

Work and Internal Control Procedures

02

Report from the President on the conditions for preparing and organising the Board of Directors business and on internal control procedures for the year ended 31 December 2004

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INTRODUCTION

The purpose of this document is to report on the preparation and organization of the Board of Directors' work and on the internal control procedures implemented within RATP, in accordance with the provisions of Article L. 225-37 of the French Commercial Code.

This is the second report prepared by the President on internal controls. It provides a summary of current procedures, with references to appendices for more detailed information. The report focuses in particular on the changes that have occurred since last year's report and describes the performance indicators used to measure the effectiveness of the procedures implemented.

1

THE BOARD OF DIRECTORS' WORK

1.1 Institutional Changes

The Board of Directors of RATP comprises 27 members: nine representatives of the French state and nine leading personalities who are appointed by decree, and nine staff delegates elected by Company employees. The Decree of June 7, 2004 amended the composition of the Board (see Appendix 1). The Directors (the list of which is presented at the beginning of the Annual Report) were officially appointed by the Decree issued on July 21, 2004, and a Decree dated July 26, 2004 appointed the President, who is also the Chief Executive Officer.

The Board is responsible for all the major strategic, economic, financial and technological decisions concerning the company, notably in terms of the company's multi-annual operating plan and business plan.

The work of the Board is planned and managed by two standing committees. The first deals primarily with issues concerning corporate development, technical matters and technology, and the second with economic and strategic issues. In addition the RATP/STIF Contract Implementation Committee advises on issues pertaining to the implementation of the multi-annual contract between RATP and the Ile-de-France transport authority (STIF), and any amendments.

The role of the Audit Committee, comprising six Board members, is to report to the Board on the financial statements, financial management, and the principles adopted for the management and preparation of accounting information. In April 2004 the Audit Committee reviewed the preliminary consolidated financial statements of RATP group for the year ended December 31, 2003.

The President sets the strategic issues to be discussed by the Board for the purposes of policymaking. Matters raised during the meeting in April 2004 included the modernization of the Paris metro system and particularly the automation of line 1.

1.2 Significant Events of 2004: Directions from the President

In compliance with the written terms of reference of the Board, the President presented her report with directions to the Board during its meeting on October 29, 2004. Her report entitled "**Un nouvel élan**" ("a new impulse") lays down the corporate strategies to be implemented by RATP over the next five years.

They are consistent with those adopted when she was first appointed company President in October 2002. The operational challenges and objectives to be met and achieved by RATP are set out in the 2004-2007 Business Plan, in the contract signed with STIF for the same period, and in the Contractual Plan between the Government and regional authorities for 2000-2006. They are backed by a highly dynamic investment policy. In institutional terms, the next period of operations will be affected by the creation of the new independent regional transport authority, and by compliance with the transparency obligations imposed on RATP by European regulations. The principal corporate challenge for RATP is to secure its market position and renown as a leading French company, by enhancing quality of service, improving business and economic risk management, and harnessing its market drive.

The other matters dealt with by the Board are listed in Appendix II. The minutes of meetings and general details of the Board's work are given in Appendix III.

2

INTERNAL CONTROL

The purpose of internal control is to enhance business management. It is therefore based on the effective understanding and management of risk. Given its business activities and special legal status (EPIC), RATP has a long tradition of implementing integrated internal control procedures and placing internal controls at the center of its decision-making.

> As a transport company, internal controls have always been performed by RATP to guarantee the security of its operations and user safety.

> As a state-owned company, RATP is subject to French government controls, which are conducted by the Economic and Financial Control Commission for Transport.

The relations between RATP and the Ile-de-France public transport authority have been set out contractually since 2000. RATP ensures the achievement of its contractual obligations by laying down objectives and implementing performance indicators at business unit level.

Guaranteeing quality is a constant concern. RATP has advanced in its implementation of French and international quality standards, both in terms of management and environmental issues, and has extended its quality certification to a wide number of businesses. Over fifty percent of employees are now involved in the quality process, and quality audits have been set up.

The employees involved in internal control procedures (senior management, operational managers, specialized audit staff) base their work on the auditing standards (for instance those issued by the French Audit and Internal Control Institute - IFACI) and internal control definitions established by the relevant business associations.

