



Annual Report



Basic data of the AMBRA Capital Group

In PLN '000	2005/2006	2004/2005	Dynamics in %
Revenues from sales	430 271	363 500	18%
Net revenues from sales of products and merchandise (less excise tax and trading charges)	340 597	303 545	12%
EBITDA	44 992	40 548	11%
EBIT	33 013	31 068	6%
Net profit due to the shareholders of the dominant entity	20 882	16 214	29%
Total assets	406 802	261 391	56%
Equity due to the shareholders of the dominant entity	167 211	94 142	81%

The financial year of the Ambra group begins on 1 July of each calendar year and ends on 30 June of the subsequent year.

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards in the EU-approved version.



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20 October, 2006



Annual Report

2005/2006

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Dear Ladies and Gentlemen,

We have closed another successful year, important for the development of the AMBRA Group as the first year of its being listed on the stock exchange.

The AMBRA Group consists of thirteen companies in four countries of the region. Every third bottle of wine sold in Poland comes from our Group. We have based our success on the strategy of strong brands, thanks to which we have strengthened our position in the wine, champagne and sparkling wine markets and are a leading company in each of categories of winemaking products. This is possible not only thanks to the organic development of the Group, but also thanks to acquisitions of new companies and strengthening our capital position in the companies in which we were previously involved. The funds obtained from the public offering have already been spent in one third, as we continue to implement our investment plan, presented before our going public.

In December 2005 the Group was enlarged by TiM SA, a leading distributor of imported wines in Poland. In the same month we also acquired shares of Gidor, presently operating under the name of Wine Club, the

owner of 14 specialist wine stores, making it the second largest network of its type after La Passion Du Vin, which is also a part of the Group. We increased our capital involvement in the Romanian company Zarea s.a., the owner of Romania's best known sparkling wine and brandy brands. In addition, in July this year Ambra increased its share in the capital of Soare Sekt a.s., a subsidiary operating for the Group in the Czech and Slovakian markets, to 100%.

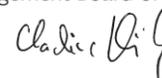
*We have witnessed
a continuing increase
in wine consumption
in the whole Eastern
European region* ”

We have witnessed a continuing increase in wine consumption in the whole Eastern European region, though obviously the process is not equally dynamic in all markets or product categories. In the Polish market the wine consumption culture is developing,

which has resulted in the growing consumption of still wines, whereas the sparkling wines and vermouth sectors noted a temporary drop. The market expansion policy, supported by stronger marketing activities, and the development of the Group resulted in an increase in costs, but the results achieved at the end of the financial year 2005/2006 confirmed the effectiveness of the growth strategy implementation.

Thanks to the consistent realisation of the strategy in compliance with the issuing goals in the financial year 2005/2006 we could increase our revenues from sales to PLN 430 million, which means an 18% growth as compared with the previous year. The net profit grew by 29%, totalling PLN 21 million. Due to the high results, the Board of Ambra SA will recommend to the General Meeting of Shareholders that dividends should be paid also in this year. The good results of our Group and the implementation of the issuing goals have also been noticed by the capital market, thanks to which the value of the Company increased and exceeded the level of PLN 350 million. Throughout the year which has passed since our stock exchange debut, the share price has increased by over 50%, and new investors holding considerable stock portfolios, such as PZU Asset Management SA and Pioneer Pekao Investment Management SA, appeared in the group of major shareholders. Our success would not have been possible without the support of the persons who trust us. Consequently, we wish to thank our shareholders for trusting us, our clients for choosing our products, the staff of the whole Group for their hard work, and the Supervisory Board Members for their valuable comments and advice. We also wish to take this opportunity to thank Mr. Hans Klein for his many years of work in the Supervisory Board and welcome its new member – Mr. Tomasz Chenczke.

Yours faithfully,
Management Board of Ambra SA



Claudius Hilla
President
of the Management Board



Grzegorz Nowak
Vice President
of the Management Board



Robert Ogór
Vice President
of the Management Board

Warsaw, 20 October 2006



Stock Exchange

and execution of the strategy

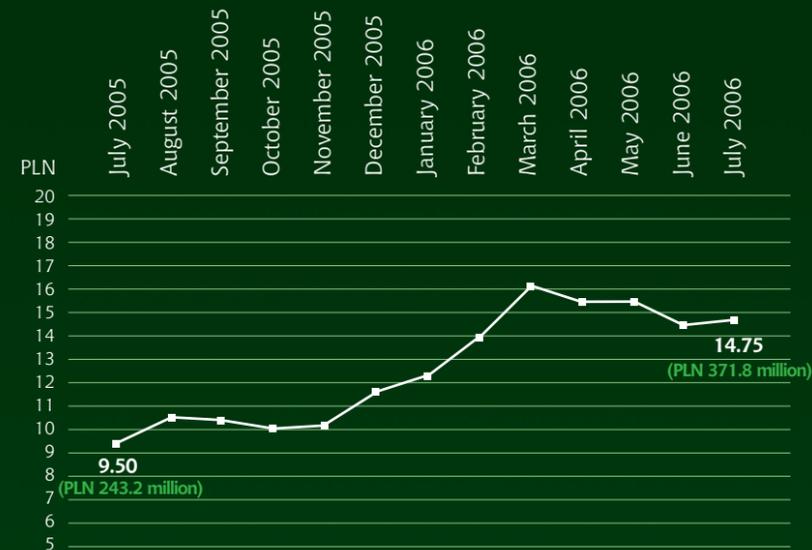
stock

Stock Exchange and execution of the strategy



Growth in the rate and value of the company

(in the period from 31 July 2005 to 30 July 2006)



On 20 October 2006 the rate was PLN 15.09, whereas the value of the Company amounted to PLN 380.4 million.

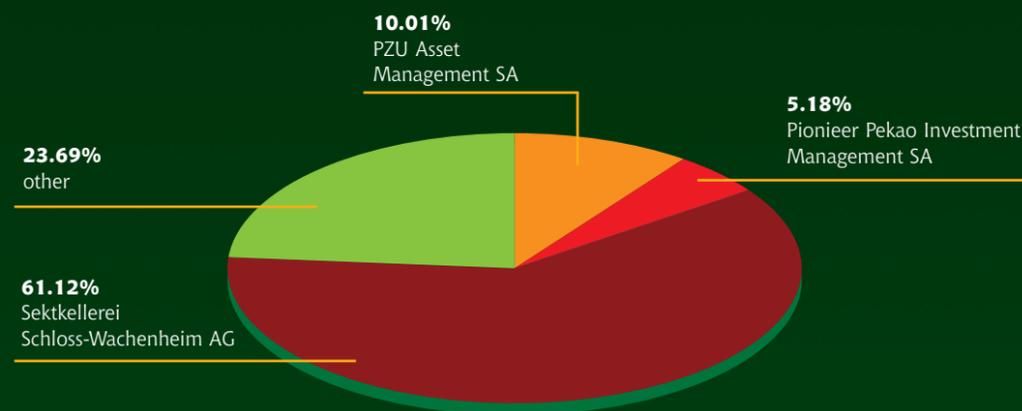
Use of the issuance proceeds

Company name	Registered office	Purchasing cost of shares and stocks in 2005/2006 (In PLN '000)	Loans granted in 2005/2006 (In PLN '000)	Total use of issuance proceeds	Acquired % of shares in equity in 2005/2006	% share in equity as at 30.06.2006
TiM SA	Bielsko-Biala	11 726	–	11 726	50	50
S.C. Zarea s.a.	Bucharest, Romania	2 949	–	2 949	31	40
Wine Club sp. z o.o.	Warsaw	1 338	1 400	2 738	90	90
Total		16 013	1 400	17 413	–	–

The shares of Ambra SA were first listed on 29 July 2005. The financial year 2005/2006 was consequently the first year of the Company's presence on the Warsaw Stock Exchange. It was also the first year of the three-year investment programme, presented to the investors in the public offer. The main goal of the Company's issuing shares was obtaining funds to finance market expansion in the states of Central and Eastern Europe by acquiring enterprises and brands in the wine market. Thanks to the successful issuance, Ambra SA placed 6.3 million shares on the stock exchange and gained new capital amounting to PLN 57 million net of the issuance costs. In the first year after the debut (until the end of the financial year), the Company used PLN 17 million, i.e. slightly over one third of the capital. In December 2005 the Company took over TiM SA, a leading distributor of imported wines in Poland. In the same month Ambra also acquired the shares of the Gidor company, presently operating under the name of Wine Club, the owner of 14 specialist wine stores, i.e. the second largest network of the type after La Passion Du Vin, which is also a part of the Group. We increased our capital involvement in the Romanian company Zarea s.a., the owner of Romania's best known sparkling wine and brandy brands. In addition, in July this year, Ambra increased its share in the capital of Soare Sekt a.s., a subsidiary operating for the Group in the Czech and Slovakian markets, to 100%. The Group also incurred additional costs following the unification of the IT and accounting systems and the introduction of new products in the markets where the AMBRA Group is active. The successful acquisitions contributed to the market expansion and the Group's increased share in the Polish wine market, which in quantitative terms amounted to 23-25% a year ago. Thanks to the organic growth and acquisitions, AMBRA's share in the market increased to as much as 34% (source: AC Nielsen and the Company's own data), which means that every third bottle of wine sold in Poland comes from our Group.



