ON THE MOVE

2009 ANNUAL FINANCIAL REPORT

SOCIETY IN MOTION

STM

NEW POSITIONING

In May 2009, the STM unveiled its new positioning. This initiative is designed to encourage more people to use public transit, either on a regular or occasional basis. Thus, the **STM** (the "we" in blue) and the **population** (the "you" in yellow) are committed (the environment in green) to opening a dialogue (the chevron integrating the three colours). On one hand, the Société continues to increase its service offer based on the various needs of its clientele while including environmental actions in its daily activities. On the other hand, it invites citizens to do their part for the environment by choosing public transit for their travel. Making this choice will improve the quality of life of all citizens.

The movement is underway! Join us!

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INTRODUCTION

ACKNOWLEDGEMENTS

The production of the 2009 Annual Financial Report is the fruit of the labours of a large number of employees in the Finance Department. I would like to thank all those who contributed, in particular the Financial Accounting Section of the Financial Management Division.

Angèle Dubé, CA
Division Head

Nicole Racine, CA
Section Head

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Michel Bergeron, CA
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Corporate Advisors

Marie-Claude Champagne, CMA
Alain Ouellette, CGA
Advisors

Jean-Claude Joseph, CGA
Alain Bouchard
Analysts

Stéphanie Deslongchamps
Audrey Gauthier
Adela Grigorescu
Technicians

Luc Tremblay, CA
Treasurer and Director
Finance Department

MEMBERS OF THE BOARD OF DIRECTORS

Michel Labrecque
Chairman
Public transit users' representative

Marvin Rotrand
Vice-Chairman
Montréal City Councillor
Borough of Côte-des-Neiges / Notre-Dame-de-Grâce

Bernard Blanchet
Montréal City Councillor
Borough of Lachine

Jocelyn Ann Campbell
Montréal City Councillor
Borough of Ahuntsic-Cartierville

John W. Meaney
Mayor of the City of Kirkland

Dominic Perri
Montréal City Councillor
Borough of Saint-Léonard

Monica Ricourt
Montréal City Councillor
Borough of Montréal-Nord

Marie Turcotte
Paratransit users' representative

MEMBERS OF THE AUDIT COMMITTEE

Michel Labrecque
Chairman
Public transit users' representative

John W. Meaney
Vice-Chairman
Mayor of the City of Kirkland

Yves Gauthier, FCA
External Member
First Vice-President and Chief Financial Officer
Desjardins Securities

Yves J. Beauchesne, CA, MBA, D. Fisc.
External Member
Senior Partner
Lamarche et Beauchesne, stratégies et conseils s.e.n.c.

STM ORGANIZATION

MISSION

A public transit government organization, the Société de transport de Montréal (hereafter the "Société") is at the heart of the economic development of the Montréal region and contributes to the quality of life of its citizens and to sustainable development.

It develops and operates an integrated network for its clientele and provides courteous, reliable, fast, safe and comfortable transportation by bus and métro as well as through its Paratransit service.

Its clients, employees and institutional partners are proud to be associated with it, as it is recognized for providing quality services at a fair cost.

GOVERNANCE

The Board of Directors of the Société is appointed by the Ville de Montréal's Urban Agglomeration Council from among the members of its regular council and the councils of other municipalities within the agglomeration. In addition, two members are selected from the population of the agglomeration, a user of public transit services and a user of Paratransit services.

ROLE AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The Board of Directors exercises the functions and powers of the Société and sets its key directions. It adopts the public transit strategic development plan for the territory it serves. It adopts the budget, the workforce plan and the triennial capital asset programs. It establishes the various types of transit fares and sets the costs for them. It approves, abolishes or replaces public transit lines and makes permanent changes to the routes.

To assist it in the exercise of its functions, the Board of Directors has eight technical committees, each dedicated to a specific area:

- Arts and Artistic Heritage Committee
- Customer Service Committee
- Finance Committee
- Ethics and Governance Committee
- Asset Maintenance, Major Projects and Environment Committee
- Operations Committee
- Human Resources Committee
- Audit Committee

Finally, Transgesco Limited Partnership, a wholly owned subsidiary, has a mandate to manage the various partnerships with private sector organizations relating to commercial activities linked to those of the Société.

ORGANIZATION OF THE STM AT DECEMBER 31, 2009

- Board of Directors Chairman **Michel Labrecque**
  - Assistant to Chairman **Patrice Martin**
  - Auditor General **Suzanne Bourque**
  - Director General **Yves Devin**
    - Executive Assistant **Brigitte Hébert**
    - General Secretary and Director of Legal Affairs **Lorraine Pilon**
    - Executive Director Commercial and Government Affairs **Pierre Rocray**
      - Director Government Affairs **Jacques Durocher**
    - General Secretary and Director of Legal Affairs **Sylvie Tremblay**
    - Executive Director Strategic Planning **Céline Desmarteau**
    - Executive Director Major Métro Projects **Pierre Vézina**
    - Executive Director Major Bus Projects **Pierre Dauphinais**
    - Executive Director Human Resources **Alain Brière**
    - Executive Director Shared Services **Alain Savard**
      - Director Procurement Logistics **Serge Migneault**
      - Treasurer, Director Finance and Treasury **Luc Tremblay**
      - Director Information Technologies **Marielle Fournier**
      - Director Pension Funds **Jacques Fontaine**
      - Director Fare Sales and Collection **Guylaine St-Louis**
    - Executive Director Planning, Marketing and Communications **Denise Vaillancourt**
      - Director Communications and Customer Service **Isabelle Trottier**
      - Director Public Affairs **Odile Paradis**
      - Director Marketing **Pierre Bourbonnière**
      - Director Network Planning and Development **Benoît Gendron**
    - Executive Director Operations **Carl Desrosiers**
      - Senior Director Métro **Dominique Lemay**
        - Director Rolling Stock Maintenance **Carl Arseneault**
        - Director Stationary Equipment Maintenance **Christian Thibault**
        - Director Station Operations **Serge Dupont**
        - Director Train Operations **Sylvain Duquette**
      - Senior Director Bus **André Poisson**
        - Director Special Projects **Serge Jolin**
        - Director Service Delivery **Marc Vendette**
        - Director Paratransit Service **Liette Vinet**
        - Director Bus Maintenance **Claude Savage**
      - Director Infrastructure Maintenance **Minh Truong**
      - Director Engineering **François Chamberland**
      - Director Métro Surveillance **Michel G. Lemay**

MESSAGE FROM MANAGEMENT

THE MOVEMENT IS UNDERWAY TO ENSURE THE SUCCESS OF PUBLIC TRANSITF

Despite the economic and financial crisis that prevailed in 2009, the Société de transport de Montréal succeeded in maintaining the historic level of ridership achieved in 2008, thus increasing the total number of trips to 382.8 million. The increase in service throughout the year, thanks to the public transit service improvement program ("PASTEC"), explains a good part of this favourable result. The efforts seem to have paid off, as the average level of customer satisfaction with all aspects of service rose to 86%.

Financed in equal parts by Transports Québec and the Montréal Urban Agglomeration, PASTEC was the key to the growth in the service offer in 2009, with an increase of 7.2% in bus service to 77.3 million kilometres and the maintaining of the service level in the métro network at 76.9 million kilometres. This program, targeted at increasing the service offer by 16% so as to increase ridership by 8% between now and 2011, is bearing fruit. Over the period from January 1, 2007 to December 31, 2009, ridership experienced growth of 5.4%, while the Société increased the service offer on the bus and métro network by 18.5%. This new trend in the transportation offer meaningfully demonstrates the rightful place of public transit in the medium and long term.

The new sources of revenue of $38.0 million forecast in the 2009 budget unfortunately did not materialize. However, the Société succeeded in reducing its requirements by $19.1 million, thus bringing the operating deficit for the year for tax purposes to $18.9 million, which was covered by an additional contribution from the Montréal Urban Agglomeration. It should be noted that this deficit can be explained on one hand by the costs of systems not adjusted for inflation and, on the other hand, by the cost of the debt generated by the major investment of $368.2 million required for the maintenance and replacement of aging infrastructure.

Rating agencies Moody’s and Standard & Poor’s recognized the quality, efficiency and performance of the Société’s management by awarding it credit ratings of Aa2 and A+, respectively. In the difficult financial context of 2009, these excellent ratings enabled the Société to complete two debt issues totalling $384.5 million at advantageous interest rates, thus bringing the total debt to $1,181.8 million.

There is no choice but to accept the fact that all the efforts expended are not sufficient to ensure the planned increase in the service offer. With operating costs continuing to rise and growing investment needs, the Société must be able to benefit from new dedicated, indexed and recurrent sources of financing. This would enable it to support the ridership growth on its networks and thus contribute significantly to the Quebec objective of reducing GHG emissions by 20% between now and 2020. Following the lead of the Ville de Montréal, the Société is proposing an increase of up to 13.2 cents in the gasoline tax to provide it with a stable and recurrent financial framework.

The movement is underway. Join us!

Yves Devin
Director-General

Alain Savard, ing., MBA
Executive Director
Management of Shared Services

ANALYSIS OF THE FINANCIAL STATEMENTS

HIGHLIGHTS

(in thousands of dollars)

		2009	2008
	Budget	Actual	Actual
OPERATING REVENUES			
Passenger revenue	**464,309**	**463,187**	444,717
Contributions and subsidies before additional contribution from the Montréal Urban Agglomeration	**533,649**	**504,320**	456,065
Revenue from sinking fund	**5,037**	**7,058**	6,023
Other revenue	**26,702**	**27,711**	24,202
	1,029,697	**1,002,276**	931,007
Expenses and allocations for tax purposes	**1,029,697**	**1,021,219**	949,186
Operating deficit for tax purposes before additional contribution from the Montréal Urban Agglomeration	**-**	**(18,943)**	(18,179)
Additional contribution from the Montréal Urban Agglomeration	**-**	**18,943**	22,000
Operating surplus for the year for tax purposes	**-**	**-**	3,821
Total assets		**2,986,737**	2,636,594
Liabilities		**1,535,424**	1,447,827
Accumulated surplus		**1,451,313**	1,188,767
		2,986,737	2,636,594
Acquisition of capital assets	**637,960**	**368,173**	316,673
Issuance of long-term debt	**576,109**	**384,500**	-
Long-term debt		**1,181,848**	887,303
Total net long-term indebtedness		**493,142**	413,692
Cash from operations		**272,919**	177,681
Ridership (in millions of trips)	**389.8**	**382.8**	382.5
Revenue from sinking fund in %	**4.00%**	**4.35%**	6.22%
Average interest rate on short-term debt		**1.44%**	3.39%
Average interest rate on long-term debt		**5.00%**	4.99%
Credit rating by rating firm:			
Moody’s		**Aa2**	Aa2
Standard & Poor’s		**A+**	A+

CHANGE IN ACCOUNTING FRAMEWORK

As stated in its 2008 Financial Report, the Société, which now qualifies as an "other government organization" according to the new introduction to the public sector accounting standards modified in December 2009, has chosen to use this accounting framework. The choice of this framework is in compliance with the legal requirements of its constituent act and meets the needs of its principal users while simplifying the process for the preparation of its annual financial statements.

ANALYSIS OF THE FINANCIAL STATEMENTS

As a result, the financial statements for the previous year that were drawn up based on the accounting standards in the CICA Handbook - *Accounting* have been restated to take into account the differences with the new accounting framework, the CICA Public Sector Accounting Handbook.

The principal changes in the accounting treatments are in the area of employee future benefits where there are differences between the public and private sectors in the recognition method, in the area of the non-recognition of derivative financial instruments that qualify for hedge accounting, in the area of capital assets as it relates to the reclassification of the inventories of supplies and replacement parts as well as the intangible assets, in the area of the modified method of equity accounting for long-term investments and, finally, in the area of the overall presentation of the financial statements. These accounting changes have been applied retroactively.

Finally, as the Société is a public transit government organization based on the classification assigned by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire ("MAMROT"), its financial statements include information on the accounting particulars for municipal administrations in Quebec in accordance with Canadian generally accepted accounting principles ("GAAP"), while reflecting the legal requirements affecting the financial information presentation. In accordance with these standards, the notion of a deferred subsidy is non-existent and there is therefore no recognition. In addition, the Société presents certain financial information established for tax purposes: operating surplus for tax purposes; investing surplus (deficit) for tax purposes; the breakdown of the accumulated surplus; and the total net long-term indebtedness. This supplementary information has been included in the financial statements. The components of the accumulated surplus are not presented in the statement of financial position but rather in a supplementary table (Table 1).

OPERATING SURPLUS FOR TAX PURPOSES

For fiscal year 2009, the Société recorded operating revenues of $1,002.3 million. Expenses amounted to $970.1 million, thus resulting in an operating surplus for the year of $32.2 million before the reconciliation for tax purposes. Once the adjustments for the reconciliation for tax purposes were made, the Société ended fiscal year 2009 in balance thanks to the additional contribution of $18.9 million from the Montréal Urban Agglomeration.

OPERATING REVENUES

Operating revenues increased by $71.3 million in comparison with 2008 but reflect a shortfall of $27.4 million in relation to the budget.