2.1 Employees involved in Internal Control

2.1.1 Local Level

Role of Management

Various people are responsible for internal control procedures at RATP. At local level, operational managers play a foremost role by guaranteeing both compliance with current legislation and regulations and quality of service.

Support and Control Groups

The managers are assisted in achieving their goals, by support and control groups, which lend their expertise and measure performance. This is particularly the case of the management control, human resources and purchasing departments, which function either as centralized or decentralized structures.

2.1.2 Business Unit Level

Other employees are involved at business unit level.

Employees involved in Controls in the Transport Business

Transport controls are decentralized and performed by type of transport. The main controls are:

- > Inspection of the railway and road networks,
- > Inspection of maintenance performed on rolling stock and fixed installations,
- > Control of income collected by the MES, RER, Bus and commercial business units.

In addition to local level controls and technical inspections, an overall general security control is performed, directly under the responsibility of the President.

Specialized Controls at Business Unit Level

These comprise

- > quality audits on business units which have been awarded ISO or NF certification, such as MRB and MRF,
- > internal audit of the BUS business unit,
- > safety/cleanliness audit of the security business unit,
- > audit of metro stations within the MES business unit,
- > audit/control entity within the HAL business unit,
- > systems risk management entities of the EST and M2E business units.

2.1.3 Company Level

> The Inspectorate General/ Internal Audit reports directly to the President; its terms of reference are laid down in General Instruction 432 C,
> Systems Risk Management Audit (formerly Technical Operations Safety Audit), the terms of reference of which are laid down by General Instruction 450 B.

Details of their terms of reference and working practices are provided in Appendix IV.

2.1.4 External Controls

External controls complement the internal controls performed by management and internal audit teams. They are conducted by:

- > the Economic and Financial Control Board for Transport; due to its legal status (EPIC) under Decree n° 2002-1502 of December 18, 2002, RATP is subject to economic and financial controls by the government,
- > the Statutory Auditors: PriceWaterhouse Coopers and Salustro Reydel,
- > France's Procurement Board, under the Order of January 11, 1973.

2.2 Risk Management Tools

To enhance risk management, RATP has gradually acquired tools enabling it to determine and measure the impact of risk on its business. The main weaknesses uncovered through risk assessment are taken into account when developing audit plans.

2.2.1 Cartography of Risk

Managing Transport Security

Production process risks have been mapped out with the assistance of the Ernst & Young audit firm, for insurance purposes.

Internal Audit

A cartography of all the risks facing the company was prepared in 2003, in order to set audit priorities.

2.2.2 Audit of Risk

Cartography is used to present risks in order of their material importance, and also to highlight those which management may not automatically consider. The 2004 General Inspectorate/Internal Audit program was designed around this approach. The audits were planned to cover each area of risk identified. This approach was validated by management.

2.3 Effectiveness of Risk Management

The observations reported to Management following the audits show that risk management is effective, and generally the business was well managed. While improvement is possible in certain production processes, they are 'controlled', particularly in economic terms.

2.3.1 Weaknesses in Company-wide Management Processes

The audits highlighted weaknesses in the following areas:

- > securization of sales not made through ticket offices,
- > project evaluation processes,
- > RATP "signs" process,
- > regulatory skills and expertise.

Certain incidents have sent clear warning signs to management on the danger of these weaknesses.

They include:

- > the incident in 2003 at all the Points of Sale of the metro and RER, rendering the service unavailable for 36 hours. This incident clearly illustrated technical weaknesses in managing changes in software on the company's critical information system,
- > the ELLIOS affair in 2004, which highlighted the difficulties of collecting receivables from a transport ticket agent,
- > the accident on the METEOR construction site, in February 2003, and site risk management,
- > excess expenditure on certain projects, showing poor management of project evaluation,
- > graffiti and tagging, and risk management of new issues with regard to social responsibility.

2.3.2 Progress in Internal Control Procedures

Corrective measures were taken immediately following these incidents.

These included:

- > implementation of an Information Systems Security commission,
- > introduction of systematic risk management for major projects,
- > establishment of a team specializing in project costing,
- > improved cooperation between the Commercial, Management and Finance Control and Legal departments on collection management.

2.4 Improved Quality of Internal Control

As in other major companies, the President has mandated the Inspectorate General/ Internal Audit department to set out the scope of improvement for internal control in the company.

