>478,427</u>	<u>392,323</u>

15. DEFERRED CHARGES

(in thousands of dollars)

	2005	2004
Computer software licences	<u>2,098</u>	<u>3,597</u>

Computer software licences are charged to financial activities as and when they are allocated to users, over a maximum period of five years from 2003 to 2007.

16. LONG-TERM INVESTMENTS

(in thousands of dollars)

	2005	2004
Holding in limited partnership, at equity value	3,243	1,946
Other	5	5
	<u>3,248</u>	<u>1,951</u>

17. LONG-TERM DEBT

(in thousands of dollars)

	2005	2004
Amount recoverable for the repayment of long-term debt (note 20)		
Government of Québec	259,198	256,590
Agence métropolitaine de transport	8,027	13,318
	<u>267,225</u>	<u>269,908</u>
Current portion of long-term debt	(22,981)	(15,704)
	<u>244,244</u>	<u>254,204</u>

18. SHORT-TERM LOANS

The Société has a loan authorization to a limit of \$350 million for its current operating expenses and for expenditures incurred in accordance with a loan by-law. This sum can be borrowed, in whole or in part, by means of notes, bankers acceptances or other instruments negotiable with the chartered banks or on the open short-term loan market, at a rate not to exceed the prime rate of the chartered banks. The repayment term of each of the notes, bankers acceptances or other instruments must not exceed one year from the date of their issuance. At December 31, 2005, the average rate on the short-term loans was 2.74%.

The Société also has a line of credit of \$40 million in the form of demand notes, which is included in the short-term loan authorization of \$350 million. The interest rate on this line of credit is the banking institution's base rate calculated on a daily basis and payable on the last day of each month. The average rate for fiscal year 2005 was 4.40%.

The *Loi sur les sociétés de transport en commun* stipulates that the City of Montréal is the guarantor of the Société's commitments and obligations, including the short-term debt contracted by the Société.

19. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

(in thousands of dollars)

	2005	2004
Suppliers and accrued liabilities	54,166	34,501
Wages and wage benefits	22,581	33,530
Sick leaves payable	7,125	7,626
Vacations payable	24,867	24,270
Holdbacks on contracts and security deposits	877	1,205
Accrued interest	7,814	8,359
Other	10,289	6,254
	<u>127,719</u>	<u>115,745</u>

20. LONG-TERM DEBT

(in thousands of dollars)

	2005	2004
Bonds and bank loans, at interest rates varying from 2.80% to 8.75% (2.40% to 9.10% in 2004) due from February 2006 to April 2015	676,092	676,824
Current portion of long-term debt	(108,671)	(75,732)
	<u>567,421</u>	<u>601,092</u>

The long-term debt consists of bonds and bank loans that are direct and general obligations of the Société. The *Loi sur les sociétés de transport en commun* stipulates that the City of Montréal is guarantor of the commitments and obligations of the Société, including the long-term debt contracted by the Société.

The Société uses currency and interest rate swap contracts for loans totalling \$137.1 million. These swaps completely eliminate the exchange and interest rate risks.

The estimated payments on the long-term debt for future years are as follows:

(in thousands of dollars)

Year of maturity	Canadian Dollars ^(a)	Maturity	To be refinanced	Net maturity	Weighted interest rate
2006	108,671	108,671	18,310	90,361	
2007	78,000	78,000	3,609	74,391	
2008	61,168	61,168	10,573	50,595	
2009	87,155	87,155	11,422	75,733	
2010	22,742	22,742	—	22,742	
1 to 5 years	357,736	357,736	43,914	313,822	5.65%
6 to 10 years	318,356	318,356	69,981	248,375	5.01%
	<u>676,092</u>	<u>676,092</u>	<u>113,895</u>	<u>(b) 562 197</u>	

^(a) Includes loans that are part of a currency exchange agreement.

^(b) Of the total amount of \$562.1 million, \$141.4 million had already been accumulated in the sinking fund at December 31, 2005 (market value of \$142.6 million).

The apportionment of the long-term debt is as follows:

(in thousands of dollars)

	2005	2004
Amounts accumulated in the sinking fund	141,395	140,515
Amounts recoverable for the repayment of long-term debt		
From the City of Montréal	267,472	266,401
From the Government of Québec	259,198	256,590
From the Agence métropolitaine de transport	8,027	13,318
	<u>534,697</u>	<u>536,309</u>
	<u>676,092</u>	<u>676,824</u>

21. PROVISION FOR FUTURE AMOUNTS

(in thousands of dollars)

	2005	2004
Vacation benefits	(11,811)	(12,892)
Sick leaves	(5,774)	(6,501)
	<u>(17,585)</u>	<u>(19,393)</u>

The difference of \$1.8 million between December 31, 2004 and December 31, 2005 has been charged to the statement of financial activities.

