

INDEPENDENT AUDITORS' OPINION

To the Supervisory Board of Fabryka Kotłów RAFAKO S.A.

1. We have audited the accompanying financial statements for the year ended 31 December 2004 (format SA-R) of Fabryka Kotłów RAFAKO S.A. (the "Company") located at Racibórz, ul. Łąkowa 33, containing:
 - the introduction to the financial statements,
 - the balance sheet as at 31 December 2004 with total assets amounting to 303,785 thousand zlotys,
 - the profit and loss account for the period from 1 January 2004 to 31 December 2004 with a net profit amounting to 847 thousand zlotys,
 - the statement of changes in shareholders' equity for the period from 1 January 2004 to 31 December 2004 with a net increase in shareholders' equity amounting to 2,426 thousand zlotys,
 - the cash flow statement for the period from 1 January 2004 to 31 December 2004 with a net cash outflow amounting to 3,401 thousand zlotys and
 - the additional notes and explanations.

The format of the accompanying financial statements for the year ended 31 December 2004 ("the attached financial statements") is prescribed by the Decree of the Council of Ministers of 16 October 2001 on current and periodic information provided by issuers of securities (Journal of Law No. 139, item 1569 with further amendments) ("Decree on current and periodic information").

2. The truth and fairness¹ of the accompanying financial statements and the proper maintenance of the accounting records are the responsibility of the Management Board. Our responsibility was to audit the attached financial statements and to express an opinion whether, based on our audit, these financial statements are, in all material respects, true and fair² and whether the accounting records that form the basis for their preparation are, in all material respects properly maintained.
3. We conducted our audit of the financial statements in accordance with the following regulations being in force in Poland:
 - chapter 7 of the Accounting Act, dated 29 September 1994 (the "Accounting Act"),
 - the auditing standards issued by the National Chamber of Auditors,

¹ Translation of the following expression in Polish: "rzetelność, prawidłowość i jasność"

² Translation of the following expression in Polish: "rzetelne, prawidłowe i jasne"

in order to obtain reasonable assurance whether the financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management, as well as evaluating the overall presentation of financial statement. We believe our audit has provided a reasonable basis to express our opinion on the financial statements treated as a whole.

4. The financial statements for the prior financial year ended 31 December 2003 were subject to our audit and we issued a qualified opinion on these financial statements, dated 26 February 2004. Qualification regarded the issue of embedded derivatives related to the Company's long term contracts that were not separated in the financial statement for the year ended 31 December 2003 and inability to determine the effect of this issue on the financial statements for the year ended 31 December 2003. Additionally, the following emphases of matters were included:
 - uncertainty of the recoverability of assets relating to construction contracts of power unit in Elektrownia Pątnów II and presented in the Company's financial statements for the year ended 31 December 2003;
 - uncertainty of the recoverability of significant receivables related to contracts realisation from the entity belonging to the capital group of the significant investor of the Company.

5. As described in additional note 7.1.b to the accompanying financial statements, in May 2003 the realization of contracts regarding construction of power unit in Elektrownia Pątnów II was suspended. Realization of the above contracts has not been restarted as of the day of this auditor's opinion. Expected restart date has not yet been agreed and depends on investor's ability to arrange further financing of the Pątnów II investment; that is the conditions that are beyond the control of the Company. Due to the fact that the Company expected restarting of contracts realization, during the year ended 31 December 2004 the Company performed reassessment of total gross result on above contract. As described in additional note 7.1.b estimated total gross result on above contract has increased by approximately 8 million zlotys as an effect of this reassessment. Despite of suspension of contract's realization, the Company recognized gross result for the year ended 31 December 2004 regarding this contract amounting to approximately 11 million zlotys due to reassessed gross sales margin on this contract. Net income effect of this adjustment in the financial statements for the year ended 31 December 2004 amounted to approximately 9 million zlotys. Considering suspension of the contract's realization since year 2003, significant part of the above adjustment relates to the prior years. Additionally, as at 31 December 2004 net assets engaged to the above contract, including assets recognized in the year 2004, amounted to approximately 45 million zlotys. As also described in additional note 7.1.b to the accompanying financial statements, in case of the restart of the contract, significant parameters, including total contract revenue and fee for the period of contract's suspension, will be subject to negotiations with the investor. As also described in additional note 7.1.b to the accompanying financial statements, at present, the Company is not able to reliably estimate effect of the change of significant contract parameters. Due to fact that as of the date of this auditor's opinion the contract realization remained suspended, uncertainty related to the assessment of significant contract parameters after the restart date as well as uncertainty related to recoverability of assets

presented in the Company's financial statements for the year ended 31 December 2004 related to the above contracts, we were unable to determine the impact of the above issues on the accompanying financial statements.