3

INTERNAL CONTROL PROCEDURES FOR ACCOUNTING AND FINANCIAL INFORMATION

3.1 RATP's Accounting Policies

Given its legal status as a public sector trading company (EPIC), RATP applies the same accounting principles as those generally accepted by and legally binding for commercial companies. At the same time, it has to fulfill requirements specific to its public service missions. Its accounting policies are set out in CRC Regulation n° 99.03 of April 29, 1999.

The chart of accounts of RATP is adapted to its social security obligations, as instituted by Decree n° 2004-174 of February 23, 2004. The chart was approved by France's National Accounting Council (CNC) on January 25, 1984, in application of the Order of April 27, 1982.

In accordance with the provisions of Article 30 of the Law n° 84-148 of March 1, 1984, relating to the audit of financial information in public sector trading companies (EPIC), and the provisions of Article 33 of Decree n° 85-295 of March 1, 1985, RATP is required to appoint an independent auditor. Below we present the recent regulatory changes, and associated improvements carried out to comply with those changes.

A description of the procedures adopted for the production and control of financial information prepared by RATP is presented in Appendix V. A description of the specific tools used in the management information system is presented in Appendix VI.

3.2 Changing Regulatory Business Environment

During 2004 RATP undertook a number of changes in order to improve its financial reporting, and prepare for the implementation of new accounting regulations and the conversion to International Financial Reporting Standards (IFRS).

3.2.1 International Financial Reporting Standards (IFRS)

RATP will be required to implement International Financial Reporting Standards (IFRS) from 2007. Under French generally accepted accounting principles, RATP adopted the following practices

during 2004:

- > CNC Recommendation 2003-R01 on the measurement and recognition of retirement and post-retirement benefits,
- > CNC Opinion 2004-05 on long service benefits (médailles du travail).

RATP is also preparing to apply CRC Regulation 2002-10 on asset component depreciation and CNC Opinion 2004-15 on the definition, measurement and recognition of assets, as of January 1, 2005.

3.2.2 Adopting Best Practices

In order to provide more regular financial information, RATP prepared audited interim individual financial statements and unaudited interim consolidated financial statements for the first half of 2004.

3.2.3 Improvement of Internal Processes

The reliability of internal processes has been improved in terms of:

- > Revenue recognition
- > Valuation of accrued paid vacation
- > Preparation of consolidated financial statements
- > Risk hedging of "raw material and commodity" price increases.

3.3 Adapting Control Procedures

3.3.1 Preparation of Interim Financial Statements

- To prepare interim financial statements, RATP:
- > set out the procedures used to recognize expenses and revenue which had not been recorded as incurred or received, at the end of the first six month period. Those procedures were validated by the auditors;
 - > implemented procedures usually applied only for the annual financial statements, such as those presented in Appendix V:
 - preparation of a detailed breakdown of supplies received and not invoiced, used to calculate accrued expenses,
 - monitoring of provisions, other receivables and payables, and income receivable from business other than transport,
 - analysis of work-in-progress and delays in the placing in service of assets,
 - detailed breakdown of accounts.

Performing these controls at half-yearly intervals enables RATP to identify discrepancies earlier, and manage sensitive issues better.

3.3.2 Implementation of New Accounting Standards

- RATP has made significant progress:
- > in terms of asset component depreciation (CRC

Regulation 2002-10), major work was achieved in 2004 on the company's property, plant and equipment, to determine the useful lives of assets and asset components. At the same time, RATP allocated its assets more precisely to geographic locations, which will facilitate the reconciliation of physical and recorded inventories;

- > in terms of valuing retirement benefits (CNC Recommendation 2003-R01) and long service benefits (CNC Opinion 2004-05, the actuarial work has enabled it to ensure that the amounts recorded are accurate.

3.3.3 Improvement of Internal Processes

Revenue recognition was improved in 2004 by the implementation of:

- > Documentation of revenue recognition process (details of different sources, dates, revenue recognition methods).
- > A quality control indicator enabling RATP to monitor the accuracy of revenues recorded on a monthly basis (identification of the proportion of sales made in a month but not known at the end of the month and therefore recorded under future months).
- > Improvement of the process used to measure the value of accrued paid vacation. The methods used to calculate accrued paid vacation were completely reviewed and new software was set up enabling the reconciliation of accrued paid vacation in terms of days and the reported value.