22. NET INVESTMENT IN LONG-TERM ASSETS

(in thousands of dollars)

	2005	2004
Long-term investments (at cost)	999	999
Capital assets	1,224,651	1,103,218
Long-term debt	(676,092)	(676,824)
Long-term debt	267,225	269,908
Deferred subsidies	(478,427)	(392,323)
	<u>338,356</u>	<u>304,978</u>

23. COMMITMENTS

a) Long-term leases

The Société is committed to paying an amount of \$84.0 million for rental premises under long-term leases expiring from March 31, 2006 to July 31, 2023. The minimum payments for the next five years amount to \$4.7 million for each of 2006, 2007 and 2008, \$4.9 million in 2009 and \$4.8 million in 2010.

b) Outsourcing of computer centre

The Société is committed to paying a total of \$2.6 million for the years 2006 to 2008 for the outsourcing of its computer centre. Future payments amount to \$1.2 million for the years 2006 and 2007 and \$0.2 million in 2008.

This contract includes a renewal option for an additional two-year period under the same terms and conditions.

c) Service contract for a communications solution integrator

The Société is committed to paying a maximum of \$9.4 million for the years 2006 to 2012. The two principal components of this contract are a company telephone system at a cost of \$8.0 million and Internet access services at a cost of \$1.4 million.

Future payments amount to \$1.3 million for the years 2006 to 2012.

d) Contract for the supply of bus parts

The Société, as mandatary for the principal transit companies in Québec, awarded contracts under a group purchase for the supply of city bus parts.

At December 31, 2005, the total residual value of these contracts for all the companies was \$7.9 million. The portion attributable to the Société de transport de Montréal was \$3.3 million, \$1.7 million for 2006 and \$1.6 million for 2007.

Conversely, the Société mandated two Québec transit companies to proceed with group purchases for city bus parts. These contracts total \$8.5 million at December 31, 2005. The portion attributable to the Société de transport de Montréal amounts to \$4.2 million in 2006, \$3.6 million in 2007 and \$0.7 million in 2008.

e) Contract for the purchase of city buses

The Société awarded a contract for the purchase of low-floor buses in the context of a group purchase on behalf of the members of the Association du transport urbain du Québec (ATUQ).

The contract runs from 2003 to 2007 and covers the purchase of low-floor buses for all the companies involved. Under this contract, the companies have the option of reducing the quantities ordered by 10% or increasing them by 20%. This contract also includes an

indexation clause based on the Consumer Price Index and the Industry Price Index, as well as on the variation in the American exchange rate (US) and the European exchange rate (EURO) for the portion of the cost of a bus with American or European content. As a guide, the American content represents 29% of the base cost, while the European content represents 9%.

The revised portion attributable to the Société covers 344 buses for a total estimated cost of \$155.7 million. Based on the bus delivery schedule, the 2006 deliveries will amount to \$25.8 million, and those in 2007, \$36.1 million.

f) Asset maintenance program for stationary equipment in the métro

The Société signed a contract in the amount of \$33.8 million with an engineering firm to operate a project office responsible for carrying out the asset maintenance program for stationary equipment in the métro. The scheduled payments are \$18.3 million in 2006 and \$15.5 million in 2007.

g) Contracts for the acquisition of fare sales and collection system and equipment

In 2003, the Société awarded two major contracts as part of the project to upgrade the fare sales and collection system and equipment. The Société agreed to increase the amounts of these two contracts in 2005.

As mandatory for six transit operating authorities (AOTs), the Société awarded the first contract for a total revised amount of \$94.7 million, including \$73.9 million for the Société. This contract covers the replacement of the centralized system and related equipment, the purchase of smart cards (the equivalent of transit fares in the new system), as well as maintenance of the system software and equipment.

The portion relating to the costs for software and equipment maintenance, which is entirely borne by the Société, is \$10.7 million. The payments for future years amount to \$0.2 million for 2008 and \$2.1 million for 2009 to 2013.

As mandatory for another AOT, the Société awarded a second contract in a total revised amount of \$51.1 million, including \$45.4 million for the Société. This contract includes replacement of the collection boxes aboard buses, as well as maintenance of the related system software and equipment. The portion relating to the cost of software maintenance amounts to \$1.0 million. The payments for future years are \$0.2 million in 2007, no payment in 2008 and \$0.2 million from 2009 to 2012.

h) Contract for the supply of diesel fuel

The Société negotiated an agreement with a financial institution to protect itself from the risk of fluctuations in the market price of diesel fuel until December 31, 2008. This agreement enables the Société to pay for 79.4 million litres of diesel fuel at a fixed price, representing a sum of approximately \$42.8 million. The agreement starts in January 2006.