Shareholding structure



Shareholders of AMBRA SA
(as at 13.10.2006)

Shareholders	Number of shares	% of shares	Number of votes	% of votes
Pioneer Pekao Investment Management SA	1 306 802	5.18	1 306 802	5.18
PZU Asset Management SA	2 522 359	10.00	2 522 359	10.00
Sektkellerei Schloss-Wachenheim AG	15 406 644	61.12	15 406 644	61.12

Share price

In February 2006, in response to the needs of the capital market, Sektkellerei Schloss-Wachenheim AG, Ambra's strategic shareholder, decided to sell 14% of the shares held. As a result of the transaction, another 3.5 million shares became available as free float at the day's price value of PLN 52.5 million. The Group's good results and the increased liquidity in public trade resulted in the increased interest of investors, particularly institutional ones. PZU Asset Management SA and Pioneer Pekao Investment Management SA purchased considerable portfolios of Ambra SA shares.

The success of the first year of Ambra's presence in the stock exchange is best illustrated by the growth in its share price. It increased by 60% as compared with the subscription price (PLN 9.50), and on 20 October 2006 it amounted to PLN 15.09 (see graph p. 10). Consequently, the value of Ambra SA increased from PLN 240 million to over PLN 380 million in that period.

Corporate governance in Ambra SA

The Board of Ambra SA has adopted and complies with the principles defined in the Principles of Corporate Governance for Polish Listed Companies 2005, developed by the Polish Forum for Corporate Governance. Ambra SA implements the principle of good corporate governance regarding listed companies in four main areas, including independent supervision over the company, active communication with the capital market, cooperation with the media and communication via the corporate Internet service.

- ◆ Independent members of the Supervisory Board
In 2005, the General Meeting appointed another independent member to the Supervisory Board – Mr. Tomasz Chenczke. At present, two out of the Board's five members are independent.
- ◆ Communication with the capital market
Ambra SA actively communicates with the capital market, both through current reports (48 current reports from 1 July 2005 to 18 October 2006), periodic reports (5 such reports in total: 4 quarterly reports and one annual report for 2004/2005), and regular meetings with analysts and fund managers. Moreover, Ambra SA organises press conferences, at which the Group's periodic results are presented.

stock

Stock Exchange and execution of the strategy



◆ Cooperation with the media

According to the Group's information policy, the latest results within the Group are actively communicated. This applies both to subsequent takeovers (the takeover of TiM SA or the Group's taking control of Soare Sekt were covered by Polish national and industry media as well as the media in the Czech Republic), the appearance of important shareholders (winter/spring 2006) and the introduction of new products. This was the case when a new product category – Fiore, a composition of sparkling wine and fruit juice – was launched. Ambra SA maintains permanent contacts with the media. Throughout the financial year 2005/2006 several dozens of statements and opinions initiated by the Company's press bureau appeared in newspapers and magazines alone.

◆ Investor relations service – www.ambra.com.pl

Appreciating the growing importance of investor relations and the correct communication with the capital market, we have restructured our website www.ambra.com.pl and extended the investor relations service. On the basis of the information obtained from the Polish Individual Investors' Association we modified the service to make it more useful to investors. The page containing the Stock Exchange listings can be accessed directly from the home page. The service also contains the updated investor's calendar, the current shareholding structure including the percentage shares of the shareholders as well as analyses and reports from the industry of the Group en bloc and its individual companies. Finding all the current and periodical reports published so far as well as the information on the composition of Ambra SA governing bodies is easy, as the data are readily accessible to investors.

Basic stock exchange data

- issuance price – as of 22 June 2005 – PLN 9.50
- average share price in September 2005 measured with the turnover volume – PLN 14.53
- total number of shares: 25 206 644 (one vote per share at the General Meeting)
- capitalisation at the average rate of September 2006 – PLN 366.3 million
- share of the strategic shareholder (SSW): 61.12% votes at the General Meeting
- value of free float shares at the average price of September 2006 – PLN 142.8 million.



The AMBRA Group

and its companies



Structure of the AMBRA Group



The AMBRA Group and its companies



The Ambra Group is the largest wine enterprise in Eastern Europe. Its history dates back to 1992, when the Kram company, subsequently transformed into Ambra, was established. The market expansion of the Group was triggered by the appearance of the strategic investor – the German company Sektkellerei Schloss-Wachenheim AG, the world leader in the production of sparkling wines. Presently the Group consists of 13 companies operating in Poland, the Czech Republic, Slovakia and Romania. Its strategy assumes subsequent acquisitions of wine enterprises and brands, thanks to which its market shares in individual countries will increase.

Ambra SA in the Polish market

The greatest share of the Polish market belongs to still wines, followed by sparkling wines and champagnes, which in turn are followed by vermouths and dessert wines (see graph 1, page 20). For many years now Ambra SA has been the unquestioned leader in the champagne and sparkling wine market. The strength of the Company is clearly illustrated by the comparison of the value of its sales with those of the competitors (see graph 2, page 20). The shares of Ambra's strongest competitor are over two times lower than those of Ambra, whose products take up almost 50% of the market.

The Company owes its position to the strong brands, which customers have appreciated for many years now. The Dorato brand is the unquestioned leader among them with the second position held by the Cin&Cin brand (see graph 3, page 20). Such a high position among the sparkling wines in Poland was achieved thanks to the excellent taste and attractive appearance of the brands as well as the popular advertising campaigns.

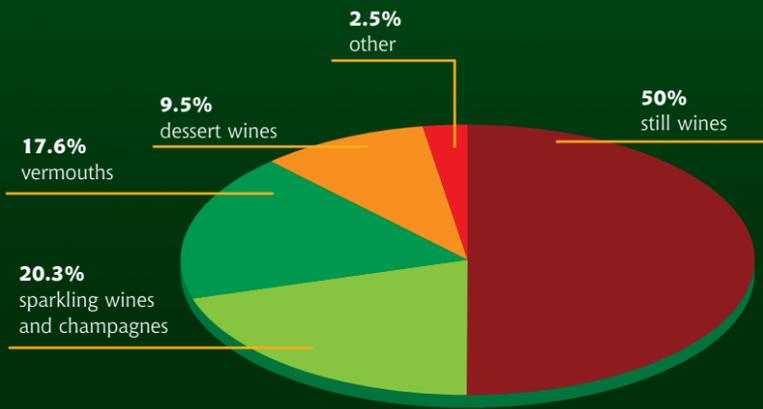
Another important wine category are vermouths, and here again Ambra, which sells the greatest quantities of these wines, is a distinct leader (see graph 4, page 20). Notably, the market is highly consolidated, with over 75% of the shares belonging to four manufacturers.

The best-selling product of the segment is Cin&Cin Vermouth, holding almost 25% of the whole market (graph 5, page 20).

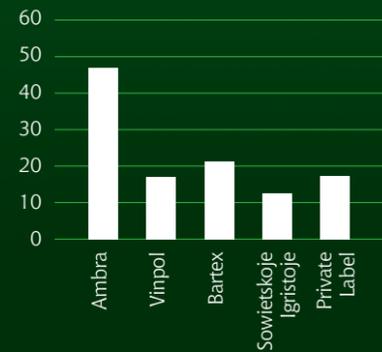
Yet another traditional category are dessert wines, though their share in the Polish market has been falling for several years. Ambra, the owner of the Canelli brand, the best-selling product in the category, is among the first three producers of dessert wines (graph 6, page 22).