Passenger revenue amounted to $463.2 million, an increase of $18.5 million from 2008, despite the economic and financial crisis that resulted in thousands of job losses (35,000 on average) in the greater Montréal area in 2009. The Société slightly exceeded its record ridership level achieved in 2008. In fact, the Société transported more than 382.8 million customers this year. In keeping with its commitment, it implemented all its planned service improvements. The "Family Outings" program enabled more than one million children to benefit from free service on weekends and holidays, a great success that was much appreciated by Montrealers. In addition, its promotional efforts as well as the partnerships it developed with major trip generators certainly contributed to these results. Also worth mentioning are the effects of the implementation of the fare sales and collection system, which contributed greatly to the financial results for passenger revenue.

Finally, the Société is very pleased with the results of its strategy to stay the course during turbulent times, as it realized close to $20 million in additional passenger revenue compared to 2008.

The Montréal Urban Agglomeration increased its contribution to public transit by $27.2 million in comparison with 2008, of which $18.9 million was to cover the operating deficit for tax purposes, thus bringing its support for the Société to $350.9 million (base contribution of $332.0 million plus the additional contribution of $18.9 million).

ANALYSIS OF THE FINANCIAL STATEMENTS

In the area of subsidies, the Government of Quebec increased its support by $19.9 million compared to the previous year. PASTEC shows an increase of $13.2 million as a result of the growth in the bus and métro service offer. This program stems from the Quebec Public Transit Policy and is aimed at increasing public transit ridership by 8% and the service offer by 16% between now and 2011. For the period from January 1, 2007, to December 31, 2009, ridership experienced 5.4% growth, while the Société increased the service offer by 18.5% (including the extension of the métro to Laval).

The increase in debt servicing resulted in the Government of Quebec increasing its contribution under the assistance program for the public transport of people by an amount of $3.9 million. The subsidy relating to Paratransit, for its part, went up by $2.3 million.

While passenger revenue rose by 4.2% and the Montréal Urban Agglomeration and municipalities outside the agglomeration increased their contributions by 8.4% and 24.4%, respectively, the 2009 regional contributions remained at the same level as 2008. In fact, there was a ceiling in 2009 on the metropolitan assistance for trips on the métro network, which should have been paid on the basis of actual trips taken, thus resulting in a shortfall of $2.6 million.

Other revenue shows an increase of $4.5 million in comparison with 2008, of which $4.0 million represents the receipt of insurance rebates.

EXPENSES

Despite the increases of $3.8 million for Paratransit services in comparison with 2008 and of $13.3 million in interest and financing costs, expenses show a decrease of $14.6 million due to a reduction of $31.7 million in the expense for bus and métro service. This decrease results from the application of an accounting standard affecting employee future benefits that required the recording of an expense reduction of $96.4 million in 2009. Under tax relief allowed by MAMROT, this expense reduction does not affect the operating surplus for the year for tax purposes. Rather, it is allocated to the provision for future amounts on the statement of operating surplus for tax purposes. But for this expense reduction for employee future benefits, the actual expenses for bus and métro service would amount to $957.0 million, which corresponds to the amount budgeted and to an increase of $64.8 million in comparison with 2008.

As mentioned previously, if the expense reduction of $96.4 million for employee future benefits is excluded, the increase in the cost of bus and métro service in comparison with 2008 is primarily attributable to the following items: the increase in the service offer as part of PASTEC that generated an increase of 7.2% in bus mileage and additional costs of $29.8 million, 50% of which were assumed by the Government of Quebec; indexing of the payroll resulted in an increase of $17.7 million; and, finally, the fuel expense increased by $5.4 million due to the service increase on the bus network.

The increase in expenses for the Paratransit service results from a 6.8% growth in trips carried out in comparison with 2008. This growth, however, is lower than that anticipated in the budget.

The increase of $13.3 million in interest and financing costs is primarily due to the fact that in 2009 $384.5 million of new long-term debt was issued to finance the massive investment required to upgrade the Société's aging infrastructure. This new long-term financing resulted in an increase of $11.3 million in the interest on long-term debt.

These financing costs are $10.4 million lower than forecast in the budget as the Société anticipated higher investments, and therefore higher loans, in 2009. Certain investments were also 100% funded by the program for financing local infrastructure in Quebec (SOFIL), which reduced the financing requirements and the interest expense.

ANALYSIS OF THE FINANCIAL STATEMENTS

INVESTING SURPLUS (DEFICIT) FOR TAX PURPOSES

Investing revenues show a shortfall of $196.6 million. This shortfall can be explained by the impact of the capital asset acquisitions, which were $269.8 million lower than the budget. Among the notable investments that did not take place were those related to the delay in the awarding of the contract for the métro cars, the delay in the bus delivery dates and the postponement of the acquisition of land to be used for the construction of a new bus depot.

Due to the non-realization of certain capital asset acquisitions, the long-term financing of investing activities was $57.9 million lower than the budgeted amount.

Investments still rose by $51.5 million in comparison with 2008 to reach $368.2 million in 2009. The majority of the investments are projects to upgrade the Société's aging infrastructure.

STATEMENT OF FINANCIAL POSITION

FINANCIAL ASSETS

The financial assets show an increase of $100.0 million in comparison with 2008 resulting primarily from the increase of $18.4 million in the contribution receivable from the Montréal Urban Agglomeration under subsidies receivable. The financial assets consist of the following principal components:

SINKING FUND INVESTMENTS

Sinking fund investments are the investments in 14 funds dedicated to the repayment of certain long-term debt. At December 31, 2008, the sinking fund investments amounted to $155.3 million. During 2009, contributions of $58.9 million were made, and an amount of $45.0 million was withdrawn to repay a portion of the long-term debt. The balance in the sinking fund investments thus stood at $169.2 million at December 31, 2009. The sinking fund investments generated a return of $7.1 million ($6.0 million in 2008), or a return of 4.35% (6.2% in 2008). This return is higher than the target of 4.0% set for 2009.

CONTRIBUTION RECEIVABLE FROM THE MONTRÉAL URBAN AGGLOMERATION

The increase of $18.4 million is primarily due to the granting of an additional contribution in the amount of $18.9 million to cover the Société's operating deficit. This amount was receivable at December 31, 2009.

SUBSIDIES RECEIVABLE

The increase of $57.6 million relates to the amounts for subsidies for capital assets receivable from the Government of Quebec under various assistance programs. There was an increase of $117.3 million in receivables to be allocated to the repayment of long-term debt as a result of massive investment in infrastructure. Finally, there was a decrease of $57.0 million in subsidies receivable under the SOFIL program due to the major sums received in 2009.

OTHER RECEIVABLES

Other receivables consist of regional revenue of $7.6 million receivable from the Agence métropolitaine de transport, tax claims of $5.5 million from various governments, client receivables of $15.6 million and other receivables totalling $4.0 million.

ANALYSIS OF THE FINANCIAL STATEMENTS

LIABILITIES

Liabilities show an increase of $87.6 million resulting primarily from a decrease of $172.8 million in short-term loans offset by an increase of $294.5 million in long-term debt. The increase in liabilities is directly related to the acquisition of capital assets.

LONG-TERM DEBT

At December 31, 2008, long-term debt amounted to $887.3 million. In 2008, the global credit crisis made it difficult to obtain long-term financing, while in 2009, the Société's financing strategy enabled it to issue $384.5 million in new long-term debt. During 2009, repayment of long-term debt amounted to $89.9 million. Long-term debt at December 31, 2009, thus stood at $1,181.9 million.

EMPLOYEE FUTURE BENEFITS LIABILITY

This item includes the amounts recognized on the statement of financial position for pension plans as well as for other post-employment and post-retirement benefits.

Actuarial valuations at December 31, 2008, for the purpose of funding and solvency are still not available due to a new bill modifying the *Supplemental Pension Plans Act* that should be adopted on April 30, 2010. Therefore, management has used the most probable assumptions for the valuations for accounting purposes.

The employee future benefits liability of $4.6 million at December 31, 2009, includes two different types of receivable amounts. The first amount of $13.2 million corresponds to the discounted future benefit to which the Société is entitled under a "bankers clause" in one of its pension plans. A second receivable amount of $96.4 million stems from a ceiling in the defined benefit asset as required under the accounting standards covering retirement benefits. The consideration for this asset results in an expense reduction for employee future benefits on the statement of operations. Under tax relief allowed by MAMROT following the financial crisis that prevailed in 2008, this expense reduction was allocated to the provision for future amounts in the operating surplus for tax purposes.

NON-FINANCIAL ASSETS

Non-financial assets rose by $250.1 million. This increase is primarily due to an increase of $246.3 million in capital assets.

CAPITAL ASSETS

This item represents the net value of the Société's capital assets. The change between the 2008 value of $1,705.7 million and the 2009 value of $1,952.0 million can be explained by acquisitions of $368.2 million reduced by amortization of $119.7 million and by the unamortized value of tangible capital assets disposed of in the amount of $2.2 million.

The principal acquisitions for the year include bus purchases in the amount of $110.9 million, the renovation program for fixed equipment in the métro in the amount of $173.0 million, the station renovation program covering the replacement or upgrading of métro infrastructure and the expansion of the Legendre bus depot in the amount of $11.5 million.

ANALYSIS OF THE FINANCIAL STATEMENTS

OTHER ITEMS

MÉTRO COMMAND CENTRE

As part of the Réno-Systèmes program, the Société decided in 2003 to replace the métro command centre, the main parts of which dated back to 1988. The command centre is a vast system integrating several hardware technologies that interface with other systems and include software architecture, all of which provide centralized control for the métro.

Once underway, the complexity of the "Systems and Software - Control Centre" project increased exponentially due to the technical considerations resulting from the concurrent development of several other new telecommunication systems such as fibre optic teletransmission, radiocommunications, telephony, passenger information and video surveillance. This led to major delays in the project delivery date. The anticipated date for the implementation of the command centre is now the fall of 2012. In order to avoid additional delays, a control milestone was integrated into the project implementation strategy in 2010. This milestone will enable the Société to confirm the continuation or the halting of this project as of September 2010 following the execution of major performance tests.

ACQUISITION OF MÉTRO CARS

In accordance with a ministerial authorization issued on January 22, 2010, an international public notice of intent was issued by the Société for the acquisition of métro cars. The Société had received two expressions of interest by the expiration of the notice of intent on March 1, 2010.

A rigorous procedure for analysis of the documents submitted was put in place for the purpose of verifying that the expressions of interest submitted by these two companies are in compliance with the requirements specified in the international public notice of intent, in particular as it relates to the technology required (rubber-tired cars), the Canadian content (60%), technical and financial capacity and delivery deadlines.

The Société, along with independent experts, is continuing to analyze the expressions of interest. Based on the results of its analysis, the Société could issue an international call for tenders, which might result in a delay of one to two years before the awarding of a contract.

FINANCIAL INFORMATION

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

Under Section 138 of *An Act Respecting Public Transit Authorities* (R.S.Q. chapter S-30.01), the Financial Report of the Société de transport de Montréal for the year ended December 31, 2009, was submitted to the Board of Directors of the Société on April 7, 2010.

The financial statements and all other information in this financial report are the responsibility of the Société's management and have been approved by the Board of Directors. Management has also ensured that there is consistency between the financial statements and all other information disclosed in the financial report.

The financial statements contain certain amounts that are based on the use of professional judgement and estimates, the presentation of which gives due consideration to their materiality. Management established these amounts in a reasonable manner so as to ensure that the financial statements present fairly, in all material respects, the financial position of the Société.

The Société's management maintains internal accounting and administrative quality control systems to ensure the integrity and objectivity of the financial information. Management considers that these internal control systems, the purpose of which is to provide a reasonable degree of certainty that the financial information is pertinent, reliable and exact, that the policies of the organization are followed, that operations are carried out in accordance with the appropriate authorizations and that the Société's assets are properly recorded and safeguarded, provide reasonable assurance that the accounting records are reliable and an appropriate foundation for the preparation of the financial statements.

The Board of Directors exercises its responsibility with regard to the financial statements contained in the Financial Report primarily through its audit committee, which is composed of members of the Board of Directors and external members. The audit committee reviews the financial statements and recommends their approval by the Board of Directors.

The financial statements have been audited jointly by the Auditor General of the Ville de Montréal and by Samson Bélair/Deloitte & Touche s.e.n.c.r.l., whose services were retained by the Board of Directors on the recommendation of the audit committee.