This application enables:

- the accurate recognition of accrued paid vacation;
- better management of the volume and value of accrued paid vacation in the business units.
- > Preparation of the consolidated financial statements. Particular attention was paid to the process used to prepare the consolidated financial statements:
 - formal procedures implemented for inter-company reconciliation statements;
 - RATP's management controllers informed of the process used to invoice subsidiaries;
 - standardization of the statements of cash flows used in the individual and consolidated financial statements;
 - review of the consolidation package by the auditors before reporting to head office.
- > Hedging against the risk of "commodity price increases" (diesel fuel for the Bus network). RATP hedges against the risk of increases in diesel oil prices and/or a strengthening of the dollar. As diesel fuel is a highly volatile commodity, RATP set up a swap for this purpose in 2004, which successfully enabled it to limit the negative impact on its business of commodity price increases.

4 CONTROL OF SUBSIDIARIES

Subsidiaries are subject to a range of specific controls, which are designed to manage the risks inherent in company development.

4.1 Upstream and Downstream Controls

Upstream controls primarily comprise strategic control, which entails setting out the company's objectives and obligations, and implementing monthly reporting and auditing. These controls are detailed in Appendix VII.

With the exception of audits, which are performed by the Inspectorate General/Internal Audit department, all controls are conducted by the 'Subsidiaries, Financial Engineering & Tax' unit of the Finance Management Control department.

4.2 Other Controls

The RATP Board of Directors examines the financial position of subsidiaries twice a year:

- > in April, based on the previous year's results, along with the consolidated financial statements;
- > in October, in terms of changes in the results over the course of the year.

In addition, at the end of 2003 the Audit Committee set up a quarterly risk indicator performance report to monitor the main risks concerning subsidiaries.

4.3 Current Developments

The control procedures applied to subsidiaries are constantly being adapted to take into account changes in the business environment, and respond to incidents. There have been significant changes in the challenges facing this activity.

For instance, an incident in 2003 highlighted the importance of reviewing the composition of certain subsidiaries' Board of Directors, to improve corporate governance and guarantee control over decision-making under all circumstances.

Work began in 2004 to bring subsidiaries into line with the group's position on this issue.



Anne-Marie IDRAC

Appendices

APPENDIX I

Board of Directors and Committees

The Board of Directors

The Board of Directors of RATP comprises 27 members, in conformity with Decree n° 84-276 of April 13, 1984 on the application of public sector law to the Paris Transport Authority (Régie Autonome des Transports Parisiens, hereafter RATP):

- > 9 government representatives, appointed by decree;
- > 9 persons, appointed by decree:
 - five persons representing the regional and local authority councils affected by RATP's activities,
 - three persons representing transport users,
 - one individual chosen for his/her expertise in transport matters,
- > 9 staff representatives elected by company employees.

Decree n° 2004-500 of June 7, 2004 amended Decree n° 84-276 of April 13, 1984, with regard to the appointment of the nine persons, stipulating that the nine should include:

- > one person selected due to his/her expertise in transport matters,
- > two persons with a social/economic background,
- > two representatives of public transport users,
- > two local authority representatives in areas directly affected by the group's activities,
- > one representative of the Ile-de-France local council, nominated by the council's chairman,
- > one representative of the Paris council, nominated by the council's chairman.

The person selected for his/her expertise in transport matters is generally nominated by the Board as President and Chief Executive Officer. The actual appointment is made by Decree, after the Cabinet has heard a report on the subject from the Transport Minister.

The Government Commissioner and Head of the Economic and Financial Control Board for Transport have the right to attend all Board meetings, along with the Secretary of the Works Board or a representative.

The President and Chief Executive Officer nominates, and the Board of Directors appoints:

- > the Secretary of the Board, who is responsible for preparing the reports and minutes of all the

meetings of the Board and standing or ad hoc committees;

- > a Deputy Secretary of the Board, to assist the Secretary.

The Board convenes at least six times a year, and may also hold extraordinary meetings to renew the mandate of the Board or President and Chief Executive Officer.

Standing Committees

Two standing committees, each comprising an equal number of directors, are responsible for preparing the Board's work. The first deals primarily with technical issues, such as network development and maintenance, improvements in service quality (safety, regularity, cleanliness) and investment plans. The second deals with matters relating to the Company's resources in general, such as its operating budget and public service provision agreements or contracts. It also addresses business and social issues, and specifically training, housing policy, subsidiaries' activities and the annual report.