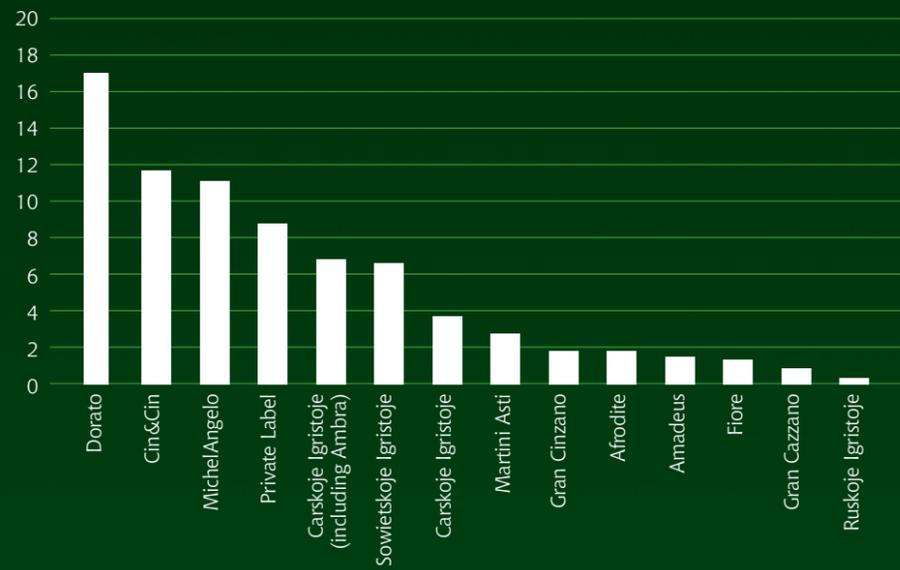
1. The Wine market in Poland (in quantitative terms)



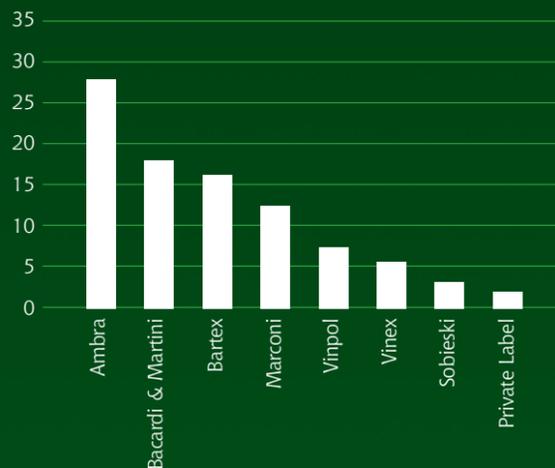
2. Market shares of sparkling wine and champagne producers by value of sales (in %)



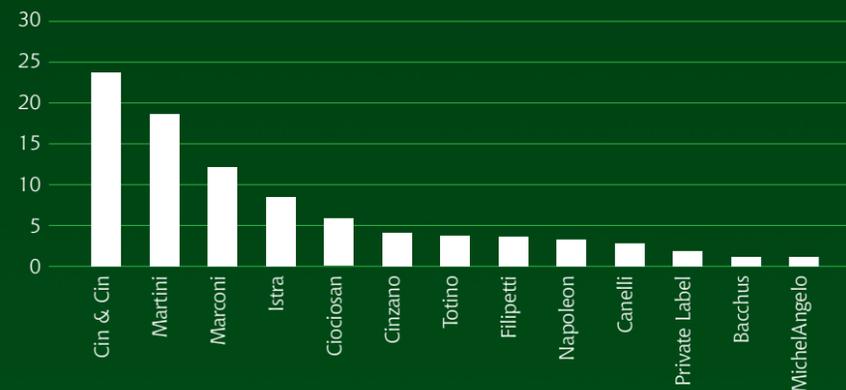
3. Shares of brands in the market of champagnes and sparkling wines by value of sales (in %)



4. Shares of producers in the vermouth market by quantities sold (in %)



5. Shares of brands in the vermouth category by quantities sold (in %)



The AMBRA Group and its companies



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The largest and also the most fragmented group of wine products are still wines. Year by year, they are becoming an increasingly popular element of life in Poland, and the trend can be expected to continue. The most popular category in the group are the so-called generic products, offered by many manufacturers, such as Sophia, Kadarka and Egri Bikaver (see graph 7, page 22). The brand which managed to break the hegemony of the generics is Fresco, the best-selling Ambra wine.

Main brands

◆ Dorato

The Dorato brand has been an unquestioned leader in the Polish market of champagnes and sparkling wines for over ten years. Its position has been achieved thanks to the well-considered, long-term marketing strategy, and the wine is popular also in other countries. The efficient sales and distribution system make Dorato available in practically every store carrying wines. Its leading position was confirmed by the award of the Category Stock Master for the best distribution in the champagne and sparkling wine categories, granted by the largest trading magazine "Detal dzisiaj".

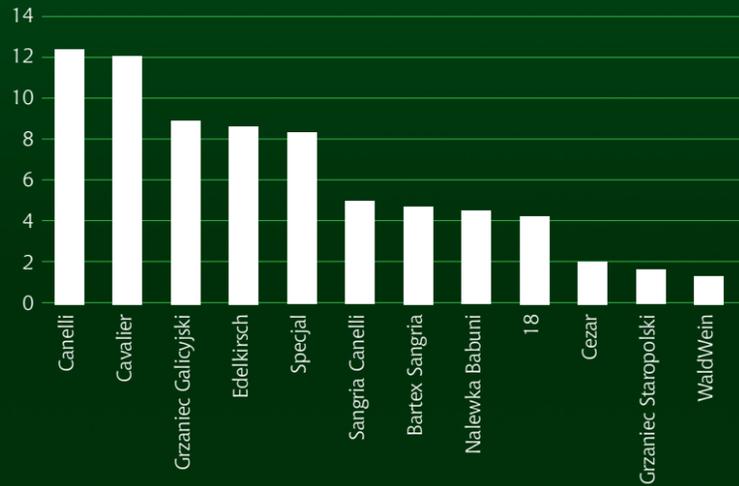
After the end of last year's advertising campaign the spontaneous brand awareness of Dorato was by 9 percentage points higher than in the month preceding the beginning of the campaign (see graph 8, page 22). Notably, the level of awareness of the brand is the highest in the last 10 years.

◆ CIN&CIN

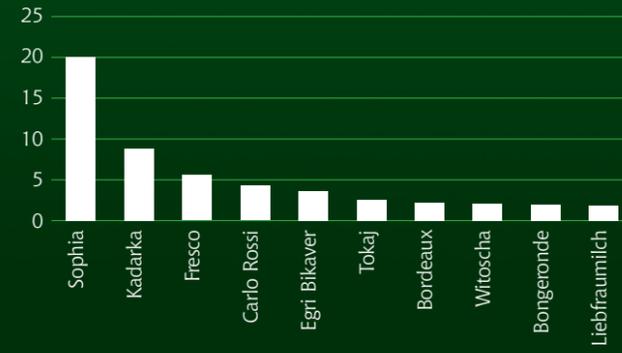
The Cin&Cin brand has a strong and stable market position. It is the unquestioned leader in the vermouth market in Poland in terms of the quantities sold. Every fourth bottle of vermouth bought by consumers is Cin&Cin. The brand is also successful in the champagne and sparkling wines categories, where it holds the honourable second position. It is also very well known among the consumers – it is the second spontaneously mentioned sparkling wine brand in Poland (see graph 9, page 22). Notably, the strong image of the brand was developed