Alain Savard

Alain Savard, Eng., MBA
Executive Director
Management of Shared Services

Luc Tremblay

Luc Tremblay, CA
Treasurer and Director
Finance Department

AUDITORS' REPORT

To the Members of the Board of Directors of the
Société de transport de Montréal

We have audited the Statement of Financial Position of the Société de transport de Montréal (the "Société") at December 31, 2009, as well as the statements of operations, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of 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 Canadian generally accepted auditing standards. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used 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 as at December 31, 2009, and the results of its operations, the change in its net debt and its cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Samson Bélair/Deloitte & Touche s.e.n.c.r.l.
CA auditor permit no.10881

Montréal
April 1, 2010

Jacques Bergeron, CA, MBA, M.Sc
CA auditor

Montréal
April 1, 2010

FINANCIAL STATEMENTS AT DECEMBER 31, 2009

STATEMENT OF OPERATIONS

Fiscal Year ended December 31, 2009

(in thousands of dollars)

	Notes	Budget	2009 Actual	2008 Actual (restated, Note 2)
REVENUES				
Operations				
Passenger revenue	4	464,309	463,187	444,717
Contribution from the Montréal Urban Agglomeration		332,000	332,000	301,700
Additional contribution from the Montréal Urban Agglomeration		-	18,943 [(a)]	22,000
Subsidies	5	102,133	94,760	74,829
Regional contributions and contributions from municipalities outside the Montréal Urban Agglomeration	6	61,516	58,617	57,536
New sources of revenue		38,000	-	-
Other revenue	7	31,739	34,769	30,225
		1,029,697	1,002,276	931,007
Investment				
Contribution from the Montréal Urban Agglomeration		5,703	8,483	10,417
Subsidies	5	421,212	221,874	186,413
		426,915	230,357	196,830
		1,456,612	1,232,633	1,127,837
EXPENSES				
Bus and métro service		956,556	860,554 [(b)]	892,215
Paratransit service		52,061	48,475	44,696
Interest and financing charges	8	71,507	61,058	47,747
		1,080,124	970,087	984,658
Surplus for the year		376,488	262,546	143,179
Accumulated surplus at beginning of year				
Balance of accumulated surplus at beginning of year as previously reported			196,239	239,486
Restatement	2		992,528	806,102
Restated balance			1,188,767	1,045,588
Accumulated surplus at end of year			1,451,313	1,188,767

[(a)] This contribution was used to cover the operating deficit for the year for tax purposes.

[(b)] See the "Analysis of the Financial Statements - Operating surplus for tax purposes " section under the heading "Expenses".

The accompanying notes are an integral part of the Financial Statements.

OPERATING SURPLUS FOR TAX PURPOSES

Fiscal Year ended December 31, 2009

(in thousands of dollars)

	Budget	2009 Actual	2008 Actual
			(restated, Note 2)
SURPLUS FOR THE YEAR	**376,488**	**262,546**	143,179
Less: investing revenue	(426,915)	(230,357)	(196,830)
Operating surplus (deficit) for the year before reconciliation for tax purposes	**(50,427)**	**32,189**	(53,651)
RECONCILIATION FOR TAX PURPOSES			
Capital assets			
Proceeds from disposal	-	1,194	116
Amortization	90,217	119,650	100,400
Loss on disposal	-	1,026	2,192
	90,217	121,870	102,708
Financing			
Repayment of long-tem debt	(89,955)	(89,955)	(63,868)
Change in financing receivable	11,421	481	6,920
Subsidy on the repayment of long-term debt and on the contribution to the sinking fund	55,844	51,594	48,894
Long-term financing of operating activities	5,040	143	8,828
	(17,650)	(37,737)	774
Allocations			
Investing activities	(1,567)	(6,786)	(6,273)
Sinking fund	(21,014)	(13,843)	(38,322)
Working capital fund	(2,059)	(1,377)	(1,377)
Unrestricted operating surplus	4,000	3,821	1,582
Provision for future amount	(1,500)	(98,137) [a]	(1,620)
	(22,140)	(116,322)	(46,010)
	50,427	(32,189)	57,472
Operating surplus for the year for tax purposes	-	- [b]	3,821

[a] See the "Analysis of the Financial Statements - Operating surplus for tax purposes " section under the heading "Expenses".

[b] Includes the additional contribution of $18.9 million from the Montréal Urban Agglomeration used to cover the operating deficit for the year for tax purposes.

The accompanying notes are an integral part of the Financial Statements.

INVESTING SURPLUS (DEFICIT) FOR TAX PURPOSES

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008
	Budget	Actual	Actual
			(restated, Note 2)
INVESTING REVENUE	**426,915**	**230,357**	196,830
RECONCILIATION FOR TAX PURPOSES			
Capital assets			
Acquisitions			
Land	**(25,167)**	**-**	-
Buildings	**(13,333)**	**(82,204)**	(303)
Original network and métro extensions	**-**	**(84)**	(167)
Improvements to métro infrastructure	**(154,340)**	**(169,767)**	(48,561)
Local infrastructures	**-**	**(2,371)**	(3)
Rolling stock - buses	**(158,576)**	**(90,095)**	(61,716)
Rolling stock - minibuses	**(2,193)**	**(1,483)**	(1,483)
Rolling stock - other	**-**	**(2,769)**	(1,962)
Office equipment and software	**(15,949)**	**(54,358)**	(20,458)
Machinery, tools and equipment	**(142,282)**	**(24,082)**	(56,107)
Capital assets in progress	**(126,120)**	**59,040**	(125,913)
	(637,960)	**(368,173)**	(316,673)
Financing			
Long-term financing of investing activities	**207,175**	**149,263**	6,560
Allocations			
Operating activities	**1,567**	**6,786**	6,273
Balances available from closed loan by-laws	**2,303**	**-**	1,073
	3,870	**6,786**	7,346
	(426,915)	**(212,124)**	(302,767)
Investing surplus (deficit) for the year for tax purposes	**-**	**18,233**	(105,937)

The accompanying notes are an integral part of the Financial Statements.

STATEMENT OF FINANCIAL POSITION

At December 31, 2009

(in thousands of dollars)

	Notes	2009	2008
			(restated, Note 2)
FINANCIAL ASSETS			
Cash and temporary investments		**20,558**	9,901
Sinking fund investments	9	**169,177**	155,334
Contribution receivable from the Montréal Urban Agglomeration		**27,426**	9,033
Subsidies receivable	10	**692,109**	634,470
Regional contributions and contributions from municipalities outside the Montréal Urban Agglomeration receivable	11	**29,658**	27,092
Other receivables	12	**32,678**	34,982
Long-term investments	13	**5,005**	5,775
		976,611	876,587
LIABILITIES			
Short-term loans	14	**86,961**	259,807
Accounts payable and accrued liabilities	15	**261,982**	190,858
Long-term debt	16	**1,181,848**	887,303
Employee future benefits liability	17	**4,633**	109,859
		1,535,424	1,447,827
NET DEBT		**(558,813)**	(571,240)
NON-FINANCIAL ASSETS			
Capital assets	18	**1,952,002**	1,705,699
Inventories		**34,225**	33,189
Other non-financial assets	19	**23,899**	21,119
		2,010,126	1,760,007
ACCUMULATED SURPLUS		**1,451,313**	1,188,767

Commitments (Note 22)
Contingencies (Note 23)

The accompanying notes are an integral part of the Financial Statements.

STATEMENT OF CHANGE IN NET DEBT

Fiscal Year ended December 31, 2009

(in thousands of dollars)

	Budget	2009	2008
			(restated, Note 2)
Surplus for the year	376,488	262,546	143,179
Change in capital assets			
Acquisitions	(637,960)	(368,173)	(316,673)
Proceeds from disposal	-	1,194	116
Amortization	90,217	119,650	100,400
Loss on disposal	-	1,026	2,192
	(547,743)	(246,303)	(213,965)
Change in inventories	(1,036)	(1,036)	(5,443)
Change in other non-financial assets	(2,780)	(2,780)	(12,071)
	(3,816)	(3,816)	(17,514)
Change in net debt	(175,071)	12,427	(88,300)
Net debt at beginning of year	(571,240)	(571,240)	(482,940)
Net debt at end of year	(746,311)	(558,813)	(571,240)

The accompanying notes are an integral part of the Financial Statements.

STATEMENT OF CASH FLOW

Fiscal Year ended December 31, 2009

(in thousands of dollars)

	Note	2009	2008
			(restated, Note 2)
Operating activities			
Surplus for the year		**262,546**	143,179
Items not affecting cash			
Share of profit from a subsidiary		**(1,630)**	(3,455)
Amortization of capital assets		**119,650**	100,400
Loss on sale of capital assets		**1,026**	2,192
		381,592	242,316
Net change in non-cash items	20	**(108,673)**	(64,635)
		272,919	177,681
Capital investing activities			
Acquisitions		**(368,173)**	(316,673)
Proceeds from sale		**1,194**	116
Change in deposits for bus purchases		**(934)**	(10,384)
		(367,913)	(326,941)
Investing activities			
Amortization of premiums and discounts on sinking fund investments		**1,203**	385
Acquisition of sinking fund investments		**(60,099)**	(65,852)
Proceeds from sale of sinking fund investments		**45,053**	27,145
Distribution from a subsidiary		**2,400**	4,800
		(11,443)	(33,522)
Financing activities			
Net change in temporary loans		**(172,846)**	189,172
Issuance of long-term debt		**384,500**	-
Repayment of long-term debt, net of refinancing		**(89,955)**	(63,868)
Change in issuance costs for long-term debt		**(4,605)**	15
		117,094	125,319
Increase (decrease) in cash and cash equivalents		**10,657**	(57,463)
Cash and cash equivalents at beginning of year		**9,901**	67,364
Cash and cash equivalents at end of year		**20,558**	9,901

Cash and cash equivalents consist solely of cash.

The accompanying notes are an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

1. GOVERNING STATUTES AND NATURE OF ACTIVITIES

The Société de transport de Montréal (hereafter the "Société") is incorporated under *An Act Respecting Public Transit Authorities* (R.S.Q. chapter S-30.01) and is responsible for organizing and providing public transit, primarily on the territory of the island of Montréal.

The Société is exempt from corporate income tax under paragraph 149 (1) (c) of the *Income Tax Act* and under section 984 of the Taxation Act (Quebec).

2. CHANGES IN ACCOUNTING POLICIES

In December 2009, the Canadian Institute of Chartered Accountants ("CICA") amended the Introduction to the Public Sector Accounting Standards, eliminating the concept of a government business-type organization. Under the new introduction, the Société now qualifies as an "other government organization" and will be able to apply the framework of its choice for the preparation of its financial statements for fiscal periods beginning January 1, 2011, either the public sector framework or the framework for publicly accountable enterprises who prepare their accounts in accordance with private sector accounting standards. On January 1, 2009, the Société proactively adopted this accounting change and has adopted the public sector accounting standards, which enable it to satisfy the requirements of the *An Act Respecting Transit Authorities* (R.S.Q. chapter S-30.01) and the consolidation requirements of the Montréal Urban Agglomeration.

Consequently, the financial statements for the previous year, which were drawn up based on the accounting standards of the CICA Handbook - *Accounting* have been restated to take into account the differences with the new accounting framework, the CICA Public Sector Accounting Handbook. The changes in accounting policies as described below have been applied retroactively to January 1, 2008. The financial statements for the previous year have been restated to take these changes into account.

a) Employee future benefits

The Société retroactively applied the recommendations of Sections PS 3250 - *Retirement Benefits and PS 3255 - Post-Employment Benefits, Compensated Absences and Termination Benefits*. According to these recommendations, the Société records an expense and a liability for each of the defined benefit plans based on services rendered by employees.

Previously, the Société recorded an expense and a liability for employee future benefits based on the recommendations of Section 3461 - *Employee Future Benefits*, which differ from PS 3250 - *Retirement Benefits* in reference to the following principal items. According to Section 3461, the interest rate for the calculation of the obligation is based on the return of high-quality corporate bonds, while according to Section PS 3250, the Société uses its own long-term loan rate or the anticipated rate of return on the cash assets. Under Section 3461, the cost of past services is amortized over the average estimated remaining service life, while under Section PS 3250, it is directly reflected in the expense, but the unrecognized actuarial gains can be used to reduce this cost.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

b) Deferred subsidies and receivables to be allocated to repayment of long-term debt

Subsidies for capital assets are recognized when the conditions giving right to this government or municipal assistance are met. Previously, the Société recognized deferred subsidies at the time of the acquisition of the capital assets giving right to the receipt of subsidies under assistance programs and other agreements. They were transferred to operations on the same basis as the amortization expense for capital assets.

c) Capital assets, inventories and intangible assets

The inventories of supplies and replacement parts used to repair equipment and that can be used over more than one year are now presented as inventories. Previously, inventories used in the repair of equipment had to be presented as capital assets.

In the case of software, it is no longer presented separately in a note as an intangible asset, but rather as a capital asset in office equipment and software.

d) Financial instruments

The Société no longer recognizes derivative financial instruments (currency, interest rate and commodity swap contracts), if there is hedging for the risk of changes in exchange rates, interest rates as well as commodity prices, as long as the hedging is effective. Previously, the effective portion of the hedging relationship was recognized in the accumulated other comprehensive income, and the ineffective portion was recognized in the statement of operations.

e) Long-term investments

The Société applied the recommendations of Section PS 3070 - *Investments in Government Business Enterprises*. Under these recommendations, long-term investments are accounted for under the modified equity method rather than under the consolidation method. This method differs from the modified equity method inasmuch as the accounting methods of the subsidiaries are not adjusted to conform with those of the Société.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

f) Financial statement presentation

The Société adopted the recommendations of Section PS 1200 - *Financial Statement Presentation*. Financial statement presentation is based on the concept of net debt. Under this model, the Société now presents the following four financial statements: Statement of Operations, Statement of Financial Position, Statement of Change in Net Debt and Statement of Cash Flow. However, in accordance with the model drawn up by the Ministère des Affaires municipales, des Régions et de l'Occupation du territoire ("MAMROT"), the Société also presents certain information established for tax purposes in its annual financial report. In addition to the breakdown of the accumulated surplus into various accounts as specified in Table 1, this financial information, as outlined below, is included in the financial statements.

Operating surplus (deficit) for tax purposes
Operating surplus (deficit) for tax purposes presents the reconciliation for tax purposes of the surplus or deficit determined in the statement of operations so as to assess if the Société is meeting its legal obligation for a balanced budget.