6. As described in additional note 7.2 to the accompanying financial statement for the year ended 31 December 2004, the Company presents significant balance of overdue receivables due from the entity belonging to the capital group of the significant investor of the Company. As at 31 December 2004 net balance of these receivables amounted to approximately 60 million zlotys, including 46 million zlotys related to the Eletrownia Pątnów II contracts, described in point 5 above. The Company has taken measures to secure recoverability of the above receivables, however there is a significant risk of the final result of these measures. Taking into account financial standing of the entity belonging to the capital group of the significant investor of the Company, there is a risk that the above receivables will not be recovered. As at 31 December 2004 the Company did not provide for the above receivables. At present stage, we were unable to determine the impact of the above issues on the attached financial statements.
7. In our opinion, except for the effects of the matters described in paragraphs 5 and 6, if any, the attached financial statements, in all material respects:
 - present truly and fairly all information material for the assessment of the results of the Company's operations for the period from 1 January 2004 to 31 December 2004, as well as its financial position³ as at 31 December 2004;
 - have been prepared in accordance with the accounting principles specified in the Accounting Act referred to above and regulations issued based on that Act, and based on properly maintained accounting records;
 - are in accordance with the Accounting Act referred to above and regulations issued based on that Act and the Company's articles of association that affect their content.
8. Without further qualifying our opinion, we draw attention to the following issues:
 - (a) Pursuant to § 17.2 of the Decree of the Council of Ministers dated 16 October 2001 on specific conditions that should be met by the prospectuses and short-form prospectuses, as updated with the change of this decree that came into force on 27 August 2004 (Journal of Laws No 186, item 1921), the Company was required to identify and explain, in the introduction to the financial statements, any differences in the values disclosed, with respect to at least net assets and net result, between the data in the financial statements prepared in accordance with Polish Accounting Standards and the data prepared in accordance with International Financial Reporting Standards or US GAAP. The above requirement might have been fulfilled only for consolidated financial statements. In addition, to the extent that, in spite of exercising due care, it was not possible to reliably determine the value of such differences, the Company might have presented only the indicative description. As described in Note 11 in the introduction of the accompanying consolidated financial statements Capital Group Rafako ("Capital Group") will prepare consolidated financial statements for the year ended 31 December 2004 in which Capital Group will describe the detailed reasons why, in

³ Translation of the following expression in Polish: "sytuacja majątkowa i finansowa"

spite of exercising due care, it was not possible to reliably determine the value of such differences in certain areas.

- (b) During 2004 two acts changing the Accounting Act and affecting the financial statements became effective: the Act dated 12 December 2003 on amendments to the Act – Commercial Code and certain other acts and the Act dated 30 April 2004 amending the Accounting Act. The impact of these changes on the financial statements is presented in additional note 17 to the accompanying financial statements.
- (c) In accordance with the regulations of the Accounting Act, the Company has presented in the attached financial statements shares in subsidiaries and associates at cost⁴ (decreased by any permanent diminution in value). In accordance with the Accounting Act, the Capital Group, of which the Company is the dominant entity, will prepare consolidated financial statements. The financial results and net assets of the Capital Group will differ from the Company's financial results for the year ended 31 December 2004 and its net assets as at that date.
9. We have read the Report by the Management Board on the Company's Activities for the Period from 1 January 2004 to 31 December 2004 and the rules for preparing annual financial statements ("Directors' Report") and conclude that the information derived from the attached financial statements reconciles with the financial statements. The information included in the Directors' Report corresponds with appropriate regulations of by the Decree on current and periodic information.

on behalf of
Ernst & Young Audit sp. z o.o.
ul. Emilii Plater 53
00-113 Warszawa
identification number 130

Artur Żwak
Certified auditor No 9894/7366

Jacek Hryniuk
Certified auditor No 9262/6958

Warsaw, 24 March 2005

⁴ Translation of the following expression in Polish language: "*cena nabycia*"