6. Shares of brands in the dessert wine category by quantities sold (in %)

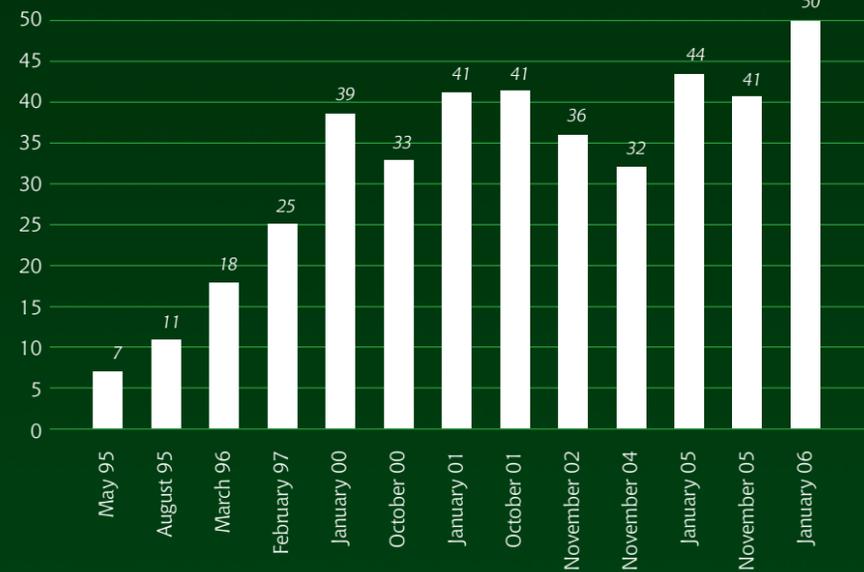


7. Shares of brands in the still wine category by quantities sold (in %)



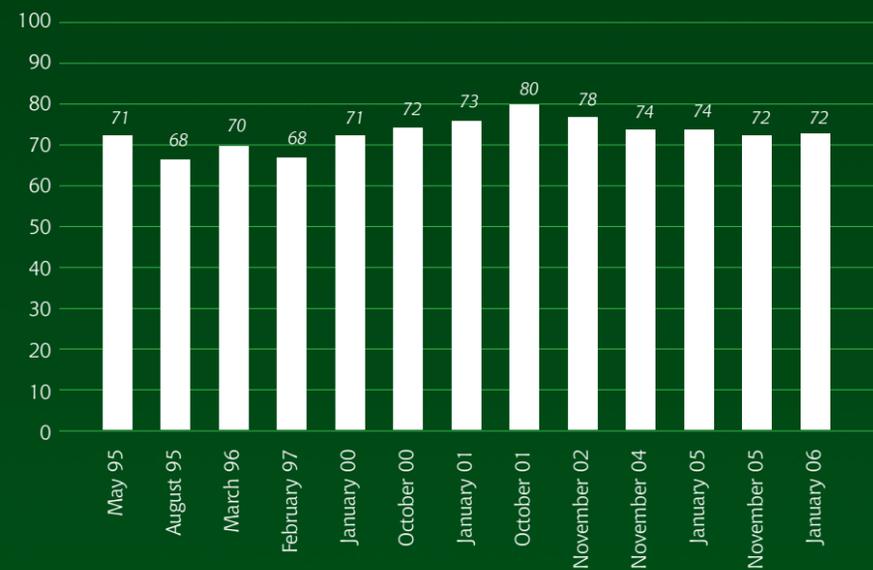
Source: AC Nielsen, MAT JJ 2006

8. Spontaneous brand awareness of Dorato (in %)



Source: Study of advertising effectiveness. Ipsos, January 2006

9. Spontaneous brand awareness of Cin&Cin (in %)



Source: Study of advertising effectiveness. Ipsos, January 2006

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by Ambra over the last few years. Today almost every person in Poland knows the advertising slogan "There is no cin cin without Cin&Cin", which ideally describes the spirit of the brand.

◆ **Fiore**

In March 2006 Ambra SA launched a new product, Fiore, sparkling wine with fruit juice, available in two flavours, Fiore Peach and Fiore Strawberry. The purpose of this unique offer is the creation of a new segment of alcoholic beverages in the Polish market. The combination of semi-dry sparkling wine with natural fruit juice resulted in a unique cocktail with an exquisite taste and low alcohol content.

◆ **Piccolo**

Piccolo is a sparkling fruit drink for children. The attractive packaging and taste popular among children makes Piccolo the unquestioned leader in the market created by Ambra. Piccolo's equivalent in the AMBRA Group is Robby Bubble, sold in over 40 countries. The image of the brand and its leading position are supported by numerous promotional actions, connected with an advertising campaign.





POLAND



IMPORT WIN ŚWIATA

A family trading company TiM was established in 1981. During the market transformation the owners changed its legal form into a limited liability company and extended the business profile to include wholesale trade. In 1991 the company began distributing wines all over Poland to become a direct importer of wines from various regions of the world. Its current offer includes over 250 indexes of wines coming from its own import from 17 countries. Recently the TiM SA wine catalogue was enlarged by a series of excellent wines from the New World – Vasco da Gama.

TiM SA has four branches, situated in Bielsko-Biała, where the headquarters of the company are, and in Tychy, Katowice and Straszyn. Thanks to a well-developed sales structure, TiM SA has gained a considerable share in the wine market. Its primary goal is maintaining the leading position as the importer of grape wines from various regions of the world to Poland and gaining the leading position in the sales of its own wines, meads and non-alcoholic beverages to various markets of the EU Member States.

Achievements

In the financial year 2005/2006 TiM noted a 7% growth in sales, and the greatest dynamics were observed in the wines from the New World, amounting to as much as 77.7%. In the subsequent period the company hopes to see a similar growth in sales, particularly of the New World wines and meads. In the mead category TiM holds a 50% share in the Polish market. The company's becoming a part of the AMBRA Group broadened its development perspectives. To use them in the best possible manner, TiM SA is presently restructuring its offer by enlarging it in the segments of fashionable wines, which are attractive also in terms of price. The restructuring of the offer is accompanied by the implementation of the project under which the company launches its own brands for the key customers. Such activities are of particular importance in the case of key clients, such as organised sales networks, covering all important trading locations. Works on developing the company's own distribution channels are also underway. At the same time, TiM SA is also working on its Doktor Wina ("Wine Doctor") project of 2005, under which a specialist team offers advice to clients of hyper- and supermarkets on the choice of wines.

Thanks to all these activities the prognoses regarding the further development of TiM in the years to come are most optimistic, as it is strengthening its position in the market of imported wines and meads.



TiM SA sales by groups of products

Volume of sales (number of bottles)

Category	II six months of 2004 – I six months of 2005	II six months of 2005 – I six months of 2006	Growth/drop
Still wines	4 630 288	4 862 110	5%
Sparkling wines	1 141 564	1 513 422	32.6%
Sparkling non-alcoholic beverages	610 824	571 529	-6.4%
Meads	237 927	314 009	32%
Dessert wines	180 374	143 693	-20.3%
Vermouths	122 688	133 249	8.6%
Spirits	26 184	21 498	-17.9%
Other	107 252	459	-99.6%
Total	7 057 101	7 559 969	7.1%

Source: TiM SA



group

The AMBRA Group and its companies



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TiM SA products

In the recent period TiM SA has launched a number of new products or improved the existing ones. In the last year financial year the catalogue of the company was enlarged by 36 new elements, including such brands as the series of wines from the New World – Cudgee Creek, Woodhaven, Partida Limitada, VEO, Panul, Isla Negra, Rey de Los Andes, Rincon Privado, new wines from Europe Egri Bikaver 1.51 (Hungary), Hoya de Cadenas, Rioja Montequinto, Expresion La Mancha, Montelago (Spain), Mariengold, Patron Honore (Germany), Imiglikos (Greece), a new Bonetti series (5 products) – Bonetti Spumante, Aperitif Bianco, Aperitif Rosso, Aperitif Peach and Aperitif Cherry.

Other new products of the company include the Rex Honestus poltorak (a type of mead containing three parts of honey to one part of water) mead, Grzaniec Wiedeński (The Vienna Mulled Wine), Kadarka Rosegarden, the new Sangria El Corrida, the new Cemenhoje Igristoje.

The company's achievements were noted by the magazine Puls Biznesu, which granted TiM the title of the Elite Member of Klub Gazel Biznesu (the Business Gazelles Club) for the third time in a row.

CENTRUM WINA

Centrum Wina means the longest list of wines in Poland. The company is one of Poland's leading importers and distributors of fine wines, and its offer includes approximately 700 kinds. Centrum Wina cooperates with over 50 vineyards from all major production regions in the world. Its main clients are restaurants and hotels. The company also sells its products to a selected group of retail and specialist stores and directly to individual and institutional clients.

The leading brands and producers exclusively distributed by Centrum Wina are:

- ◆ Primum Familiae Vini – Leading Wine Families – an association of renowned winemakers' families which have produced the noble beverages for several generations. Centrum Wina represents as many as 6 out of the 11 members of the organization: Vega Sicilia, Symington Family, Hugel & Fils, Joseph Drouhin and Tenuta San Guido;
- ◆ Bollinger – one of the most famous champagne houses;
- ◆ MASI – a vineyard run by the descendants of Dante Alighieri;
- ◆ Beau Mayne – the most popular Bordeaux wine of French restaurants;
- ◆ Pellegrino – vino per la santa mesa – a wine produced for religious purposes, one of the most popular in Poland;
- ◆ Angelo Gaja – the legendary producer of the cult wines of Piedmont;
- ◆ Canaletto – one of the best recognised Italian wine brands, produced by the Girelli family;
- ◆ Antares and Astica – popular and affordable wines from Chile and Argentina.

The market

The market in which Centrum Wina operates is the fine wines segment, i.e. wines of high quality and above-average prices. The market includes 75 000 stores, 9 500 restaurants, bars and clubs, and in terms of merchandise – the growing category of the New World wines with the growth of 118% between April/May 2004 and April/May 2006 (AC Nielsen data). IWSR, an international organization studying the world's wine market, predicts that in 2009 the wine market in Poland will have grown by 55% as compared with 2005, and the quantities sold will amount to almost 150 million bottles. At the same time, however, the last several years saw a serious drop in the sales of wines from the traditional winemaking countries (e.g. the drop in the sales of French wines by 21% between April/May 2005 to April/May 2006, AC Nielsen).

On the other hand, however, Centrum Wina noted a growth in the price segment over PLN 20 per bottle by 29% (comparison for the same period as in the case



group

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Value of the wine market in Poland (in PLN '000 000)

Sales channel	2006
Off trade total	1080
HORECA by CW (at sales prices)	224
B2B and B2C by CW (at sales prices)	100
Total wine market	1404

Source: AC Nielsen and estimations of the AMBRA Group

Udział Centrum Wina w rynku (w poszczególnych kanałach dystrybucji; w %)

Sales channel	2005/2006
Off trade total	1.4
HORECA by CW at sales prices	12.4
Private/company	7.3
Total shares	3.6

Source: AC Nielsen and estimations of the AMBRA Group

Share of Centrum Wina by countries of origin in 2005/2006 (in %)

Country	Share
France	24.1
Italy	22.3
Chile	20.4
Spain	15.6
Argentina	6.0
Australia	4.8
Republic of South Africa	2.6
USA	1.6
Germany	0.9
Mexico	0.5
Portugal	0.5
Hungary	0.3
Austria	0.2
Slovenia	0.1
Lebanon	0.1

Source: AC Nielsen and estimations of the AMBRA Group

of the New World wines consumption), both in the traditional and modern trade. In addition, delicatessen trade is developing, including such networks as Alma, BOMI, Piotr i Paweł, as well as the HORECA segment (hotels, restaurants, clubs etc.), which is highly advantageous in terms of the strategy adopted and implemented by the company.