Investing surplus (deficit) for tax purposes
Investing surplus (deficit) for tax purposes indicates the use of the investing revenue appearing on the statement of operations in terms of capital asset acquisitions, financing and allocations.

Total net long-term indebtedness
Total net long-term indebtedness represents the total debt for which the Société is responsible, reduced by the amounts accumulated in the sinking fund for its repayment and the receivables to be allocated to its repayment.

The retroactive application of these recommendations resulted in the restatement of the opening balances, which had been established based on accounting standards for the private sector, as well as the restatement of the accumulated surplus for the years ended December 31, 2008 and 2009.

As a result, the Société has also restated its financial statements for the year ended December 31, 2008. The effect of this restatement on the statement of operations and the statement of financial position is shown in the following tables, with references to the changes in accounting policies, as previously explained. The restatement had no effect on the cash flow relating to operating activities.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

(in thousands of dollars)

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

RESTATEMENT OF ACCUMULATED SURPLUS

	References to changes in accouting policies	2009	2008
Accumulated surplus at beginning, initially established according to private sector accounting standards		**196,239**	239,486
Employee future benefits	a	**13,510**	14,638
Deferred subsidies and receivables to be allocated to the repayment of long-term debt	b	**945,263**	796,254
Capital assets, inventories and intangible assets	c	**1,667**	1,667
Financial instruments	d	**31,090**	(6,932)
Restatement of subsidiaries	e	**998**	475
		992,528	806,102
Accumulated surplus at beginning, restated according to public sector accounting standards		**1,188,767**	1,045,588

RESTATEMENT OF STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2008

	Balances initially established	References to changes in accouting policies	Increase (decrease)	Restated balances
REVENUES				
Operations				
Passenger revenue	444,717		-	444,717
Contribution from the Montréal Urban Agglomeration	301,700		-	301,700
Additional contribution from the Montréal Urban Agglomeration	22,000		-	22,000
Subsidies	75,710	b	(881)	74,829
Regional contributions and contributions from municipalities outside the Montréal Urban	57,536		-	57,536
Other revenues	31,697	e	(1,472)	30,225
	933,360		(2,353)	931,007
Investments				
Contribution from the Montréal Urban Agglomeration	-	b	10,417	10,417
Subsidies	47,422	b	138,991	186,413
	47,422		149,408	196,830
	980,782		147,055	1,127,837
EXPENSES				
Bus and métro service	896,312	a, d, e	(4,097)	892,215
Paratransit service	44,696		-	44,696
Interest and financing charges	50,912	d	(3,165)	47,747
	991,920		(7,262)	984,658
Surplus (deficit) for the year	(11,138)		154,317	143,179

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

(in thousands of dollars)

2. CHANGES IN ACCOUNTING POLICIES (CONT'D)

RESTATEMENT OF STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2008

	Balances initially established	References to changes in accouting policies	Increase (decrease)	Restated balances
FINANCIAL ASSETS				
Cash and short-term investments	11,129	e	(1,228)	9,901
Sinking fund investments	158,755	d	(3,421)	155,334
Contribution receivable from the Montréal Urban Agglomeration	9,033		-	9,033
Subsidies receivable	636,753	b	(2,283)	634,470
Regional contributions and contributions from municipalities outside the Montréal Urban Agglomeration receivable	27,092		-	27,092
Other receivables	35,882	e	(900)	34,982
Long-term investments	-	e	5,775	5,775
	878,644		(2,057)	876,587
LIABILITIES				
Short-term loans	259,807		-	259,807
Accounts payable and accrued liabilities	189,561	d, e	1,297	190,858
Derivative financial instruments	36,225	d, e	(36,225)	-
Long-tem debt	886,249	d, e	1,054	887,303
Employee future benefits liability	123,369	a	(13,510)	109,859
Deferred subsidies	947,546	b	(947,546)	-
	2,442,757		(994,930)	1,447,827
NET DEBT	(1,564,113)		992,873	(571,240)
NON-FINANCIAL ASSETS				
Capital assets	1,714,544	c	(8,845)	1,705,699
Intangible assets	18,626	c	(18,626)	-
Inventories	4,094	c	29,095	33,189
Other non-financial assets	23,088	e	(1,969)	21,119
	1,760,352		(345)	1,760,007
ACCUMULATED SURPLUS	196,239		992,528	1,188,767

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES

Like other government organizations, the Société's financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") applicable to local governments, as recommended by the CICA Public Sector Accouting Standards Board.

The financial statements were prepared in accordance with Canadian generally accepted accounting principles for other public organizations recommended by the CICA's Public Sector Accounting Board.

The significant accounting policies used are as follows:

a) Accounting method

Transactions are recorded in the Société's books using the accrual basis of accounting. Under this method, assets, liabilities, revenues and expenses are recorded in the year in which the events and transactions occur.

b) Use of estimates

Preparation of the financial statements in accordance with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts for assets and liabilities and the presentation of assets and liabilities subsequent to the date of the financial statements as well as on the revenue and expense amounts recorded during the period covered by the financial statements. Actual results could differ from these estimates.

The principal items requiring the use of estimates by management are regional revenues, subsidies, length of useful life of capital assets for amortization purposes, the establishment of the receivables to be allocated to the repayment of long-term debt, assumptions relating to the establishment of expenses and liability for employee future benefits as well the provisions for liabilities and legal claims.

c) Foreign currency translation

The Société uses the temporal method for the translation of its accounts expressed in foreign currency. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect on the date of the Statement of Financial Position.

Revenues and expenses related to foreign currency transactions are translated into Canadian dollars at the exchange rate in effect on the transaction date. Exchange gains and losses are included in surplus for the year.

d) Revenue recognition

Revenue from the transportation of clients is recognized on the Statement of Operations when the fares are used by clients. In the case of weekly and monthly fares, the revenues are recognized in the period for which the fares are valid.

Contributions and subsidies are recognized on the statement of operations when the conditions giving right to this government or municipal assistance are met.

Other revenues include advertising royalties, recoveries, rights to reduced fares and smart cards as well as revenue from sinking fund investments that will be used to repay long-term debt. They are recognized when the operation underlying their recognition has been carried out.Simus, num re corum rero iniscius eatum, ea qui aborum hiciur?

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e) Cash and temporary investments

Cash and temporary investments consist of bank balances, cash on hand and bank overdrafts as well as short-term investments whose maturity dates do not exceed three months from the date of purchase.

The sinking fund investments, which the Société cannot use for current operations as they are allocated to the repayment of certain long-term debt, are not included in this item.

f) Sinking fund investments

The sinking fund investments consist primarily of bonds and bond coupons that are recorded at cost and are written down when there has been an permanent decline in their value. Discounts or premiums on investments are amortized on a straight-line basis until maturity of the investment to which this item is related.

g) Contributions and subsidies receivable

Receivables to be allocated to the repayment of long-term debt are created at the time of the current or future issuance of long-term debt on the basis of the subsidy rates for the various capital assets being financed. These rates are established based on the terms of the Government of Quebec's assistance program for the public transport of people and other agreements.

h) Long-term investments

Investments in the subsidiaries are presented according to the modified equity method of accounting.

i) Employee future benefit expense and liability

The Société's employee future benefit plans are all defined benefit plans.

The liability for these plans reflects the year-end difference existing between the value of the accrued benefit obligation and the value of plan assets, net of unamortized actuarial gains and losses and the valuation allowance. The actuarial valuation of this liability is determined using the projected benefit method prorated on years of service with salary projection. It is also based on actuarial assumptions that include management's best estimates on, among other things, discount rates, the anticipated rate of return on plan assets and the rate of increase in salaries and healthcare costs.

Plan assets are valued using a market-related value, determined over a period not exceeding five years.

Past service costs related to plan amendments are recognized in the year in which the amendments are made.

Actuarial gains or losses resulting from the difference in the actual and anticipated returns on the plan assets or resulting from changes in actuarial assumptions are deferred and amortized over the average remaining service life of active employees. At December 31, 2009, the average remaining service life varied from four to sixteen years.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

j) Capital assets

Capital assets are recorded at cost and amortized over their estimated useful lives using the straight-line method for the following periods:

Buildings	40 years
Original network and métro extensions	40 and 100 years
Improvements to métro infrastructure	15, 25, 40 and 100 years
Local Infrastructure	20 and 40 years
Regional infrastructure	20 and 40 years
Rolling stock – buses	13 to 16 years
Rolling stock – minibuses	5 years
Rolling stock – other	5 and 10 years
Leasehold improvements	Lease term
Office equipment and software	5 and 10 years
Machinery, tools and equipment	15 years

Capital assets are amortized from the date they are put into service. Capital assets in progress (projects being carried out)and capital assets taken out of service are not subject to amortization. When the value of the future economic benefit of a capital asset is less than its net carrying value, its cost is reduced to reflect its decreased value.

Capital assets received without consideration are recorded at the cost of the government authority responsible for developing them.

Interest on the sums intended for the financing of the acquisition of capital assets is capitalized until these goods are put into service.

k) Inventories

Inventories of supplies and replacement parts include parts used in the maintenance of the Société's rolling stock and infrastructure. They are measured at the lower of average cost and net realizable value, the latter corresponding to the replacement cost.

l) Other non-financial assets

Issuance costs for long-term debt are amortized on a straight-line basis over the term of the loans.

m) Environmental obligations

The Société records an environmental liability when it is likely that corrective measures will be applied, and the costs of these measures can be reasonably estimated.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

n) Derivative financial instruments

The Société periodically concludes currency and interest rate swap contracts as well as swap contracts on commodities with major financial institutions to protect itself in part against fluctuations in currency and interest rates and in the price of certain purchases (fuel).The Société does not use financial instruments for speculative purposes.

As part of the management of its currency and interest rate risk on long-term debt, the Société properly documents its objective and strategy for the management of the risks underlying its hedging activities as well the relationship between the hedging instruments and the hedged items. This process consists of connecting these derivative financial instruments to specific assets and liabilities, to firm commitments or to specific anticipated operations.

The Société uses various derivative instruments to translate the cash flow for debt denominated in a foreign currency and having a variable interest rate into cash flow for debt at a fixed rate denominated in Canadian dollars, thus creating a synthetic instrument. Synthetic instrument accounting is used to account for the assets and liabilities constituting the synthetic instrument. As a result, the Société records these to emulate the debt.

The Société periodically uses commodity swap contracts to protect itself from fluctuations in the price of fuel. Related gains and losses are recorded on the Statement of Operations during the period in which they are realized and are presented with the expense related to the hedged item.

o) Budgetary data

The Statement of Operations and the Statement of Change in Net Debt include a comparison with the budgetary data, adjusted in accordance with Canadian GAAP applicable to local administrations recommended by the CICA's Public Sector Accounting Board.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009
(in thousands of dollars)

4. PASSENGER REVENUE

	2009	2008
Bus and métro service	**415,157**	400,579
Paratransit service	**2,686**	2,325
Paratransit service [a]	**45,344**	41,813
	463,187	444,717

[a] The regional revenue attributable to the Société is derived from the sharing of revenue from the sale of metropolitan transit fares by the Agence métropolitaine de transport ("AMT").

5. SUBSIDIES

	2009	2008
Operations		
Government assistance program for the public transport of people [a]	**29,675**	25,804
Public transit service improvement program [b]	**29,724**	16,558
Paratransit service [c]	**34,779**	32,467
Other	**582**	-
	94,760	74,829
Investment		
Government assistance program for the public transport of people [a]	**169,039**	102,081
Public transit service improvement program [b]	**-**	20,299
Program for the financing of local infrastructure in Quebec [d]	**46,246**	56,816
Program to improve transportation security [e]	**6,523**	5,842
Urban Transportation Showcase Program [f]	**66**	1,375
	221,874	186,413
	316,634	261,242

[a] Government assistance program for the public transport of people (PAGTCP)

Under the Government of Quebec's assistance program for the public transport of people and other agreements, the Société is eligible for subsidies ranging from 50% to 75% for the acquisition of admissible capital assets including long-term debt interest related to bus purchases, the construction of buildings, the renovation of métro stations, the renovation of métro cars and for other specific expenditures.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

(in thousands of dollars)

5. SUBSIDIES (CONT'D)

(b) Public transit service improvement program (PASTEC)

The Société is eligible for a subsidy of up to 50% of operating expenses (or in certain cases, investing expenses) deemed admissible by the Ministère des Transports, over a period of five years starting in 2007. The objective of this program, which stems from the Quebec Public Transit Policy, is to increase public transit ridership by 8% between now and 2011. This government assistance could reach $48.0 million in 2011 if the growth in the Société's service offer reaches a level of 16%.

(c) Paratransit service

Under the Government of Quebec's Paratransit assistance program, the Société is eligible for a subsidy that includes an annually indexed envelope as well as an amount allocated on the basis of trips carried out.

(d) Program for the financing of local infrastructure in Quebec (SOFIL)

Under the powers conferred on the Société de financement des infrastructures locales du Québec (SOFIL), the Société is eligible, as of 2006, for a subsidy equal to 84.5% of the capital asset acquisitions deemed admissible by the Ministère des Transports. This subsidy is increased by a contribution of 15.5% from the Montréal Urban Agglomeration, bringing the total subsidy for admissible acquisitions to 100%.