The RATP/STIF Contract Enforcement Committee, which comprises all members of the board of directors and is co-chaired by the chairmen of the two standing committees, advises on matters pertaining to the enforcement of the multi-annual contract and/or related clauses.

An Audit Committee, comprising six directors (two elected by employees, one leading business person and three government representatives) is responsible for advising the Board on matters such as the individual and consolidated financial statements, financial management, accounting principles and policies, cost accounting, accounting information and management controls, the quality of the internal audit program, and risk management policies.

The RATP/STIF Contract Enforcement Committee and the Audit Committee were designated by the Board of Directors at their meeting on March 30, 2001.

Independently of management decisions, that the Board votes on, the President may propose issues to the Board for discussion, particularly on subjects where it is necessary for the company to define medium or long-term policies, for instance with regard to anti-fraud measures, investment, logistics, asset management and industrial strategy.

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Subsidiaries and Investments

The President nominates and the Board of Directors appoints the RATP representative to the shareholders' general meetings and Board meetings of companies in which RATP holds investments. The RATP Board of Directors hears a report on each of the companies in which it holds a significant stake, at least once a year.

Annual Report

The annual report on RATP's business, sent to the Transport Minister, must be approved by the Board of Directors.

On January 28, 2005 the Board of Directors approved a document aimed at structuring the strategic discussions held during Board Meetings, improving the general running of the Board and the Committees, making their respective roles clearer and more consistent, redefining the role of the Audit Committee, streamlining procedures relating to subsidiaries, and extending confidentiality requirements to all documents, data, and discussions.

APPENDIX II

Matters examined by the Board in 2004

Directions from President and Chief Executive Officer

Economic Issues

- > Preparation of individual financial statements for the year ended December 31, 2003
- > Presentation of consolidated financial statements for RATP Group for the year ended December 31, 2003
- > Presentation of audited individual financial statements for the six-month period ended June 30, 2004
- > Examination of 2003 annual report and report on sustainable development
- > Operating budget for 2005
- > Investment program for 2005- borrowing authorizations

Other Issues

- > Presentation of possible solutions to overcrowding on metro line 13
- > Discussion on the modernization of the metro and automation of Line 1
- > 2005 corporate training plan
- > 2005 housing policy
- > Florence tramway service concession agreement
- > Survey on Châtillon-Vélizy-Viroflay tramway

Major Contracts

- > Implementation of OURAGAN system on Lines 3, 5, 9, 10 and 12
- > Installation of CCTV equipment on buses and trams
- > TMS - site maintenance and rehabilitation

- > TMS - infrastructure and urban development work
- > TMS - railway track work, platform covering, and automatic cooling systems
- > Renewal of MS61 components on Line A
- > GSM infrastructure deployment in the underground parts of metro system
- > Credit card transaction treatment at RATP points of sale
- > Customer relations management related to the Orange contract.

APPENDIX III

Board Meetings and Decisions in 2004

Meetings	Number	Business	Number
Board of Directors	10*	Decisions • involving contracts > € 9.146 M • other matters	89 31 58
Standing Committee 1	8		
Standing Committee 2	6		
Contract Enforcement Committee	4	Debates	3
Audit Committee	6	N° of contracts < € 9.146 M examined by first committee	43
Total	35		

* 9 ordinary meetings and 1 extraordinary meeting

APPENDIX IV

RATP Internal Control Procedures

1_ Internal Control Regulations

In addition to regulations external to RATP, the regulatory texts on internal controls comprise:

- > General Instruction n°224 A dated July 31, 1952 (plus its updates and successive amendments), relating to the administrative control of all RATP spending.
- > General Instruction n°432 dated January 29, 1986 (and amendment C of September 2, 2003), governing the role, resources and methods used for internal audit work within RATP Group.
- > General Note n°4756 dated July 31, 1990, defining the role and work of Management Control, along with the 1992 Terms of Reference for Management Control.
- > General Instruction n°450 A dated October 28, 1993, creating the Technical Operations and Safety Audit (and amendment B of January 4, 2005, which replaces the term "Technical Operations Safety Audit" by "Systems Risk Management Audit").
- > General Note n°5265 dated May 19, 1999, setting out the terms of reference of the Inspectorate General.
- > General Note n°5294 dated February 25, 2000, defining the missions of the General Safety Control.