Achievements and plans

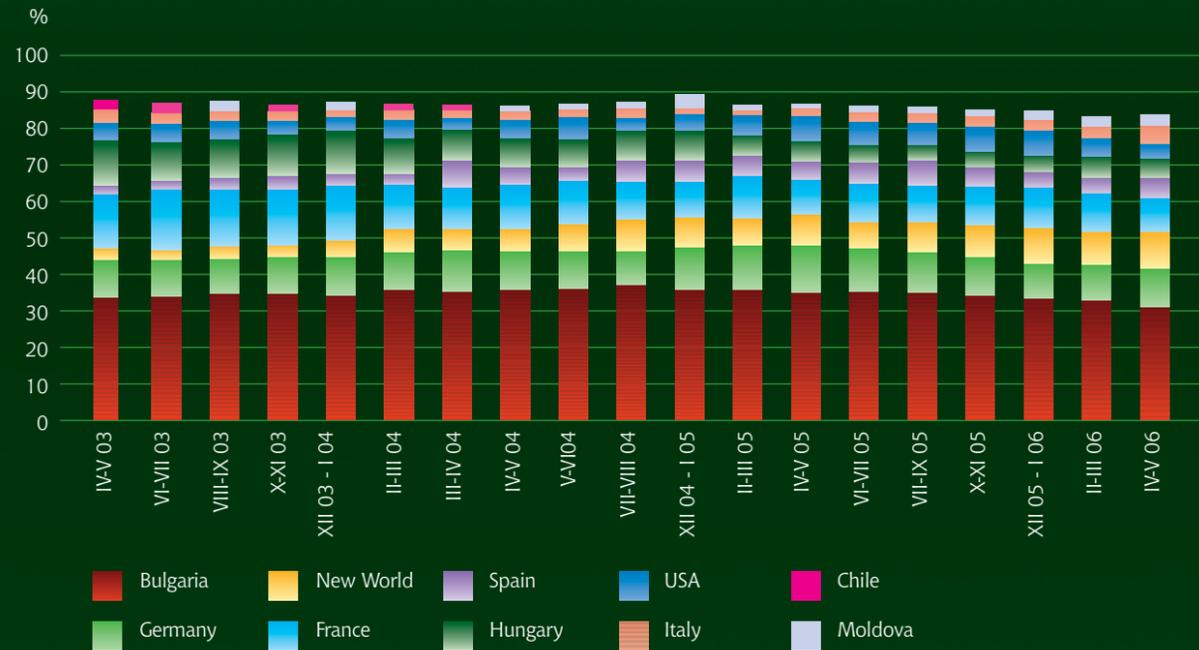
Centrum Wina has so far gained 3 500 institutional and individual clients. The company also has a direct distribution structure, cooperating with gastronomic outlets, comprising 29 regional representatives operating in Poland's largest cities – Warsaw, Krakow, Poznań, Szczecin, the Tricity, Lublin and Katowice. The year 2005/2006 saw many new products launched, such as Intulo Cape Red and White from South Africa, Infinitus Syrah and Tempranillo from Spain, Kendermanns Gewurztraminer from Germany or Ventisquero from Chile are examples of new brands in the Polish fine wines market.

The last year's achievements of Centrum Wina were noted not only by its customers. Similarly to TiM SA, the company was granted the title of Business Gazelle. Moreover, the Amber Baltic Hotel in Międzyzdroje honoured it with the title of Supplier of the Year, appreciating the quality of wine and timeliness of deliveries. The image of Centrum Wina is shaped also by the persons in charge of the company – renowned wine experts.

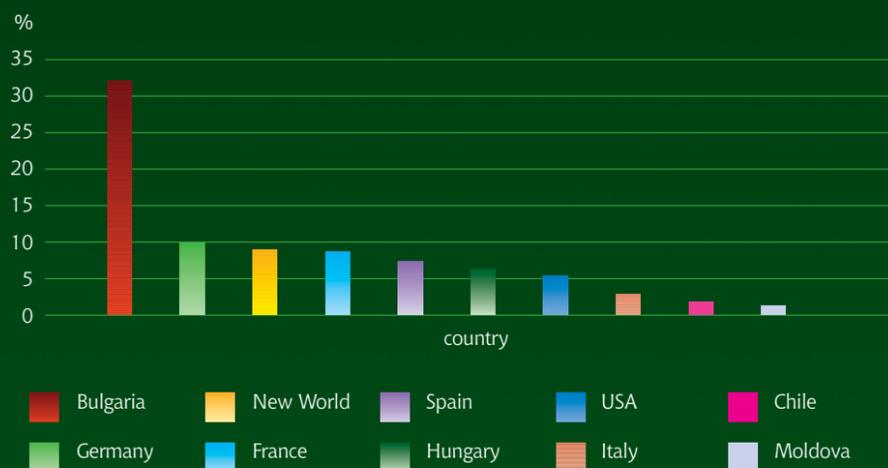
The plans of the company for the financial year 2006/2007 include developing the offer of the New World wines even further, starting Program dla Ciebie (Program for You), an Internet platform of direct sales, combined with a loyalty program, conducted via the Internet site www.centrumwina.com.pl. The company is also planning to introduce other wine-related novelties.



Share of individual states in wine sales in Poland
(April 2003 – May 2006)



Share of individual states in general sales
(as of May 2006)



Source: AC Nielsen

The AMBRA Group and its companies



POLAND



Vinex Slavyantsi Polska holds the second position among the Polish distributors of Bulgarian wines, which are the most popular category of wines sold in Poland. Their share in the total sales of wines has remained unchanged for years and amounts to over 30%. In spite of distributors' apprehensions and the popular opinion often heard in the market that Poland's accession to the European Union would result in the drop in sales, the leading position of Bulgarian wines was defended. At the same time, a positive trend is noted in the category, i.e. consumption of quality wines.

Market and portfolio

Due to the domination of Bulgarian wines in the market, the AMBRA Group is actively present in the market, where Vinex Slavyantsi builds its position offering primarily quality wines.

On the other hand, wines coming from countries such as Spain and Italy are gaining importance in the market. Particularly the Spanish products are increasingly present in Poland thanks to their affordable prices and concentration of sales in the low-price table wine segment. Nevertheless, consumers continue to trust wines from Bulgaria, which is illustrated by stable volumes of sales. At the same time, the fashion to drink wine as opposed to other alcoholic beverages has become stronger.

Over the last several months Vinex Slavyantsi introduced several important changes in its portfolio, launching new kinds of the Slavyantsi wine and the Kukeri wine. At the same time, the Ciociosan, Witosha and Kadarka brands are continuously supported.



group

The AMBRA Group and its companies



POLAND



The youngest wine company in the AMBRA Group, Wine club sp. z o.o. was established in 1994 as Castel's sp. z o.o. with its headquarters in Legnica. The company was the first to distribute the Castel Freres wines in Lower Silesia. In 1997 it changed its name into Centrum Dystrybucji Gidor sp. zo.o. and in December 2003 it moved its head office to Wrocław. In the years 1994-2002 its main business activity was the distribution of French wines. In 2005 it opened three retail stores with wines, other alcoholic beverages and delicatessen under the common brand Wine Club.

The stores, along with those which are to be established in the future, are intended to form a network of wine stores, similar to well-known European networks, such as Nicolas in France, Jacques Depot in Germany or Orbins in Great Britain. In December 2005 90% of the shares in the Gidor company were purchased by Ambra SA, thanks to which the capital of Gidor was increased. In 2006 the company changed its name into Wine Club sp. z o.o., moved its head office from Wrocław to Warsaw and began developing a network of retail stores with wines, alcohols and delicatessen.

Most of the offer of the Wine Club network comprises imported articles, mostly on an exclusivity basis. Presently the network comprises 14 stores, thanks to which it is the second largest network of specialist wine stores in Poland, after La Passion Du Vin, run by the LPDV sp. z o.o. company (which is also a part of the AMBRA Group). By the end of 2006 the number of stores will increase to 20, according to plans. The strategic goal of the company is building a network of stores under the Wine Club brand with approximately 70 retail outlets. Having achieved this goal, Wine Club will become the largest network of the type in Poland, with stores not only in the largest cities, but also in mid-sized towns.