(e) Program to improve transportation security (Transit-Secure)

This Federal Government program is designed to increase the security of public transit users by putting the emphasis on systems, training and equipment. This program subsidizes up to 75% of admissible expenses.

(f) Urban Transportation Showcase Program (UTSP)

This program, financed by Transport Canada, is targeted at implementing showcases to promote innovative approaches to the reduction of greenhouse gases.

6. REGIONAL CONTRIBUTIONS AND CONTRIBUTIONS FROM MUNICIPALITIES OUTSIDE THE MONTRÉAL URBAN AGGLOMERATION

	2009	2008
Regional contributions		
For trips on the métro network [a]	**45,073**	43,933
For trips on metropolitan bus routes [a]	**5,447**	5,714
For equipment and infrastructure [b]	**1,207**	1,267
Fare integration [c]	**1,497**	2,286
	53,224	53,200
Contribution from municipalities outside the Montréal Urban Agglomeration [d]	**5,393**	4,336
	58,617	57,536

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6. REGIONAL CONTRIBUTIONS AND CONTRIBUTIONS FROM MUNICIPALITIES OUTSIDE THE MONTRÉAL URBAN AGGLOMERATION (CONT'D)

(a) Bus and métro

The Société receives assistance from the AMT for trips carried out by métro and bus on the metropolitan transportation network.

(b) Regional equipment and infrastructure

Under Section 37 of *An Act Respecting the Agence métropolitaine de transport*, the AMT must acquire from the Société the equipment and infrastructure required for the metropolitan bus transportation network. At December 31, 2009, the contract specifying the date and terms for the transfer of these assets was not signed. However, the AMT is reimbursing the Société for their operating costs.

(c) Fare integration

Metropolitan assistance paid to the transit authorities, the objective of which is to ensure that, for each fare zone, no authority assumes a portion of the discount for the reduced and intermediate fares that exceeds the discount given to purchasers of TRAM fares (integrated monthly pass providing access to the commuter trains, buses and métro in the metropolitan area) for that zone.

(d) Contribution from municipalities outside the Montréal Urban Agglomeration

On February 22, 2007, the Government of Quebec signed an agreement covering the terms for the sharing of the métro deficit for a period of five years from 2007 to 2011. The total contribution from the municipalities outside the Montréal Urban Agglomeration is pre-established for the period of the agreement.

7. AUTRES REVENUS

	2009	2008
Advertising	**13,674**	14,199
Share of profit from a subsidiary	**1,630**	3,455
Sinking fund revenue	**7,058**	6,023
Insurance rebates	**4,048**	-
Other	**8,359**	6,548
	34,769	30,225

8. INTEREST AND FINANCING COSTS

	2009	2008
Short-term financing costs	**4,092**	2,105
Interest on long-term debt	**56,966**	45,642
	61,058	47,747

NOTES TO THE FINANCIAL STATEMENTS

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9. SINKING FUND INVESTMENTS

	2009	2008
Cash	**24,994**	38,240
Bonds and bond coupons	**143,200**	116,316
Interest receivable	**983**	778
	169,177	155,334

The maturities of the bonds and bond coupons held by the Société are as follows:

	Investments guaranteed by the Government of Quebec	Nominal weighted interest rate
2010	29,909	5.58%
2011	8,398	5.03%
2012	13,171	4.27%
2013	27,162	4.41%
2014	33,282	3.46%
More than 5 years	57,255	4.03%
	169,177	

10. SUBSIDIES RECEIVABLE

	2009	2008
Government of Quebec		
Receivables to be allocated to repayment of long-term debt	**558,353**	374,710
Receivables to be allocated to repayment of long-term debt not yet issued	**42,307**	108,643
Program for financing local infrastructure	**28,192**	85,163
Government assistance program for the public transport of people	**11,105**	25,775
Paratransit service	**13,121**	12,840
Public transit service improvement program	**38,179**	20,204
	691,257	627,335
Government of Canada		
Program to improve transportation security	**627**	6,325
Agence métropolitaine de transport		
Capital assets	**225**	810
	692,109	634,470

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11. REGIONAL CONTRIBUTIONS AND CONTRIBUTIONS FROM MUNICIPALITIES OUTSIDE THE MONTRÉAL URBAN AGGLOMERATION RECEIVABLE

	2009	2008
Regional contributions	**25,857**	24,125
Contribution from municipalities outside the Montréal Urban Agglomeration	**3,801**	2,967
	29,658	27,092

12. OTHER RECEIVABLES

	2009	2008
Regional revenue	**7,566**	10,231
Tax claims from governments	**5,542**	5,448
General client receivables	**15,591**	16,605
Other	**3,979**	2,698
	32,678	34,982

An allowance for bad debt of $2.6 million ($2.7 million in 2008) has been deducted from other receivables.

13. LONG-TERM INVESTMENTS

	2009	2008
Investment in a subsidiary, recognized according to the modified equity method of accounting	**4,990**	5,760
Other subsidiary	**15**	15
	5,005	5,775

NOTES TO THE FINANCIAL STATEMENTS

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14. SHORT-TERM LOANS

The Société has an authorized loan up to a maximum of $600.0 million for its current operating expenses and for expenses incurred under a loan by-law.

Of this amount, a sum of $500.0 million can be borrowed, in whole or in part, by means of notes, bankers' acceptances or other instruments negotiable through the chartered banks or on the open short-term loan market, at a rate not exceeding 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, 2009, the nominal value of the commercial paper issuances totalled $87.0 million ($259.8 million in 2008), and the average rate on the temporary loans was 1.44% (3.39% in 2008).

The Société also has access to a line of credit of $100.0 million ($40.0 million in 2008) in the form of demand notes. 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 2009 was 2.43% (4.73% in 2008). At December 31, 2009, the line of credit used amounted to $0.1 million ($3.1 million in 2008) at an interest rate of 2.25% (3.50% in 2008).

An Act Respecting Transit Authorities stipulates that the Montréal Urban Agglomeration is the guarantor of the Société's commitments and obligations, including short-term loans contracted by the Société.

15. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2009	2008
Trade accounts payable and accrued liabilities	**141,336**	106,406
Salaries and benefits	**75,139**	51,211
Prepaid revenue	**15,520**	8,973
Accrued interest on long-term debt	**12,406**	9,769
Other	**17,581**	14,499
	261,982	190,858

NOTES TO THE FINANCIAL STATEMENTS

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16. LONG-TERM DEBT

	2009	2008
Bonds and bank loans, at fixed interest rates ranging from 3.75% to 6.85% (3.50% to 6.85% in 2008), maturing from February 2010 to November 2027	**1,181,848**	887,303

The long-term debt consists of bonds and bank loans that are direct and general obligations of the Société. *An Act Respecting Public Transit Authorities* stipulates that the Montréal Urban Agglomeration is the guarantor of the Société's commitments and obligations, including long-term debt contracted by the Société.

The Société used currency and interest rate swap contracts for loans totalling $207.0 million ($122.4 million in 2008). The swaps completely eliminate the exchange and interest rate risks.

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

	2009				2008	
Year of maturity	Canadian dollars [a]	To be refinanced	Net maturity	Weighted interest rates	Canadian dollars [a]	Weighted interest rates
2009	-	-	-	-	89 955	5.72%
2010	**25,642**	-	**25,642**	**4.83%**	25,642	4.82%
2011	**28,016**	**4,541**	**23,475**	**4.97%**	28,016	4.97%
2012	**68,740**	**15,400**	**53,340**	**5.30%**	68,740	5.27%
2013	**27,400**	**14,340**	**13,060**	**5.14%**	27,400	5.14%
2014	**182,100**	**27,900**	**154,200**	**4.91%**	-	-
1to 5 years	**331,898**	**62,181**	**269,717**	**5.01%**	239,753	5.34%
6 to 10 years	**630,652**	**34,300**	**596,352**	**4.88%**	512,752	4.83%
11 years and over	**219,298**	**14,000**	**205,298**	**5.31%**	134,798	4.97%
	1,181,848	**110,481**	**1,071,367**	**5.00%**	887,303	4.99%

[a] Including loans contracted in foreign currencies and subject to hedging

Change in long-term debt	2009	2008
Balance at beginning of year	**887,303**	951,171
New loans	**384,500**	-
Repayment	**(89,955)**	(63,868)
Balance at end of year	**1,181,848**	887,303
Breakdown of long-term debt		
Amounts accumulated in sinking fund	**169,177**	155,334
Amounts to be recovered for repayment of long-term debt		
from the Montréal Urban Agglomeration	**454,318**	357,259
from the Government of Quebec	**558,353**	374,710
	1,012,671	731,969
	1,181,848	887,303

The fair value of the long-term debt stands at $1,222.4 million ($909.2 million in 2008). It includes net financial liabilities associated with currency and interest rate swaps of $29.4 million ($22.2 million in 2008).

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

(in thousands of dollars)

17. EMPLOYEE FUTURE BENEFITS LIABILITY

	2009	2008
Defined benefit pension plans	**(100,218)**	8,734
Other pension plans	**104,851**	101,125
	4,633	109,859

The expenses relating to the defined benefit plans amount to -$47.1 million ($45.7 million in 2008).

a) Description of plans

The Société has a certain number of funded and unfunded defined benefit plans that guarantee the payment of retirement benefits, supplementary retirement benefits and post-employment benefits.

The Société's employees are active participants in one of the Société's two defined benefit plans. Employees covered by the Syndicat du transport de Montréal (CSN) pay contributions to the Régime de retraite de la Société de transport de Montréal (CSN) ("Régime CSN"), while the other employees pay contributions to the Régime de retraite de la Société de transport de Montréal (1992) ("Régime 1992"). These two plans invest in units of the Fiducie Globale des Régimes de retraite de la Société de transport de Montréal (Fiducie Globale), which administers these funds.

Contributions are calculated on the base salary at the rate of 6% for employees and 12% for the Société less its share of contributions to the Régime des rentes du Québec ("RRQ").

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.

The most recent actuarial valuation of the pension plans for funding purposes was carried out on December 31, 2005. The next valuation, carried out on December 31, 2008, was still not available on the date of the publication of these financial statements due to a new bill amending An Act Respecting Supplemental Pension Plans, which should be adopted on April 30, 2010.

In the case of the Régime 1992 and the Régime CSN, the employer cannot use the surplus unilaterally to lower its contributions. In fact, employees must be in agreement in determining the use of any surpluses. A portion of the surplus is reserved for the funding of future benefits (the reserve). Thus, the discounted future benefit is nil, giving rise to the recording of a valuation allowance that is deducted from the accrued benefit asset. At December 31, 2009, the valuation allowance stood at $357.2 million ($460.1 million in 2008).

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

(in thousands of dollars)

17. EMPLOYEE FUTURE BENEFITS LIABILITY (CONT'D)

Given that the Régime 1992 is in a deficit funding or insolvency position, additional contributions will have to be paid to the plan in the following order taking the "bankers' clause" into account:

- The Société no longer benefits from the contribution holiday calculated on the exemption according to the RRQ contribution.
- The Société pays an additional contribution that is sufficient to cover the amortization of the deficit up to the amount of the contribution holidays from 2000 to 2002.
- The balance of the amortization of the deficit, if applicable, is covered in equal parts by the Société and the employees up to a rate of 9% of the admissible salary for the employee portion.
- When the deficit funding or insolvency position is eliminated and the plan is again showing surpluses not required for its funding, the Société will be able to recover the capital and interest for the additional contributions paid.

During fiscal year 2009, the Société lost its right to a partial contribution holiday due to repercussions from the 2008 finan-cial crisis. At December 31, 2009, however, as it had a discounted future benefit of $13.2 million (on which the ceiling is approximately $118.0 million excluding interest), the accounting expense remains more or less the same as in 2008, and a receivable equal to the discounted future benefit is included in the account "Employee future benefits liability."

The Régime CSN does not benefit from a "bankers' clause." Therefore, in an actuarial deficit or insolvency situation, additional contributions would have to be paid to the plan in equal parts by the Société and the employees up to a rate of 9% of the admissible salary for the employee portion.

The Société's employees also benefit from a range of supplementary retirement benefits and post employment benefits including life insurance, health care coverage, banking of sick leave, salary continuance during short-term disability, plans to supplement benefits paid by the CSST and maternity and parental benefits as well as the maintaining of insurance coverage during certain prolonged absences. These benefits vary depending on the work group to which an employee belongs.