2_ Company-wide Control Bodies

2.1_ Inspectorate General/Internal Audit

The aim of the Internal Audit is to give management assurance that they are managing their company's operations correctly, by monitoring and assessing the business operations of RATP Group and its main subsidiaries.

Reporting directly to the President, the Inspectorate General/Internal Audit group performs internal audits on all administrative, technical and financial matters and on all operating, information and management systems used by RATP Group.

Internal audits are performed for general inspection purposes, and also to test the regularity, effectiveness and management of accounting and reporting systems. The auditor from the Inspectorate General /Internal Audit may also be asked to perform an enforcement audit after a period of time has elapsed, to give company directors reasonable assurance that action plans are being implemented to follow up on any recommendations made in previous audits.

The audit program is conducted on the basis of an annual plan submitted to the Audit Committee and approved by management.

The independent auditor is appointed by an engagement letter signed by the President and Chief Executive Officer. The auditors' observations are compiled in a report which is addressed to the President, and copied to the Managing Directors and managers of the departments and business units directly concerned by the issues reported.

Within two months following the presentation of the auditors' report, the heads of the departments audited establish an action plan. This plan is sent to the Inspectorate General/Internal Audit, which verifies the recommendations before sending it for validation either to the department managers concerned (depending on the type of audit) or to management, along with its opinion on the action plan.

Management may ask the Inspectorate General to conduct work such as studies and surveys on corporate strategies and policy, to enlighten strategic choices and decision-making, and provide input on sensitive issues and the protection of economic interests, particularly in areas where the individual behavior of certain directors may be questioned. A confidential report is issued directly to the President and to the director who initiated the study, upon completion of the assignment.

The Audit Committee may ask for audit work to be carried out on an ad-hoc basis and may ask the Inspectorate General /Internal Audit to give advice on audit conclusions.

2.2_ General Safety Control

Reporting directly to the President, the main role of the General Safety Control is to monitor all processes relating to **Company safety**, particularly in terms of railway safety, fire safety, information systems security, the safety of goods and persons and natural disasters.

The entity comprises two units, a Fire Safety Unit and a Systems Risk Management Unit.

The systems risk management audit reports to the systems risk management unit. It is responsible for ensuring compliance with all regulations concerning business design, engineering, operations and maintenance. Its priority is to ensure employee safety and the security of property. Systems risk management audits may concern a product, a procedure, a process or management. They are carried out under the principles of EN ISO 19 011 of December 2002.

Systems risk management audit assignments are carried out on the basis of an annual program approved by management, upon the advice of the Controller-General for Security. A written report is issued upon completion of each audit assignment, with recommendations. The business unit or department audited then prepares an action plan, which is validated either by the business units concerned or by management, upon the advice of the Controller-General for Security.

3_ Specific Controls on Cash Flows

Treasury & financing are centralized in the Treasury Unit, which reports directly to the Finance Director.

> Incoming Cash flows

All revenues collected from network points of sale are controlled directly by the operating units concerned (Bus, Metro and RER regional express network). Written instructions have been prepared on the process for depositing revenues in the bank, and the process is controlled by the Treasury department.

Revenues from "Imagine R" travel passes are managed jointly by all Transport Operators in the Paris region, within an Economic Interest Group, which is equipped with the appropriate IT tools and bank reconciliation procedures. From 2005 onwards, revenues from the "Carte Intégrale" travel pass will also be managed in this way.

Invoicing is established for other types of revenues, and the Trade receivables accounts department coordinates follow-up and reminders, as required.

> Outgoing cash flows

Expenditures are activated by the Treasury Unit, with the exception of small cash amounts which may be decentralized within a threshold and in accordance with procedures approved by the accounting department.

Other settlements, which are primarily made by wire transfer, are automated using Oracle Applications, and comply with the principle of task separation.

> Financing policy

The treasury department issues long term debt on the financial markets (EMTM bonds) or short term instruments, such as commercial paper, under the management rules laid down by the Finance Director.

The Board of Directors approves borrowing on an annual basis.

Similarly, all financial operations are subject to the Board's approval, in terms of their type and scope.

The short-term operations authorized are also described in the management rules approved by the Finance Director. These mainly pertain to daily cash flow balancing, short-term investments, and interest rate risk management tools.