Wine market in the Czech Republic by category
(in millions of 0.75l bottles)

Product	2004	2005
Total wines	158.46	167.81
Still wines	130.36	139.20
Sparkling wines	12.86	13.83
Strong wines	0.17	0.16
Aperitifs	4.87	5.03
Other	10.20	9.60

Source: International Wine & Spirits Record, London 2006

Share of Soare in individual product categories
(by quantity in %)

Product	2005/2006
Total wines	10
Still wines	3
Sparkling wines	20
Vermouths	19
Sparkling non-alcoholic beverages	90

Source: Soare

The **AMBRA** Group and its companies



The Czech Republic is a traditional wine-making country. Wine consumption there exceeds 18 litres per capita, which means that it is several times higher than in Poland (data from Office International de la Vigne et du Vin, Paris). The main players on the Czech market are Bohemia Sekt and Soare Sekt a.s., the second largest wine company in the Czech Republic, where, unlike in Poland, advertising wine products is allowed in all media. The most popular brands among Czech consumers are local wines, though for the last ten years or more the share of imported still wines as compared to the total consumption of such wines has been growing from less than 10% in the early 1990s to 42% now. Similarly to in Poland, the segment of the so-called fine wines is also growing, which is connected with the increasing purchasing power of the society and, on the other hand, the process of a constantly higher level of wine-related education. Wines from the New World are increasingly popular among Czech consumers, similarly as among their Polish counterparts.

Soare's achievements

In 2005/2006 the Soare company developed into a wine group, operating in the Czech republic and Slovakia. Soare took over two entities in the Moravia region, an area with several centuries of winemaking traditions, where the first vine grafts were brought by Hungarian kings. VINO Valtice and Vinarstvi Zajeci are the producers of excellent Moravian wines under the VINO Valtice, Grand Vins du Alfons Mucha brands, along with many others. The Moravia region produces 12 million average-sized bottles of wine a year, 20% of which are exported (in Poland Moravian wines are distributed by Centrum Wina). In the 1990s the Dorato brand was introduced to the Czech market, and it is presently the second best-selling and most commonly recognised sparkling wine, produced in the quantities amounting to 2 million bottles a year. A new product in the category is Dorato Light, containing a small amount of alcohol.

In the same year another wine of the Soare group – Mucha – was awarded the title of the best Czech sparkling wine during a winemaking contest in Paris, judged by the best sommeliers. Also in that year Soare Sekt successfully launched a high quality Moravian wine – VINO Velke Pavlovice. Another product introduced into the Czech market was Rossijskoje Igristoje, popular in Eastern Europe. Moreover, after years of absence the Rychle Spunty brand – the local equivalent of Robby Bubble – made a successful comeback.





Sales of alcoholic beverages in Romania/shares of S.C. Zarea
(in terms of value and quantity, by category)

Bitter (by quantity)	2006
Total	14 124 hl
Zarea	38.2%
Bitter (by value in RON)	2006
Total	27 102 950
Zarea	28.9%
Brandy (by quantity)	2006
Total	285 213 hl
Zarea	5.8%
Brandy (by value in RON)	2006
Total	651 994 900
Zarea	4.3%
Sparkling wines (by quantity)	2006
Total	36 606 hl
Zarea	18.8%
Sparkling wines (by value in RON)	2006
Total	58 680 850
Zarea	14.2%
Liqueurs (by quantity)	2006
Total	104 031hl
Zarea	3.4%
Liqueurs (by value in RON)	2006
Total	167 983 900
Zarea	2.8%
Vermouths (by quantity)	2006
Total	39 759 hl
Zarea	2.9%
Vermouths (by value in RON)	2006
Total	84 091 150
Zarea	1.8%

1 RON = PLN 1.1 (exchange rate as at 20 October 2006)

Source: Zarea

The **AMBRA** Group and its companies



Similarly to the Czech Republic, Romania is a winemaking country, Europe's fifth wine producer, with the production volume exceeding 6 million hectolitres. The greatest share in the national alcohol market belongs to the traditional beverages of local producers, including the Zarea and Karom Drinks, both members of the AMBRA Group. Sparkling wines have a considerably smaller share in the Romanian market, but the segment seems to be growing. Also in this group local products with strong tradition play an important role, including the Zarea and Athenee Palace. Zarea is the oldest and most popular wine producer in Romania. The company is also the owner of the country's most popular spirit brands such as Arad, Carpaten and Moldova. In the financial year 2005/2006 one of the most important tasks of the company was to refresh the image of its brands. The process was successfully finished in February 2006, the Zarea brands are excellently recognised and sell very well, with the leading position among them held by the Zarea sparkling wine, produced since 1912 by the natural method of double fermentation.

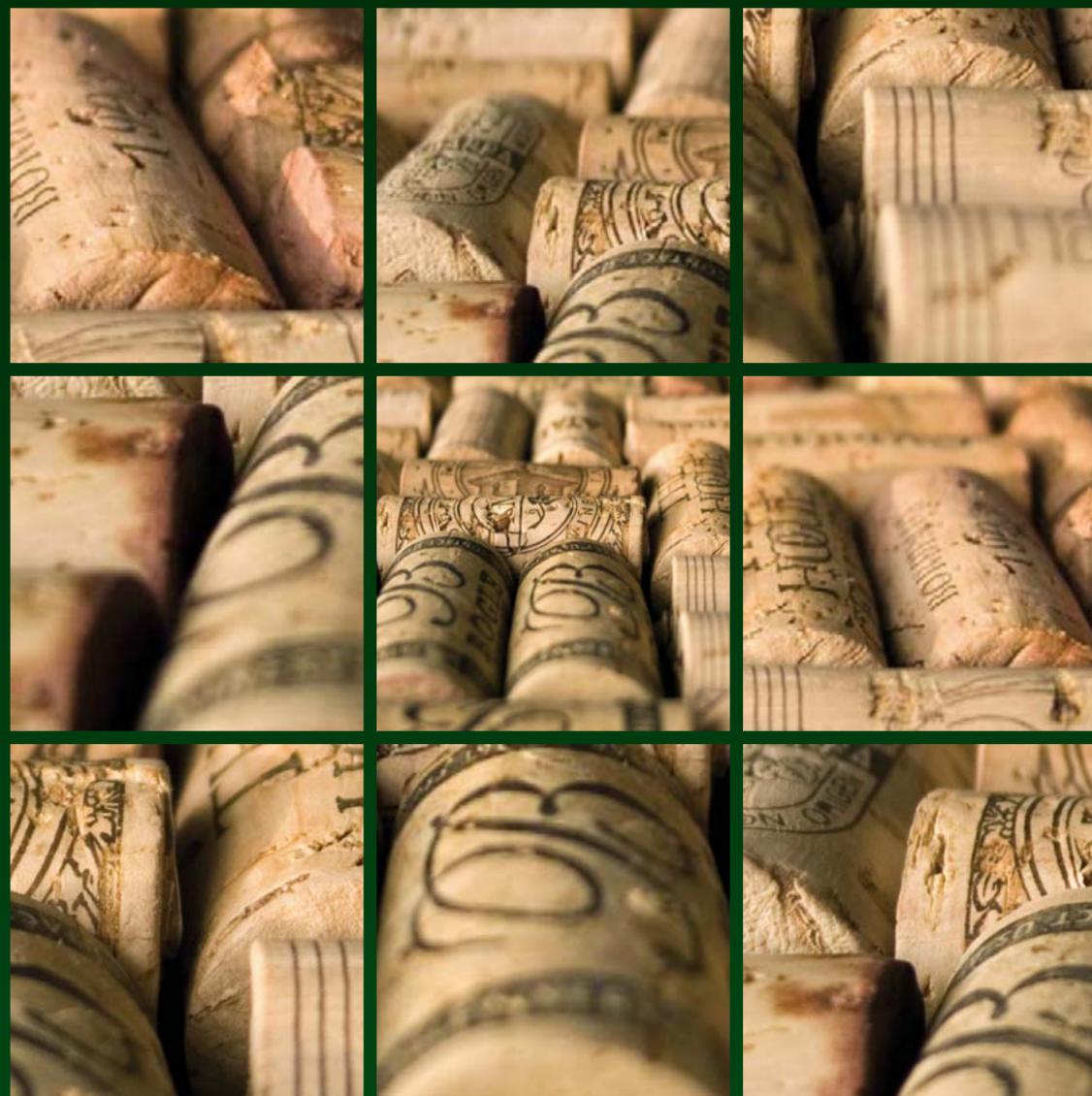
Changes in the brands' image

In the financial year 2005/2006 S.C. Zarea s.a. introduced the Dorato sparkling wine into the Romanian market, and it soon became the company's largest product in terms of value, with over a million bottles sold. A market niche was filled with a new brand – Corrido, a Sangria-type wine, based on high-quality red wine, targeted at consumers aged 20-30. The drink soon became a market hit, also thanks to an advertising campaign in the media. The company also refreshed the image of the traditional Romanian bitter – Carpaten, one of the most popular Romanian brands. The change in the image is supported by an advertising campaign, including, similarly as in the case of Corrido – the press, radio and TV. On the other hand, the group of the Robby Bubble products (the equivalent of the Polish Piccolo), the leader of non-alcoholic sparkling drinks for children, was enlarged by a new brand – Lady Raspberry. Investment in quality in the Romanian market was soon appreciated, and Zarea products received numerous prizes. The Zarea sparkling wine obtained the first prize in its category during the Expodrink fair and the Zarea vermouths and Carpaten bitter were also highly appreciated.