The Société values its accrued benefit obligations and the fair value of the plan assets for accounting purposes at December 31 of each year.

b) Reconciliation of the funding position of the employee benefit plans and the amounts recorded on the Statement of Financial Position

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Actuarial value of plan assets	**3,139,951**	**-**	3,266,758	-
Accrued benefit obligation	**(2,857,557)**	**(119,608)**	(2,943,138)	(97,636)
Funding position (deficit)	**282,394**	**(119,608)**	323,620	(97,636)
Unamortized actuarial losses (gains)	**174,982**	**14,757**	127,726	(3,489)
Asset (liability) for accrued benefits	**457,376**	**(104,851)**	451,346	(101,125)
Valuation allowance	**(357,158)**	**-**	(460,080)	-
Asset (liability) for employee future benefits	**100,218**	**(104,851)**	(8,734)	(101,125)

NOTES TO THE FINANCIAL STATEMENTS

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(in thousands of dollars)

17. EMPLOYEE FUTURE BENEFITS LIABILITY (CONT'D)

c) Plans for which the accrued benefit obligations exceed the assets

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Accrued benefit obligation	(11,377)	(119,608)	(10,057)	(97,636)
Actuarial value of plan assets	1,117	-	1,046	-
Déficit de capitalisation	(10,260)	(119,608)	(9,011)	(97,636)

d) Actuarial value of plan assets

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning of year	3,266,758	-	3,348,589	-
Contributions for the year	79,995	6,310	59,982	6,039
Anticipated return on plan assets	201,015	-	206,518	-
Benefits paid	(180,118)	(6,310)	(147,590)	(6,039)
Loss during the year on the anticipated return on plan assets	(227,699)	-	(200,741)	-
Balance at end of year	3,139,951	-	3,266,758	-
Fair value of plan assets	2,996,610	-	2,818,612	-

e) Accrued benefit obligation

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Balance at beginning of year	2,943,138	97,636	2,741,115	95,114
Cost of services rendered during the year	82,987	5,892	78,804	5,711
Cost of past services	-	-	123,970	-
Benefits paid	(180,118)	(6,310)	(147,590)	(6,039)
Interest receivable on the obligation	180,769	4,949	169,018	4,833
Loss (gain) on the obligation during the year	(169,219)	17,441	(22,179)	(1,983)
Balance at end of year	2,857,557	119,608	2,943,138	97,636

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009
(in thousands of dollars)

17. EMPLOYEE FUTURE BENEFITS LIABILITY (CONT'D)

f) Components of the expense for defined benefit plans

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Cost of services rendered during the year	**82,987**	**5,892**	78,804	5,711
Cost of past services	**-**	**-**	123,970	-
Employee contributions	**(28,237)**	**-**	(24,833)	-
Unamortized actuarial gains applied against the cost of past services	**-**	**-**	(123,767)	-
Amortization of actuarial losses (gains)	**11,224**	**(805)**	(16,759)	(609)
Retirement benefits expense	**65,974**	**5,087**	37,415	5,102
Interest receivable on the obligation	**180,769**	**4,949**	169,018	4,833
Anticipated return on plan assets	**(201,015)**	**-**	(206,518)	-
Interest cost (revenue)	**(20,246)**	**4,949**	(37,500)	4,833
Change in valuation allowance	**(102,922)**	**-**	35,848	-
Total expense	**(57,194)**	**10,036**	35,763	9,935

g) Principal actuarial assumptions (weighted rates)

The principal actuarial assumptions used in the actuarial valuations performed from December 31, 2008, to December 31, 2009, are as follows:

	2009		2008	
	Pension plans	Other plans	Pension plans	Other plans
Discount rate	**6.88%**	**5.00%**	6.25%	5.00%
Anticipated rate of return on plan assets	**6.90%**	**-**	6.25%	-
Salary escalation rate	**2.50%**	**3.25%**	2.99%	3.25%
Initial growth rate for healthcare costs	**-**	**9.22%**	-	9.53%
Ultimate growth rate for healthcare costs	**-**	**5.04%**	-	5.10%
Year when rate is expected to stabilize	**-**	**2025**	-	2016

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

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18. CAPITAL ASSETS

Cost

	Balance at start	Increase	Disposal/ Write-off	**Balance at end**
Land	7,352	-	-	**7,352**
Buildings	184,026	82,204	-	**266,230**
Original network and métro extensions	1,454,836	84	-	**1,454,920**
Improvements to métro infrastructure	541,473	169,767	18	**711,222**
Local infrastructure	12,184	2,371	-	**14,555**
Regional infrastructure	11,499	-	-	**11,499**
Rolling stock - buses	690,333	90,095	41,112	**739,316**
Rolling stock - minibuses	11,530	1,483	2,326	**10,687**
Rolling stock - other	34,172	2,769	436	**36,505**
Leasehold improvements	7,170	-	7,170	**-**
Office equipment and software	97,148	54,358	21,422	**130,084**
Machinery, tools and equipment	164,185	24,082	44,748	**143,519**
	3,215,908	427,213	117,232	**3,525,889**
Capital assets in progress	428,681	(59,040)	-	**369,641**
	3,644,589	368,173	117,232	**3,895,530**
Accumulated amortization				
Buildings	81,244	4,127	-	**85,371**
Original network and métro extensions	1,251,101	10,648	-	**1,261,749**
Improvements to métro infrastructure	97,175	23,076	18	**120,233**
Local infrastructure	4,035	362	-	**4,397**
Regional infrastructure	9,101	440	-	**9,541**
Rolling stock - buses	347,330	55,475	38,908	**363,897**
Rolling stock - minibuses	7,765	1,719	2,326	**7,158**
Rolling stock - minibuses	20,744	3,158	420	**23,482**
Leasehold improvements	7,170	-	7,170	**-**
Office equipment and software	47,388	10,219	21,422	**36,185**
Machinery, tools and equipment	65,837	10,426	44,748	**31,515**
	1,938,890	119,650	115,012	**1,943,528**
Net carrying value	1,705,699			**1,952,002**

Interest in the amount of $310 ($3,304 in 2008) was added to the cost of the capital assets in progress.

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(in thousands of dollars)

19. OTHER NON-FINANCIAL ASSETS

	2009	2008
Deposits for bus purchases	**17,248**	16,314
Prepaid expenses	**810**	1,310
Issuance costs for long-term debt	**4,775**	170
Other	**1,066**	3,325
	23,899	21,119

20. SUPPLEMENTARY INFORMATION TO THE STATEMENT OF CASH FLOW

Net change in non-cash items

	2009	2008
Contribution receivable from the Montréal Urban Agglomeration	**(18,393)**	(9,033)
Subsidies receivable	**(57,639)**	(62,728)
Regional contributions and contributions from municipalities outside the Montréal Urban Agglomeration receivable	**(2,566)**	(41)
Other receivables	**2,304**	(1,200)
Accounts payable and accrued liabilities	**71,124**	11,002
Employee future benefits liability	**(105,226)**	4,510
Inventories	**(1,036)**	(5,443)
Other non-financial assets (excluding deposits for bus purchases and issuance costs for long-term debt)	**2,759**	(1,702)
	(108,673)	(64,635)

Other information

	2009	2008
Interest paid on short-term loans not attributable to capital assets in progress	**4,092**	2,105
Interest paid on long-term debt	**54,156**	44,844

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

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21. FINANCIAL INSTRUMENTS

Use of derivative instruments

The Société uses derivative financial instruments to reduce the exchange and interest rate risks to which its long-term debt is exposed as well as the commodity risk on the price of fuel. It does not use financial instruments for speculative purposes.

Exchange and interest positions

At December 31, 2009, considering the use of currency and interest rate swap contracts, all the Société's loans are denominated in Canadian dollars and bear interest at a fixed rate.

Credit risk

In using derivative financial instruments, the Société is exposed to credit losses arising from third-party defaults on payment. The Société believes that these parties will be able to meet their obligations, as it deals only with recognized financial institutions whose credit ratings are higher than its own.

Liquidity risk

The Société believes that its credit facilities ensure it has sufficient funds to meet its short and longer-term financial requirements at a reasonable cost.

Fair value

The fair value of cash and temporary investments, the contribution receivable from the Montréal Urban Agglomeration, the subsidies receivable other than receivables to be used to repay long-term debt, the regional contributions and contributions from municipalities outside the Montréal Urban Agglomeration receivable, other receivables, short-term loans and accounts payable and accrued liabilities approximate their carrying value due to the short maturities of these financial instruments.

The following table shows the fair values and carrying values of other financial instruments:

	2009		2008	
	Fair value	**Carrying value**	**Fair value**	**Carrying value**
Sinking fund investments	**173,164**	**169,177**	158,755	155,334
Receivables to be used to repay long-term debt	**577,734**	**558,353**	383,969	374,710
Long-term debt	**1,222,433**	**1,181,848**	909,229	887,303

The fair value of sinking fund investments is the amount at which they could be exchanged on the market between parties at arm's length. The fair value of receivables to be used to repay long-term debt as well as the fair value of long-term debt are essentially based on a discounted cash flow calculation that uses rates of return or the year-end market price of similar instruments with the same maturity. The fair value of the currency and interest rate swaps is the amount the Société would receive or pay if these contracts closed at that date. At December 31, 2009, the fair value and carrying value of the financial liabilities associated with currency and interest rate swaps stood at $29.4 million and $27.0 million ($22.2 million and $22.2 million in 2008). They are included in the long-term debt amounts.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

22. COMMITMENTS

a) Long-term leases

The Société is committed to paying a sum of $91.9 million for rental premises under long-term leases expiring from July 31, 2010 to July 31, 2023. The minimum payments required for the next five years are $8.0 million for 2010, $7.7 million for 2011, $7.6 million for 2012, $7.7 million for 2013 and $7.5 million for 2014.

b) Service contract for a communications solution integrator

The Société is committed to paying a maximum of $8.0 million for the years 2009 to 2012. The three main components of this contract are the organization's telephone system in the amount of $4.8 million, Internet access services in the amount of $1.4 million and the call centre in the amount of $1.8 million.

Future annual payments amount to $2.0 million for the 2010 to 2012.

c) Contract for the purchase of city buses

The Société awarded two purchase contracts for low-floor city buses and a purchase contract for articulated buses, which run from 2008 to 2011, as part of a group purchase on behalf of members of the Association du transport urbain du Québec.

Only the purchase contract for the accelerated replacement of the first generation low-floor buses calls for a fixed price. The other two contracts include an indexation clause based on the Consumer Price Index and the Industry Price Index as well as on the change in the American exchange rate (US) and the European exchange rate (EURO) for the portion of the cost of a bus involving American and/or European content. As a guide, in the case of the contract for the low-floor buses, the American content represents 29% of the base cost, while the European content represents 9%. In the case of the contract for the articulated buses, the American content represents 23% and the European content, 6%. The companies have the option of reducing the quantities ordered by 10% or increasing them by 20%.

In the case of the low-floor city buses, the Société's share is 305 buses having a value of $144.2 million, with a balance of $40.1 million remaining at December 31, 2009. Future deliveries will take place as follows: $23.1 million in 2010 and $17.0 million in 2011.

In the case of the low-floor buses (accelerated replacement), the Société's share is 410 buses having a value of $204.5 million, with a balance of $178.8 million remaining at December 31, 2009. Future deliveries will take place as follows: $113.7 million in 2010 and $65.1 million in 2011.

In the case of the articulated buses, the Société's share is 202 buses having a value of $158.1 million, with a balance of $124.2 million remaining at December 31, 2009. Future deliveries will take place as follows: $75.2 million in 2010 and $49.0 million in 2011.

d) Asset maintenance program for fixed equipment in the métro

The Société signed a contract with an engineering firm in the amount of $83.8 million in 2007, with a remaining balance of $20.2 million, to operate a project office responsible for carrying out the asset maintenance program for fixed equipment in the métro. Scheduled payments are $16.1 million in 2010 and $4.1 million in 2011.

e) Métro command centre

The Société also signed a contract with another engineering firm in the amount of $135.1 million covering all the métro telecommunications systems, with a remaining balance of $50.7 million in 2009. Scheduled payments are $17.1 million in 2010 and $16.8 million in 2011 and 2012.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

22. COMMITMENTS (CONT'D)

f) Contract for the maintenance of the fare sales and collection system and equipment

As part of the project to upgrade the fare sales and collection system and equipment, the Société has awarded a contract for the maintenance of the system software and equipment. Payments for future years are $2.4 million from 2010 to 2012, $2.1 million in 2013 and $0.5 million in 2014.

g) Contract for the supply of fuel

The Société negotiated a contract with a supplier to provide fuel for a predetermined period. In order to protect itself from price fluctuations, the Société negotiated agreements (swap contracts) with financial institutions. Over the total length of these agreements, from January 2008 to December 2012, the Société is committed to purchasing 153.3 million litres at a fixed price, representing an amount of approximately $102.7 million.

At December 31, 2009, the balance of the Société's commitment amounted to 92.2 million litres for a sum of $62.0 million.

23. CONTINGENCIES

a) Possible claims

The total of the amounts claimed by plaintiffs stands at $68.8 million. These claims consist of, among others, two class action suits totalling $65.3 million from users inconvenienced during the strikes in 2003 and 2007. The balance of $3.5 million in claims consists of contractual or extracontractual suits by companies or individuals. At December 31, 2009, the Société made a provision for an amount deemed sufficient for these claims.

b) Environmental obligations

As a owner of contaminated land, the Société could be required to take certain actions to conform with *An Act to amend the an Environment Quality Act and other legislative provisions with regard to land protection and rehabilitation* (2002, Section 11). It could involve identifying and, if necessary, rehabilitating certain land. The Société cannot establish the cost of the measures to be taken at this time.

c) Conveyance of property relating to the extension of the métro on the territory of the Ville de Laval

On April 28, 2007, the AMT transferred the property relating to the extension of the métro on the territory of the Ville de Laval to the Société at no cost under Section 47 of *An Act Respecting the Agence métropolitaine de transport* ("deed evidencing the transfer dated April 28, 2007"). On December 21, 2007, this transfer was cancelled on the condition that a new agreement be negotiated by the parties before February 28, 2008 ("reconveyance agreement dated December 21, 2007").