APPENDIX V

RATP Accounting Policies

1_ Production of Financial Statements

In addition to its monthly statements, produced for internal purposes, RATP prepares audited annual individual and consolidated financial statements and audited half-yearly individual financial statements.

The prospectuses prepared by RATP when issuing debt are approved by the Auditors and by the French securities and exchange commission "Autorité des marchés financiers".

As a whole the financial reporting performed by RATP fulfills the requirements of its departments and business units in terms of budget and general management. RATP also produces a quarterly operating report for each of its transport networks.

2_ Control Procedures on Production of Individual Financial Statements

2.1_ Accounting Practices

RATP ensures that there is a clear separation between the functions of its accountants (employees who generally work for the Management Control and Finance Department), treasurers and the departments authorizing expenditures.

The accountants dispose of an array of regulatory, management and accounting texts relating to their function, which are prepared and updated as required in the document quality system of the accounting department.

Controls take place throughout the accounting process.

2.2_ Midstream Controls

> Business units or support groups participate in RATP's accounting operations by authorizing Company expenditure and collections and defining their cost accounting systems, in line with the company's common accounting rules. This may involve entering data in the company's accounting information systems (notably external charges).

> The local accounting offices of the Company's Accounting unit are responsible for controlling the entries made by the various units in the management system. They may make any adjustments necessary and record the operations not delegated to the units.

> All the data is reported to centralized management departments where summary documents are prepared and centralized work is performed: payables and receivables bookkeeping; revenues, preparation of tax returns and social security statements; control of accounting quality; production of financial statements (balance sheet, income statement, notes to the financial statements, etc.)

2.3_ Monthly Reporting

Partial accounts are prepared every month, at which time the accounting departments ensure that the changes in expenses and income have been correctly recorded, and interim balance entries are made. A central accounting department performs a cross-company analysis of the results.

2.4_ Balance Sheet Entries, Accounting Adjustments, Justification and Delegation of Powers

> Revision of decentralized bank accounts: these are managed by Company units and are audited at least once year to verify compliance with the governing accounting and administrative procedures.

> Accounting authorizations: some Company businesses allow the delegation of accounting tasks, meaning that certain employees may make entries in their systems without the involving the accountants from the Company's Accounting unit. The Company is currently working towards providing such Authorization on a contractual basis, with written instructions as to the scope, responsibilities, and eventual amendments.

> Balance sheet entries are the responsibility of one or several unit-level offices. They are reviewed and justifications provided at least once every six months.

APPENDIX VI

Management Information System Tools

1_ Management Information System

The Management Information System is structured in order to guarantee a clear separation between:

- > operations relating to transport business and social security activities,
- > activities directly relating to the transport service (thus covered by the contract with STIF), and activities other than transport business (services rendered to third parties, investments, etc.),
- > operations involving subsidiaries.

RATP is equipped with a tool comprising several integrated modules (General Ledger: supplier and customer accounts, management of orders and arrivals) which are part of a standard ORACLE application.

Other modules have been installed around the ORACLE modules to meet the needs not fulfilled by the ORACLE modules in service. These tools are notably used in areas such as payroll costs, petty cash and expense reports, assets and stocks.

The majority of these tools report into the IMPROMPTU information center.

2_ Managed System

These management procedures guarantee that the system functions properly:

- > User management: The Functional Systems Administration (AFS), assisted by a network of correspondents in each business unit, is responsible for managing the system's users. AFS defines the procedures to be implemented and ensures that they are correctly applied.
- > Tracability: All operations performed in the information system can be traced, either via the user's login or else by looking at the source of the accounting information, in conjunction with the user management system.
- > Data integrity: This is guaranteed either by the management rules on the information system, or through a number of downstream controls:
 - Security rules and controls are implemented in the applications. For example:
 - data entry is restricted, depending on the user's profile,
 - the system checks that each accounting entry is balanced,
 - the system can run controls to cross-check the values in the different accounting allocations.

- Downstream controls performed at several levels:
 - the AFS checks that data has been properly entered, executed and given the appropriate accounting treatment,
 - information found in the production database is audited twice a year,
 - inspections are made by accountants, with an analysis of errors.