New challenges

Preparing all the areas of the company's operation to comply with the EU requirements (from 1 January 2007 Romania will be a new EU Member State) was quite a challenge for Zarea. The company's strategy for 2006/2007 includes a merger with Karom Drinks, which also belongs to the AMBRA Group and taking the opportunities following from EU membership.





The Company's authorities

*and Report of the
Management Board*

authorities

The Company's authorities



Claudius Hilla – President of the Board

Mr. Hilla is 42 years old. He graduated from Berufsakademie in Mannheim, Germany, where he obtained the Betriebswirt (BA) degree. In the years 1987-1991 he worked for Joh. A. Benckiser GmbH in Ludwigshafen, Germany, supervising contacts with key clients, and between 1992-1996 in Benckiser SA in Warsaw as the Sales Director. In the years 1997-1998 he was the Vice President of Elbrewery Co. Ltd, Warsaw, responsible for sales and marketing. His career in Ambra began in 1999, when he joined the company as its Vice President. On 26 July 2002 he was appointed the President. His term will end after the General Meeting has approved the financial statements for the financial year 2007/2008.



Robert Piotr Ogór – Vice President of the Board

Mr. Ogór, who is 43 years old, graduated from the Faculty of Philosophy at the Ruprecht-Carl-Universität in Heidelberg, Germany. Between 1994 and 2004 he worked as an advisor and member of the management group for capital investments and foreign markets in Sektkellerei Schloss-Wachenheim AG. Since 6 July 2003 Mr. Ogór has held the function of Vice President of the Ambra company. His term will end after the General Meeting has approved the financial statements for the financial year 2007/2008.



Grzegorz Stanisław Nowak – Vice President of the Board

Mr. Nowak, 45, is a graduate of the Faculty of Economics at the Maria Curie-Skłodowska University in Lublin. In 2003 he also completed post-graduate studies for financial directors at the Leon Koźmiński Academy of Entrepreneurship and Management in Warsaw. His career began in 1984 in Przedsiębiorstwo Budownictwa Inżynieryjno-Drogowego (The Engineering and Road Construction Enterprise) in Biłgoraj, where he worked until 1990. In the years 1991-1992 he was the chief accountant in Zakłady Przemysłu Dżiwiarskiego "Fantazja" (The Knitwear Plant "Fantazja") in Biłgoraj. He joined Ambra in 1992, originally as the chief accountant, and since September 1998 as the Vice President of the Board. His term will end after the General Meeting has approved the financial statements for the financial year 2007/2008.

authorities

The Company's authorities



Nick Günther Reh – Chairman

Mr. Reh, 43, graduated from the Department of Economics of the St. Gallen University in 1985 and in 1987 he underwent banking training in the Landesbank Rheinland-Pfalz. Also in that year he joined the SSW. Presently he holds the functions of a Supervisory Board member in Sektkellerei Nymphenburg AG, the president of the Compagnie Européenne des Vins Mousseux S.A.S. management committee, a member of the Compagnie Française des Grands Vins SA. administrative council. Since 3 August 1998 he has also held the function of the Ambra SA Supervisory Board member. His term will end after the General Meeting has approved the financial statements for the financial year 2006/2007.

Wilhelm Max Ludwig Seiler – Deputy Chairman

Mr. Seiler, 56, is a law graduate with a Ph.D. degree in legal sciences of the Ludwig-Maximilian University in Munich, and a barrister. In the years 1982-1989 he was a director in Sektkellerei Nymphenburg KG/AG/GmbH, then in 1989-2003 a director in Vintalia Geschäftsführungs GmbH & Co. KG. A Board Member of SSW since 2003, and since 9 July 2003 a member of Ambra SA Supervisory Board. His term will end after the General Meeting has approved the financial statements for the financial year 2006/2007.

Tomasz Chenczke – Supervisory Board Member

Mr. Chenczke has a Ph.D. in legal sciences, which he obtained at the California Western School of Law in San Diego, and a BA degree of the University of Michigan in Ann Arbor. He used to work as an advisor in the Ministry of Finance and ran a banking and financial practice in Baker McKenzie in Warsaw, he was also in charge of the capital markets group for ING Bank Śląski in Warsaw. Mr. Chenczke also worked as a Management Board member of Elbrewery, where he was responsible for consolidation of operations, mergers and takeovers. He has been connected with the Eastbridge capital group since 2002. A Supervisory Board member of NFI Empik Media & Fashion since 16 March 2004. His term at the Ambra Supervisory Board will end after the General Meeting has approved the financial statements for the financial year 2006/2007.

Uwe Herbert Reinhardt Moll – Supervisory Board Member

Mr. Moll, 50, graduated from economic studies at the Berlin Hochschule für Ökonomie in 1977. Between 1981 and 1990 he worked for H GmbH as exports and imports director, and then as the deputy director general. Between 1990 and 1998 he was the sales and marketing director at Seagram Deutschland. A Management Board member of SSW since 1 October 1998, and a member of the Ambra SA Supervisory Board since 13 April 1999. His term will end after the General Meeting has approved the financial statements for the financial year 2006/2007.

Rafał Dominik Konieczny – Supervisory Board Member

Mr. Konieczny, 37, graduated from the Medical Academy in Warsaw and took numerous courses in enterprise valuation and negotiation strategy as well as the "Going Public" course. In the years 1991-1993 he worked as a consultant in ITCA Europe Ltd., in 1993-1996 as an Associate and Senior Associate in KPMG Peat Marwick Policy Economics Group, and between 1996 and 1998 as a Senior Executive in Hambros Central Europe sp. z o.o. In the years 1998-2002 he held the function of Vice President of SG Corporate Finance Polska sp. z o.o. and since 2004 he has been the director of VCP Polska sp. z o.o. Since 2003 he has also worked in his own company, Quanteco Rafał Konieczny. A member of the Ambra SA Supervisory Board since 26 May 2004. His term will end after the General Meeting has approved the financial statements for the financial year 2006/2007.

Operation of the AMBRA Group in the period from 1 July 2005 to 30 June 2006 – Report of the Management Board

(the complete report is available at www.ambra.com.pl)

Events with material influence on the operation of the AMBRA Group and its predicted development

In the financial year 2005/2006 the AMBRA Group achieved a net profit of PLN 20 882 thousand, which means a 29% growth as compared with the previous year. Total revenues from sales (before excise tax and trading charges) grew by PLN 66 771 thousand, i.e. by 18%, and amounted to PLN 430 271 thousand. As revenues from sales of last year included also revenues from discontinued production of the Polmos Lublin merchandise amounting to PLN 16 456 thousand, the AMBRA Group increased the sales of wine products by PLN 83 226, which means a growth of 24%.

The AMBRA Group also achieved a considerable growth of gross profit return (calculated as the share in the revenues from sales of products and merchandise). It amounted to 25%, which means an increase by 2 percentage points as compared with the previous year. Gross profit on sales totalled PLN 108 383 thousand and grew by PLN 24 666 thousand, i.e. by 29% as compared with 2004/2005. EBITDA amounted to PLN 44 992 thousand and grew by PLN 4 444 thousand as compared with the corresponding period of the previous year. EBIT, on the other hand, amounted to PLN 33 013 thousand and was by PLN 1 945 thousand, i.e. by 6%, higher than in the corresponding period of the previous year. In the financial year 2005/2006 other operating costs grew, including the IT-related costs, lease, market research and pays. The growth is connected with the AMBRA Group being enlarged by new companies and higher costs of managing the Capital Group, borne by the Ambra company.

An important element positively influencing the result achieved by the Group was a one-time profit of PLN 6 058 thousand, achieved thanks to the land being contributed to the SC Zarea by its minority shareholders, as the value of the land exceeded the value of the shares issued.

In June 2005 Ambra SA made its debut on the Warsaw Stock Exchange. The number of shares sold in the public offering was 6 300 000 at the subscription price of PLN 9.50. The PDA listings began on 22 June 2005. On 7 July 2005 the increase in the share capital was registered by the Regional Court for the capital city of Warsaw. Pursuant to the ordinance of the Board of the Stock Exchange of 22 July 2005, on 29 July 2005 17 527 644 ordinary shares were listed in the primary market. The company received the issuance proceeds in the early July 2005. The funds, less the issuing costs, increased the company's equity in the financial year 2005/2006. The main shareholder of Ambra SA is Sektkellerei Schloss Wachenheim AG. Following the issue of shares and their being sold by Sektkellerei Schloss Wachenheim AG

in February 2006, the share of the main shareholder presently amounts to 61%. In the opinion of the Board the future results of the company will be influenced by the dynamics of the wine market and macroeconomic factors, including in particular the overall economic situation and growth in the GDP, the consumers' tendencies to purchase consumer goods, the values of the EUR/PLN exchange ratios and the changes in the interest rates.