The expiry date of the reconveyance agreement dated December 21, 2007, has been extended, once again, to June 30, 2010.

The purpose of this delay is to allow for the conveyance of the property as well as the related debt according to terms that will have no financial impact on the two parties. Thus, if the agreement is concluded, the Société will become owner of the assets and the corresponding debt for the métro extension on the territory of the Ville de Laval without, however, having to repay the debt, as it is subsidized in its entirety by Transports Québec.

NOTES TO THE FINANCIAL STATEMENTS

At December 31, 2009

23. CONTINGENCIES (CONT'D)

This transfer would increase the Société's assets by an amount of approximately $1,355.2 million excluding taxes, or $677.6 million for capital assets and receivables to be used to repay long-term debt, and would increase liabilities by $677.6 million for long-term debt, with the balance affecting the accumulated surplus.

In the event that no agreement has been concluded or no extension granted by June 30, 2010, the Société will become sole owner of the assets as stipulated in the conveyance agreement of April 28, 2007.

24. SUBSEQUENT EVENT

On March 10, 2010, the Société concluded an agreement that was under negotiation at the end of 2009 covering the entire métro telecommunications system (command centre). This agreement is an amendment to an existing contract and covers both the work that took place prior to December 31, 2009, and the internally-controlled work that will take place over the next three years. The expenses incurred to date as well as those to come are eligible for a subsidy under the government assistance program for the public transport of people (PAGTCP).

This agreement gave rise to the recognition of capital assets in progress as well as a corresponding liability of $40.1 million, subsidy revenue and a subsidy receivable of $30.1 million as well as a contractual agreement of $50.7 million at December 31, 2009.

25. COMPARATIVE FIGURES

Certain figures from the previous year have been restated to conform to the current year's presentation.

26. OPINION OF THE AUDITORS

Certain figures from the previous year have been restated to conform to the current year's presentation.

TABLE 1 - ACCUMULATED SURPLUS

At December 31, 2009

(in thousands of dollars)

	2009	2008
Accumulated surplus		
Unrestricted operating surplus	-	3,821
Sinking fund	**169,177**	155,334
Working capital fund	**4,791**	3,414
Balances available from closed loan by-laws	**123**	123
Financing of investments in progress	**(18,843)**	(37,076)
Provision for future amounts	**(13,460)**	(111,597)
Net investment in long-term items	**1,309,525**	1,174,748
	1,451,313	1,188,767

Change in the accounts in the accumulated surplus

Unrestricted operating surplus

The unrestricted operating surplus includes the portion of the accumulated surplus that has no restriction on its use.

	2009	2008
Balance at beginning of year	**3,821**	1,582
Operating surplus for the year for tax purposes	-	3,821
Allocation to operating activities	**(3,821)**	(1,582)
Balance at end of year	-	3,821

Sinking fund

The sinking fund consists of amounts accumulated to pay long-term debt and the interest revenue on these amounts.

	2009	2008
Balance at beginning of year	**155,334**	117,012
Contribution from operating activities, including interest of $7.1 million ($6.0 million in 2008)	**58,896**	65,467
Repayment of long-term debt	**(45,053)**	(27,145)
Balance at end of year	**169,177**	155,334

Working capital fund

This fund consists of uncommitted capital that is reserved for the acquisition of certain capital assets.

	2009	2008
Balance at beginning of year	**3,414**	2,037
Contributions from operating activities	**1,377**	1,377
Balance at end of year	**4,791**	3,414

TABLE 1 - ACCUMULATED SURPLUS

At December 31, 2009
(in thousands of dollars)

Balances available from closed loan by-laws

This item represents all amounts available following the closing of loan by-laws.

	2009	2008
Balance at beginning of year	123	1,196
Use of investing activities	-	(1,073)
Use of investing activities	**123**	123

Financing of investments in progress

The financing of investments in progress relates to the acquisition of capital assets that have not yet been financed.

	2009	2008
Balance at beginning of year	(37,076)	68,861
Investing surplus (deficit) for the year for tax purposes	18,233	(105,937)
Balance at end of year	**(18,843)**	(37,076)

Provision for future amounts

The provision for future amounts corresponds to the net balance of the expenses recorded on the Statement of Operations that will be subject to transfer in the future to the statement of operating surplus for tax purposes. The provision results from the following items:

- Payroll liabilities:

Application of transitional measures relating to the move to accrual accounting as of January 1, 2000 (sick leaves and vacation amortized over a maximum period of 20 years).

- Employee future benefits:

Application of relief measures related to employee future benefits (amortization over a period estimated to run until 2023).

	2009	2008
Balance at beginning of year		
Payroll liabilities	(12,574)	(14,194)
Employee future benefits	(99,023)	(99,023)
	(111,597)	(113,217)
Decrease for the year		
Payroll liabilities	1,718	1,620
Employee future benefits	96,419	-
	98,137	1,620
Balance at end of year		
Payroll liabilities	(10,856)	(12,574)
Employee future benefits	(2,604)	(99,023)
	(13,460)	(111,597)

TABLE 1 - ACCUMULATED SURPLUS

At December 31, 2009

(in thousands of dollars)

Net investment in long-term items

The net investment in long-term items consists of long-term investments and the net carrying value of the capital assets reduced by the debt related to these capital assets and increased by the sinking fund investments and receivables to be allocated to the repayment of long-term debt.

	2009	2008
Balance at beginning of year	**1,174,748**	968,117
Investing activities		
Acquisition of capital assets	**368,173**	316,673
Financing	**(149,263)**	(6,560)
	218,910	310,113
Operating activities		
Capital assets	**(121,870)**	(102,708)
Financing	**37,737**	(774)
	(84,133)	(103,482)
Balance at end of year	**1,309,525**	1,174,748
Composition		
Assets		
Long-term investments	**999**	999
Receivables to be allocated to the repayment of long-term debt	**558,353**	374,710
Capital assets	**1,952,002**	1,705,699
	2,511,354	2,081,408
Liabilities		
Long-term debt	**(1,181,848)**	(887,303)
Debt being refinanced	**(11,010)**	(10,529)
Operating activities to be financed	**(8,971)**	(8,828)
	(1,201,829)	(906,660)
	1,309,525	1,174,748

TABLE 2 - TOTAL NET LONG-TERM INDEBTEDNESS

At December 31, 2009
(in thousands of dollars)

	2009	2008
Long-term debt		
Bonds and bank loans	**1,181,848**	887,303
Plus		
Investing activities to be financed	**18,843**	37,076
Operating activities to be financed	**8,971**	8,828
Debt being refinanced	**11,010**	10,529
Less		
Amounts accumulated in the sinking fund	**(169,177)**	(155,334)
Receivables to be allocated to the repayment of long-term debt	**(558,353)**	(374,710)
TOTAL NET LONG-TERM INDEBTEDNESS	**493,142**	413,692

The total net long-term indebtedness represents the total debt for which the Société is responsible including the participation of its partners. An upward trend in this indicator can be expected over the coming years to clearly reflect the massive investment of $10 billion required over a period of 10 years to upgrade the Société's aging infrastructure. This increase in indebtedness will potentially be mitigated by the subsidies for which the rates will be higher than in the past and by a reduction in the issuance of long-term debt due to the cash financing of certain projects under government assistance programs such as the second phase of the program from the Société de financement des infrastructures locales du Québec (SOFIL).

UNAUDITED SUPPLEMENTARY INFORMATION

RESULTS OF OPERATIONS

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	Actual	Actual	Actual
Revenues				
Passenger revenue	**464,309**	**463,187**	444,717	415,655
Contribution from the Montréal Urban Agglomeration	**332,000**	**332,000**	301,700	277,038
Subsidies	**102,133**	**94,760**	74,829	55,400
Regional contributions and contributions from municipalities outside the Montréal Urban Agglomeration	**61,516**	**58,617**	57,536	57,291
New sources of financing	**38,000**	**-**	-	-
Deferred surplus (deficit)	**4,000**	**3,821**	1,582	(13,606)
Other revenue	**26,702**	**28,809**	26,412	25,376
	1,028,660	**981,194**	906,776	817,154
Expenses				
Remuneration	**664,134**	**657,813**	615,538	584,135
Energy costs, taxes and licences	**108,857**	**93,980**	85,718	76,529
Professional services	**60,956**	**67,742**	61,610	43,268
Equipment and supplies	**48,350**	**51,252**	48,672	43,807
Rentals	**8,348**	**8,302**	8,212	8,160
Interest and financing costs	**110,173**	**103,538**	88,100	76,504
Sundry expenses	**27,842**	**17,510**	17,105	12,169
	1,028,660	**1,000,137**	924,955	844,572
Operating deficit for tax purposes before additional contribution from the Montréal Urban Agglomeration	**-**	**(18,943)**	(18,179)	(27,418)
Additional contribution from the Montréal Urban Agglomeration	**-**	**18,943**	22,000	29,000
Operating surplus for the year for tax purposes	**-**	**-**	3,821	1,582

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

REVENUES BY TYPE

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	Actual	Actual	Actual
OPERATIONS				
PASSENGER REVENUE				
Bus and métro service				
Regular				
Cash	58,316	66,005	56,748	50,967
Tickets	78,053	72,491	72,996	71,876
CAM	169,275	171,278	161,068	148,744
Weekly CAM	29,621	27,960	28,646	27,146
	335,265	337,734	319,458	298,733
Reduced				
Cash	3,442	3,003	3,465	3,839
Tickets	14,413	10,725	14,807	13,993
CAM	59,638	58,637	57,948	57,262
Weekly CAM	2,549	1,718	2,491	2,437
	80,042	74,083	78,711	77,531
	415,307	411,817	398,169	376,264
Tourist cards	1,572	2,463	1,690	1,352
Allocation of revenue relating to commuter trains	800	877	720	691
	417,679	415,157	400,579	378,307
Paratransit service	2,727	2,686	2,325	2,144
Regional revenue	43,903	45,344	41,813	35,204
	464,309	463,187	444,717	415,655
CONTRIBUTION FROM THE MONTRÉAL URBAN AGGLOMERATION				
Base contribution	332,000	332,000	301,700	277,038
Additional contribution	-	18,943	22,000	29,000
	332,000	350,943	323,700	306,038
SUBSIDIES				
Government assistance program for the public transport of people (PAGTCP)	36,045	29,675	25,804	19,024
Public transit service improvement program (PASTEC)	29,098	29,724	16,558	5,086
Paratransit service	36,990	34,779	32,467	30,793
Other	-	582	-	497
	102,133	94,760	74,829	55,400
Amount to be carried forward	898,442	908,890	843,246	777,093

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

REVENUES BY TYPE

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	Actual	Actual	Actual
Amount carried forward	**898,442**	**908,890**	843,246	777,093
REGIONAL CONTRIBUTIONS AND CONTRIBUTIONS FROM MUNICIPALITIES OUTSIDE THE MONTRÉAL URBAN AGGLOMERATION				
Regional contributions				
For trips on the métro network	**46,933**	**45,073**	43,933	44,260
For trips on metropolitan bus routes	**5,609**	**5,447**	5,714	5,504
For equipment and infrastructure	**1,233**	**1,207**	1,267	1,296
Fare integration	**2,348**	**1,497**	2,286	2,292
	56,123	**53,224**	53,200	53,352
Contribution from municipalities outside the Montréal Urban Agglomeration	**5,393**	**5,393**	4,336	3,939
	61,516	**58,617**	57,536	57,291
NEW SOURCES OF REVENUE	**38,000**	**-**	-	-
OTHER REVENUE	**31,739**	**34,769**	30,225	32,031
INVESTING				
CONTRIBUTION FROM THE MONTRÉAL URBAN AGGLOMERATION				
Contribution for capital assets from the program for financing local infrastructure in Quebec (SOFIL)	**5,703**	**8,483**	10,417	16,544
SUBSIDIES				
Government assistance program for the public transport of people (PAGTCP)	**368,933**	**169,039**	102,081	235,476
Public transit service improvement program (PASTEC)	**12,847**	**-**	20,299	-
Program for financing local infrastructure in Quebec (SOFIL)	**31,090**	**46,246**	56,816	90,168
Program to improve transportation security (Transit-Secure)	**8,342**	**6,523**	5,842	-
Urban Transportation Showcase Program (UTSP)	**-**	**66**	1,375	-
Canada-Quebec Infrastructure Program (CQIW)	**-**	**-**	-	16,547
	421,212	**221,874**	186,413	342,191
	1,456,612	**1,232,633**	1,127,837	1,225,150

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

EXPENSES BY TYPE

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	Actual	Actual	Actual
Remuneration	**658,215**	**558,701** [a]	618,528	581,192
Goods and services				
Energy costs, taxes and licences	**110,270**	**90,589**	81,820	73,521
Professional services	**65,375**	**67,210**	64,594	43,078
Equipment and supplies	**48,350**	**50,371**	46,593	43,780
Rentals	**8,348**	**7,136**	7,637	8,082
Interest and financing costs	**71,507**	**61,058**	47,747	41,492
Amortization of capital assets	**90,217**	**119,650**	100,400	94,249
Sundry expenses	**27,842**	**15,372**	17,339	12,169
	421,909	**411,386**	366,130	316,371
	1,080,124	**970,087**	984,658	897,563

[a] See the "Analysis of the Financial Statements - Operating surplus for financial purposes" section under the heading "Expenses".