> Set rules management: Responsibility for updating the set of rules used in the management information system is delegated to certain clearly identified persons. For example, the accounting rules (chart of accounts) are managed by the Accounting Results Office, which is the only entity authorized to create, modify or eliminate any values in the AFS.

3_ Managing Change

An Information System Committee (CSI) has been set up to consider the requirements validated by the Business Project Managers (MOA), to arbitrate on priorities and to monitor the resources allocated annually to the maintenance and upgrade of the Management Information System.

The CSI is chaired by the Finance Director. Its other members include representatives of the Business Project Managers responsible for Accounting, Management Control, Purchasing/Supplies, Maintenance, Information Systems, etc, a representative from the Business Project Managers support group, and a representative of the IT Business Project Manager's group.

Requests from the different networks are logged by the appropriate Business Project Manager, who assesses whether the request is justified, after consulting the other Business Project Managers. If the Business Project Manager decides to approve the request, he/she drafts a Needs Sheet, specifically describing the nature of resources required and the associated reasons and issues (financial, organizational, regulatory, etc.).

APPENDIX VII

Subsidiaries' Control Procedures

1_ Upstream Controls

> The corporate strategy of subsidiaries is controlled through the setting of 3-year objectives, in the same manner as RATP business units set their contractual objectives. Control is exercised by each subsidiary's Commitments Committee.

> Significant decision-making issues are budgets, the preparation of financial statements, bids on major calls for tender, major contracts, investments, founding of other subsidiaries, borrowings etc.. Control is exercised by each subsidiary's Commitments Committee, and for major subsidiaries, depending on the importance of the decisions involved, by RATP's Supervisory bodies: the State Equity Investment Agency, the Economic and Financial Control Board for Transport, the Budget Department, and the Land Transport Department.

These controls are implemented prior to controls by the subsidiaries' Board of Directors.

2_ Downstream Controls

These controls involve:

> Monthly reports, based on a summary of accounting information gathered from the CARAT application and presented as operating report to the management board. The CARAT application, acquired in 2000, is used for both monthly reporting and consolidation purposes. The system guarantees consistent information.

> Audits: certain subsidiaries are subject to a complete audit of their operations every year.

The first three types of control are performed by the "Subsidiaries, Financial Engineering and Tax" unit of the Finance Management Control Department, with the audits being carried out by the Inspectorate General/Internal Auditing.

3_ Other Controls

RATP's Board of Directors examines the financial position of its subsidiaries twice a year:

- > in April, with regard to the previous year's results and the consolidated financial statements;
- > in October, to examine changes in the results over the course of the year.

In addition, at the end of 2003, the Audit Committee introduced quarterly reporting of significant risks facing subsidiaries, using a detailed risk indicator tables.

STATUTORY AUDITORS' REPORT ON THE REPORT BY THE PRESIDENT OF THE BOARD OF DIRECTORS ON INTERNAL CONTROL PROCEDURES

RATP

54, quai de la Rapée
75 599 PARIS CEDEX 12

for the year ended
December 31, 2004

As Statutory Auditors of RATP and in accordance with the engagement entrusted to us by your President, we hereby present our report on the report prepared by the President of your company in conformity with the provisions of Article L 225-37 of the Commercial Code, for the period ended December 31, 2004.

It is the President's responsibility to report on the manner in which the work of the Board is prepared and organized and on the internal control procedures implemented in the company.

Our role is to inform you of any observations we have on the information contained in the President's report with regard to the internal control procedures applied for the preparation and treatment of accounting and financial information.

We performed our procedures in accordance with the professional guidelines applicable in France. Those guidelines require us to assess the fairness of the information set out in the President's report on the internal control procedures relating to the preparation and processing of financial and accounting information.

These procedures notably consisted of:

- > acquiring an understanding of the objectives and general organization of internal control, as well as the internal control procedures relating to the preparation and processing of financial and accounting information, as set out in the President's report.
- > acquiring an understanding of the work performed to support the information given in the report.

Based on our work, we have no comments to make on the information concerning the company's internal control procedures used for the preparation and treatment of the accounting and financial information contained in the report by the President of the Board of Directors, prepared in conformity with the provisions of Article L 225-37 of the Commercial Code.

Paris, 6 June 2005
The Statutory Auditors

PriceWaterhouseCoopers Audit
Daniel Chauveau, Yves Nicolas
Salustro Reydel
Philippe Arnaud