24. PENSION PLANS

a) General description of plans

The employees of the Société are active participants in one of the Société's two defined benefit pension plans. The *Régime de retraite de la Société de transport de Montréal* (Syndicat de transport de Montréal CSN) («Régime CSN») covers regular and temporary employees covered by the certification of the Syndicat de transport de Montréal (CSN), while the *Régime de retraite de la Société de transport de Montréal (1992)* («Régime 1992») covers all other regular and temporary employees. The two plans invest in units of the *Fiducie Globale des Régimes de retraite de la Société de transport de Montréal* («Fiducie Globale»), which administers the funds arising from these two pension plans.

Contributions are calculated on the base salary at a rate of 6% for employees and 12% for the employer, less its share of contributions to the Québec Pension Plan.

The benefits paid for service are equal to 2% of the average salary for the three consecutive years with the highest earnings, multiplied by the number of years of credited service in the plan and cannot exceed 70% of this average salary.

A participant is entitled to take retirement, without any reduction in pension, on the earliest of the following three dates:

- the person's 60th birthday as long as the person has five (5) years of service
- the date on which a person completes thirty-two (32) years of participation, or the date on which a person completes thirty (30) years of participation if the person retires before January 1, 2020
- the date on which the sum of a person's age and years of participation equals eighty-five (85), or eighty (80) if the person retires before January 1, 2020

Bridging benefits are available for participants who retire prior to January 1, 2020, who have not reached the age of 65.

b) Evaluation method for pension fund assets

Each plan participates in the net assets and in the change in the net assets in the Fiducie Globale through units held. The net assets represent the difference between the assets (investments and other asset components) and the liabilities.

Investments constitute the principal asset component of the Fiducie Globale. These are presented at fair market value.

The other asset components are accrued interest and dividends receivable, unrealized gains on term contracts, amounts receivable on the sale of investments and cash.

The liabilities are made up of accounts payable and other payables.

c) Obligations regarding accrued pension benefits

The actuarial value of the accrued benefits is determined using the projected benefits method prorated on years of service and best estimate assumptions. These take into account long-term market forecasts. The key actuarial assumptions relate to the interest rate on contributions, the performance of the net assets, salary increases, inflation and the indexation of deferred pensions for service after 2001.

d) Results of the most recent actuarial valuation

The most recent actuarial valuations date from December 31, 2002, but the values have been updated by extrapolation to December 31, 2004. These valuations on a capitalization basis indicated a surplus in the order of \$151.5 million at December 31, 2002, consisting of \$120.4 million for the Régime 1992 and \$31.1 million for the Régime CSN. The pension plan assets are based on the fair market value with fluctuations spread over three years.

e) Value of pension plan assets and obligations relating to accrued benefits

At December 31, 2005, pension plan assets and the present-day value of the accrued pension benefits were not available. According to the financial statements for the pension plans for the year ended December 31, 2004, these values were as follows:

(in thousands of dollars)

	<u>Régime 1992</u>	<u>Régime CSN</u>	<u>Total</u>
Value of pension plan assets	1,959,157	650,513	2,609,670
Value of obligations relating to accrued benefits	1,757,179	592 141	2,349,320

The employer's contribution for fiscal year 2005 was \$31.9 million (\$30.8 million in 2004) and was charged to the statement of financial activities.

f) Other pension agreements

At December 31, 2005, the Société was committed in virtue of various pension agreements over and above its obligations arising from the pension plans mentioned above. According to an actuarial valuation dated December 14, 2004, these commitments represent a sum of \$5.1 million and result primarily from a pension agreement put in place for employees of the Société whose annual remuneration exceeds the ceiling for contributions to the pension plan set by the tax authorities. The Société made a provision in the amount of \$3.8 million for these commitments at December 31, 2005.

25. CONTINGENCIES

Amounts claimed by plaintiffs total \$165.9 million. These claims consist of, among others, two applications for class action suits totalling \$163.0 million. The first application for \$123.0 million relates to the Société's pension plans, and the second, in the amount of \$40.0 million, originates with users inconvenienced during the strike in 2003. The balance of \$2.9 million consists of individual suits, bodily injuries, material damages and various other litigation. At December 31, 2005, the Société made a provision for an amount deemed sufficient for these claims.

26. EVENT SUBSEQUENT TO THE DATE OF THE BALANCE SHEET

Long-term debt

On February 24, 2006, the Société completed a bond issue in the amount of \$100.0 million to finance certain loan by-laws.

27. COMPARATIVE NUMBERS

Certain figures in the 2004 financial report have been reclassified for the presentation of the 2005 financial report.

28. OPINION OF THE AUDITORS

The opinion of the auditors does not cover the supplementary information.

The prior year's accounts were audited by a different external auditor.