EXPENSES BY FUNCTION

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	Actual	Actual	Actual
NETWORK OPERATIONS				
Bus network				
Remuneration	**320,262**	**323,997**	305,935	289,789
Goods and services	**67,304**	**67,642**	57,244	51,053
	387,566	**391,639**	363,179	340,842
Métro network				
Remuneration	**167,040**	**162,028**	154,904	143,359
Goods and services	**44,870**	**45,503**	43,726	39,199
	211,910	**207,531**	198,630	182,558
Paratransit [(a)]				
Remuneration	**19,469**	**20,447**	18,944	17,666
Goods and services	**31,364**	**26,839**	24,509	22,941
	50,833	**47,286**	43,453	40,607
	650,309	**646,456**	605,262	564,007
OPERATIONS SUPPORT				
Management and engineering				
Remuneration	**21,552**	**22,604**	20,459	18,463
Goods and services	**2,708**	**2,673**	3,884	2,538
	24,260	**25,277**	24,343	21,001
Surveillance				
Remuneration	**11,911**	**10,955**	9,142	14,035
Goods and services	**12,670**	**14,098**	11,566	2,167
	24,581	**25,053**	20,708	16,202
Infrastructure construction and maintenance				
Remuneration	**23,132**	**20,928**	20,498	20,457
Goods and services	**7,583**	**7,989**	6,892	6,030
	30,715	**28,917**	27,390	26,487
	79,556	**79,247**	72,441	63,690
ADMINISTRATIVE SERVICES				
Management of shared services				
Remuneration	**37,558**	**37,619**	34,382	32,899
Goods and services	**18,346**	**17,379**	16,893	13,383
	55,904	**54,998**	51,275	46,282
Amount to be carried forward	**785,769**	**780,701**	728,978	673,979

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

EXPENSES BY FUNCTION

Fiscal Year ended December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	**Actual**	**Actual**	**Actual**
Amount carried forward	**785,769**	**780,701**	728,978	673,979
ADMINISTRATIVE SERVICES (CONT'D)				
Communications and marketing				
Remuneration	**15,426**	**14,455**	11,538	10,565
Goods and services	**8,478**	**8,842**	8,152	5,094
	23,904	**23,297**	19,690	15,659
Human Resources				
Remuneration	**15,341**	**15,322**	15,060	13,494
Goods and services	**2,625**	**4,279**	3,325	2,680
	17,966	**19,601**	18,385	16,174
Corporate services				
Remuneration	**9,257**	**8,380**	6,878	6,306
Goods and services	**2,598**	**2,385**	1,665	1,763
	11,855	**10,765**	8,543	8,069
	53,725	**53,663**	46,618	39,902
SPECIAL PROJECTS				
Remuneration	**-**	**4,801**	6,055	1,817
Goods and services	**19,349**	**4,170**	7,615	2,333
	19,349	**8,971**	13,670	4,150
OTHER EXPENSES				
Remuneration	**17,267**	**(82,835)**	14,733	12,342
Goods and services	**36,453**	**28,879**	32,512	29,401
	53,720	**(53,956)**	47,245	41,743
FINANCING COSTS				
Goods and services	**71,507**	**61,058**	47,747	43,540
AMORTIZATION				
Goods and services	**90,217**	**119,650**	100,400	94,249
UNFORESEEN EXPENSES				
Goods and services	**5,837**	**-**	-	-
	1,080,124	**970,087**	984,658	897,563
[a] Paratransit				
Paratransit service on the statement of operations	**52,061**	**48,475**	44,696	41,741
Expenses included in other functions	**(1,228)**	**(1,189)**	(1,243)	(1,134)
	50,833	**47,286**	43,453	40,607

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

FINANCING OF CAPITAL ASSETS

At December 31, 2009

(in thousands of dollars)

		2009	2008	2007
	Budget	Actual	Actual	Actual
CAPITAL ASSET ACQUISITIONS	(637,960)	(368,173)	(316,673)	(225,240)
FINANCING				
Federal Government				
Program to improve transportation security (Transit-Secure)	8,342	6,523	5,842	-
Urban Transportation Showcase Program (UTSP)	-	66	1,375	-
	8,342	6,589	7,217	-
Provincial Government				
Government assistance program for the public transport of people (PAGTCP)	368,933	169,039	102,081	235,476
Public transit service improvement program (PASTEC)	12,847	-	20,299	-
Program for financing local infrastructure in Quebec (SOFIL)	31,090	46,246	56,816	90,168
Canada-Quebec Infrastructure Program (CQIW)	-	-	-	16,547
	412,870	215,285	179,196	342,191
Municipal contribution				
Program for financing local infrastructure in Quebec (SOFIL)	5,703	8,483	10,417	16,544
Société de transport de Montréal				
Long-term financing of investing activities	207,175	149,263	6,560	103,773
Allocations to operating activities	1,567	6,786	6,273	5,560
Closed loan by-laws	2,303	-	1,073	-
Working capital fund	-	-	-	2,542
	211,045	156,049	13,906	111,875
	637,960	386,406	210,736	470,610
Investing surplus (deficit) for tax purposes	-	18,233	(105,937)	245,370

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

LONG-TERM DEBT

At December 31, 2009

(in thousands of dollars)

	2009	2008
Bond, $35,000		
5.40%, matured April 8, 2009 [a]	-	9,005
Bond, $30,000		
5.90%, matured August 6, 2009 [a]	-	7,470
Bond, $25,000		
6.85%, matured February 16, 2009	-	2,041
6.85%, maturing February 16, 2010	**2,186**	2,186
Bond, $60,000		
5.50%, matured November 15, 2009	-	4,559
5.70%, maturing November 15, 2010	**4,796**	4,796
5.75%, maturing November 15, 2011	**9,586**	9,586
Bond, $40,000		
4.80%, matured October 24, 2009	-	3,110
5.00%, maturing October 24, 2010	**3,260**	3,260
5.15%, maturing October 24, 2011	**3,430**	3,430
5.25%, maturing October 24, 2012	**9,110**	9,110
Bond, $75,000		
4.80%, matured May 6, 2009	-	5,000
5.00%, maturing May 6, 2010	**5,300**	5,300
5.15%, maturing May 6, 2011	**5,700**	5,700
5.30%, maturing May 6, 2012	**6,000**	6,000
5.40%, maturing May 6, 2013	**20,600**	20,600
Bond, $42,000		
4.15%, matured August 19, 2009	-	9,070
Bond, $75,000		
3.50%, matured April 27, 2009	-	6,900
3.75%, maturing April 27, 2010	**7,200**	7,200
4.00%, maturing April 27, 2011	**6,300**	6,300
4.15%, maturing April 27, 2012	**6,500**	6,500
4.35%, maturing April 27, 2013	**6,800**	6,800
4.50%, maturing April 27, 2014	**7,100**	7,100
4.60%, maturing April 27, 2015	**15,100**	15,100
Bond, $14,000		
4.00%, matured November 8, 2009	-	2,800
4.00%, maturing November 8, 2010	**2,900**	2,900
4.00%, maturing November 8, 2011	**3,000**	3,000
Amount to be carried forward	**124,868**	174,823

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

LONG-TERM DEBT

At December 31, 2009

(in thousands of dollars)

	2009	2008
Amount carried forward	**124,868**	174,823
Bond, $300,000		
5.00%, maturing December 1, 2019	**300,000**	-
Bank loan, $47,130 [b]		
5.46%, maturing January 9, 2012 [a]	**47,130**	47,130
Bank loan, $75,350 [b]		
4.74%, maturing June 7, 2017	**54,252**	54,252
4.92%, maturing June 7, 2027	**21,098**	21,098
Bank loan, $84,500 [b]		
5.85%, maturing January 29, 2024	**84,500**	-
Bank loan, $40,000		
6.77%, matured December 9, 2009 [a]	**-**	40,000
Bank loan, $100,000		
4.71%, maturing April 21, 2014 [a]	**100,000**	100,000
Bank loan, $75,000		
5.22%, maturing October 22, 2014 [a]	**75,000**	75,000
Bank loan, $100,000		
4.67%, maturing February 24, 2016 [a]	**60,000**	60,000
4.89%, maturing February 24, 2021	**40,000**	40,000
Bank loan, $100,000		
4.36%, maturing January 19, 2017 [a]	**73,250**	73,250
4.55%, maturing January 19, 2022	**16,270**	16,270
4.60%, maturing January 19, 2027	**10,480**	10,480
Bank loan, $175,000		
5.11%, maturing November 15, 2017 [a]	**128,100**	128,100
5.27%, maturing November 15, 2022	**17,700**	17,700
5.32%, maturing November 15, 2027	**29,200**	29,200
TOTAL	**1,181,848**	887,303
TOTAL NET LONG-TERM INDEBTEDNESS	**493,142**	413,692

[a] Portion in sinking fund

[b] Amount that the Société will have to disburse at maturity in accordance with currency exchange swaps.

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

FINANCIAL RATIOS

At December 31, 2009

The Société formalized the normal management practices on which it bases its financing decisions. The approach was formalized with the adoption and implementation of policies including a debt management policy and a financial risk management policy. The debt management policy favours the implementation of financial ratios that serve as long-term indicators of the Société's financial health. Among these indicators are the indebtedness ratios.

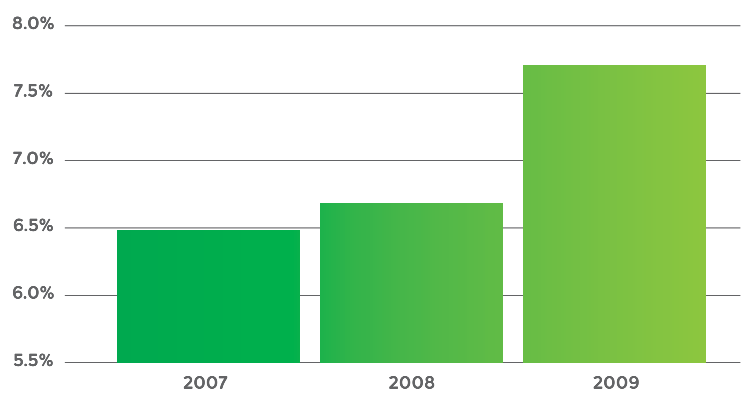
The three ratios chosen are indicators that illustrate the impact of investing decisions on the Société's long-term financial position.

These ratios must be compared on a historical basis. Following comparisons (international benchmarking) with companies of the same size, the Société established limits for each of the ratios. The Société uses these to demonstrate the impact of financing decisions on its financial position.

All the accounts in the financial statements used to calculate the ratios have been adjusted so that they represent only expenses exclusive to the Société. To this end, and for comparison purposes, any impact from the subsidies related to capital assets has been eliminated.

At December 31, 2009, all the ratios are within the target set and are below the limits established by the Société.

Percentage of net debt servicing in relation to net operating expenses



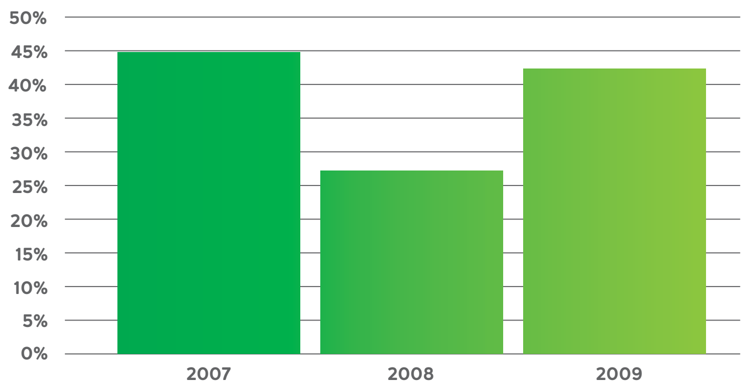
This ratio represents the portion of the expenses that is dedicated to debt servicing. The actual level of this ratio is 7.71%. This level is below the limit of 16% set by the Société.

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

FINANCIAL RATIOS

At December 31, 2009

Percentage of net debt in relation to net annual revenues

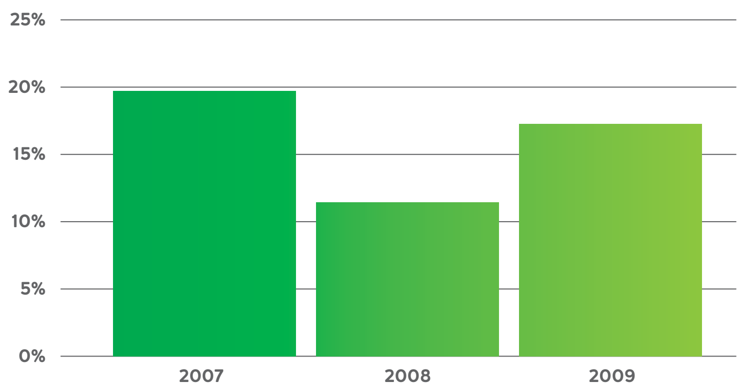


The net long-term debt must increase in proportion to revenues. The actual level of this ratio is 42.36%. This ratio is below the limit of 100% set by the Société.

FINANCIAL RATIOS

At December 31, 2009

Percentage of net debt in relation to net assets



This ratio is an indicator of the leverage used by the Société. The actual level of this ratio is 17.27%. This level is below the limit of 100% set by the Société.

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