Another element to significantly influence the results of the AMBRA Group will be the financial results of the companies which it recently took over. The influence should be positive primarily in the case of the TiM SA and S.C. Zarea s.a. companies, which experience both growth in sales and in profits. A certain burden for the Group results will be the costs which the Wine Club sp z o.o., presently establishing its network of retail wine stores, will incur.

Information on the basic products and merchandise with qualitative and quantitative data

The gross sales in terms of value before the excise tax and trading charges increased by PLN 66 771 thousand. After the elimination of the discontinued business activity the revenues grew by PLN 83 227 thousand. The qualitative growth was achieved in all groups of products. At the same time, the share of still wines, the most growth-prone category in the revenues from sales increased considerably, whereas the share of sparkling wines and vermouths dropped. The AMBRA Group enlarged its portfolio of products with spirits following the 2005/2006 takeover of the S.C. Zarea s.a. company, with its powerful position in the segment of the Romanian market.

In quantitative terms the sales grew by 15 153 thousand average bottles. After the elimination of the discontinued business activity, the growth amounted to 15 938 average bottles. The quantitative growth was achieved in all categories of products. Notably, in the quantitative structure of sales of the AMBRA Group the share of still wines also increased.

Information on changes in the sales markets

In the financial year 2005/2006 the greatest share among the geographically defined segments belonged to Poland with its share in net revenues from sales (before consolidation write-offs) amounting to 61%. The Czech Republic and Slovakia hold a 23% share, whereas a 16% share belongs to Romania where the fastest growth was observed as compared with the previous year. No client of the AMBRA Group exceeded a 10% share in its revenues.

The Group's sales grew in all product categories ”



Growth in the sales of the AMBRA Group (qualitative and quantitative) by category

Sales structure of the AMBRA Group in terms of value	2005/2006		2004/2005		Growth %
	In PLN '000	Share in %	In PLN '000	Share in %	
Category					
Sparkling and carbonated wines	156 887	36.5	148 360	42.8	5.7
Still wines	140 768	32.7	95 475	27.5	47.5
Vermouths	54 985	12.8	49 284	14.2	11.6
Non-alcoholic beverages	26 510	6.2	21 231	6.1	25.5
Spirits	16 477	3.8	4 760	1.4	24.0
Other	34 644	8.0	27 934	8.0	24.0
Total basic business	430 271	100.0	347 044	100.0	24.0
Distribution of vodka	–	–	16 456	–	–
Total	430 271		363 500		18.4

Sales structure of the AMBRA Group in terms of value	2005/2006		2004/2005		Growth %
	In thousands of average bottles	Share in %	In thousands of average bottles	Share in %	
Category					
Sparkling and carbonated wines	28 446	39.5	25 148	44.8	13.1
Still wines	22 159	30.8	13 331	23.8	66.2
Vermouths	7 139	9.9	6 241	11.1	14.3
Non-alcoholic beverages	6 747	9.4	5 829	10.4	15.7
Spirits	1 457	2.0	539	1.0	170.0
Other	6 094	8.4	5 016	8.9	21.5
Total basic business	72 042	100.0	56 104	100.0	28.4
Distribution of vodka	–	–	785	–	–
Total	72 042		56 889		26.7

The most important achievements in research and development

The high quality of the products manufactured and sold by the Group is confirmed by numerous distinctions and prizes. In the period under analysis alone Krajowa Rada Winiarstwa i Miodosytnictwa (the National Council of Wine and Mead Production) granted awards to over 30 products of the Group, including 17 which received gold medals (with Cin&Cin Vermouth, MichelAngelo, Fiore Peach, Fresco, Trapiche Oak Cask Cabernet, Lindemans Bin 65 Chardonnay among them along with the Złota Pasieka, Kasztelański and Rex Honestus meads). Noteworthy is also the constant improvement of the products' images and new categories launched in the market. In the period analysed the AMBRA Group introduced a new product – Fiore Peach and Strawberry, i.e. a mix of sparkling wine and fruit juice.

The unique drinks were launched to create a new segment in the Polish market, and the new products got marketing support focusing on TV, industry press and points of sale. Moreover, the Group enlarged its offer by adding new products of the Fresco category – the white dry wine Pinot Bianco Veneto and the dry red wine Sangiovese Rubicone. The new additions to the imported wines group were Chilean products – Fuego Chardonnay and Cabernet Sauvignon. In the vermouth category a dry vermouth Cin&Cin extra dry was launched.

In the financial year 2005/2006 S.C. Zarea s.a. introduced the Dorato sparkling wine into the Romanian market, and its sales achieved the volume of over a million bottles, thanks to which Dorato became the company's largest product in terms of value. In the same period the process of restructuring the image of the products sold under the Zarea brand continued. Also, the company took advantage of a gap in the existing market and successfully launched the Corrido brand, a sangria-type wine, based on high quality red wine. The product, addressed to customers in the 20-30 age group and supported by an active advertising campaign, became a market hit. In addition, the image of the traditional Romania bitter, Carpaten, one of the best known Romanian alcohol brands, was improved. The change of its image was accompanied by an advertising campaign, covering, similarly to the case of Corrido, the press, radio and TV. The Robby Bubble product line (the equivalent of the Polish Piccolo) was enlarged by a new brand – Lady Raspberry. The marketing activities in the Romanian market resulted also in numerous awards granted to the Zarea products. The Zarea sparkling wine obtained the first prize in its category during the Expodrink fair and

In 2005/2006 over 30 of the Group's products received prizes and distinctions

the Zarea vermouths and Carpaten bitter were also highly appreciated. The Czech market also saw continued activities supporting the Dorato brand, including an Internet service www.dorato.cz. A new element is enlarging the Dorato line with Dorato Light, containing small amounts of alcohol. Important changes took place in the financial year 2005/2006 as regards the image of the Mucha wines, thanks to which the Mucha sparkling wine received the title of the best product of the type during a winemaking contest in Paris, judged by the best sommeliers. Soare Sekt has also successfully introduced a new product to the quality Moravian wines – VINO Velke Pavlovice. Since the time of the launch, its sales exceeded 180 thousand bottles in quantitative terms. Another product introduced into the Czech market was the Rossijskoje Igristoje, popular in Eastern Europe. Moreover, after a few years of absence the Rychle Spunty brand – the local equivalent of Robby Bubble – made a successful comeback. All these activities are but a part of the broad innovative actions taken by the Group in the products area.

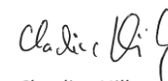
Description of significant threats and risk factors

In the opinion of the Management Board the external and internal factors, as well as risks connected with the Group's business activity include:

- ◆ macroeconomic factors, particularly the general economic situation and growth in the GDP, the consumers' tendencies to buy consumer goods, inflation, the unemployment rate and the volume and demographic qualities of the population;
- ◆ the possible changes in consumers' behaviours and preferences which may influence the sales of the existing brands and level of acceptance for product innovations in the future;
- ◆ capital investment risk, including the choice of the right acquisition objects, negotiations of the favourable purchase conditions, integration in terms of marketing, finance, organisation and IT of the companies taken over by AMBRA Group;
- ◆ fluctuations in the prices of raw materials, particularly of imported grape wine and concentrated grape juice, subject to the instability characteristic for agricultural products, depending on seasonality, harvests, demand, speculation, intervention, administrative regulations etc;

- ◆ changes in the exchange rates influencing the costs of many imported raw, production and trade materials, particularly grape wine and packaging elements, whose prices are primarily determined in Euro, whereas the AMBRA Group companies price their products and merchandise in local currencies;
- ◆ effectiveness of exchange rate hedging;
- ◆ the progressive process of concentration regarding entities dealing in food products, including alcoholic beverages, which may result in the increased bargaining power of the largest clients such as the Metro Group or CEDC. This may in turn influence the drop in the return levels and make the payment deadlines longer for the products and merchandise delivered to those clients;
- ◆ the risk related to the competition of the leading European wine producers who do not have their distributors in Poland or other Central and Eastern European states, as well as of the renowned distribution companies specialising in alcohol products, including wine;
- ◆ the possible changes in the legal regulations regarding production, sales, marketing and advertising of alcoholic beverages, as well as tax regulations, labour law and social insurance regulations;
- ◆ the instability of the tax system, where the changes may consist of increased tax rates, including excise tax, but also in the introduction of the new legal instruments, broadened scope of taxation or even new tax burdens, as well as the changing interpretations of tax law and vagueness of many regulations comprising the tax system.

The year
2005/2006
saw the
successful
launch of
the Dorato
brand on the
Romanian
market ”



Claudiu Hilla
President of the Board

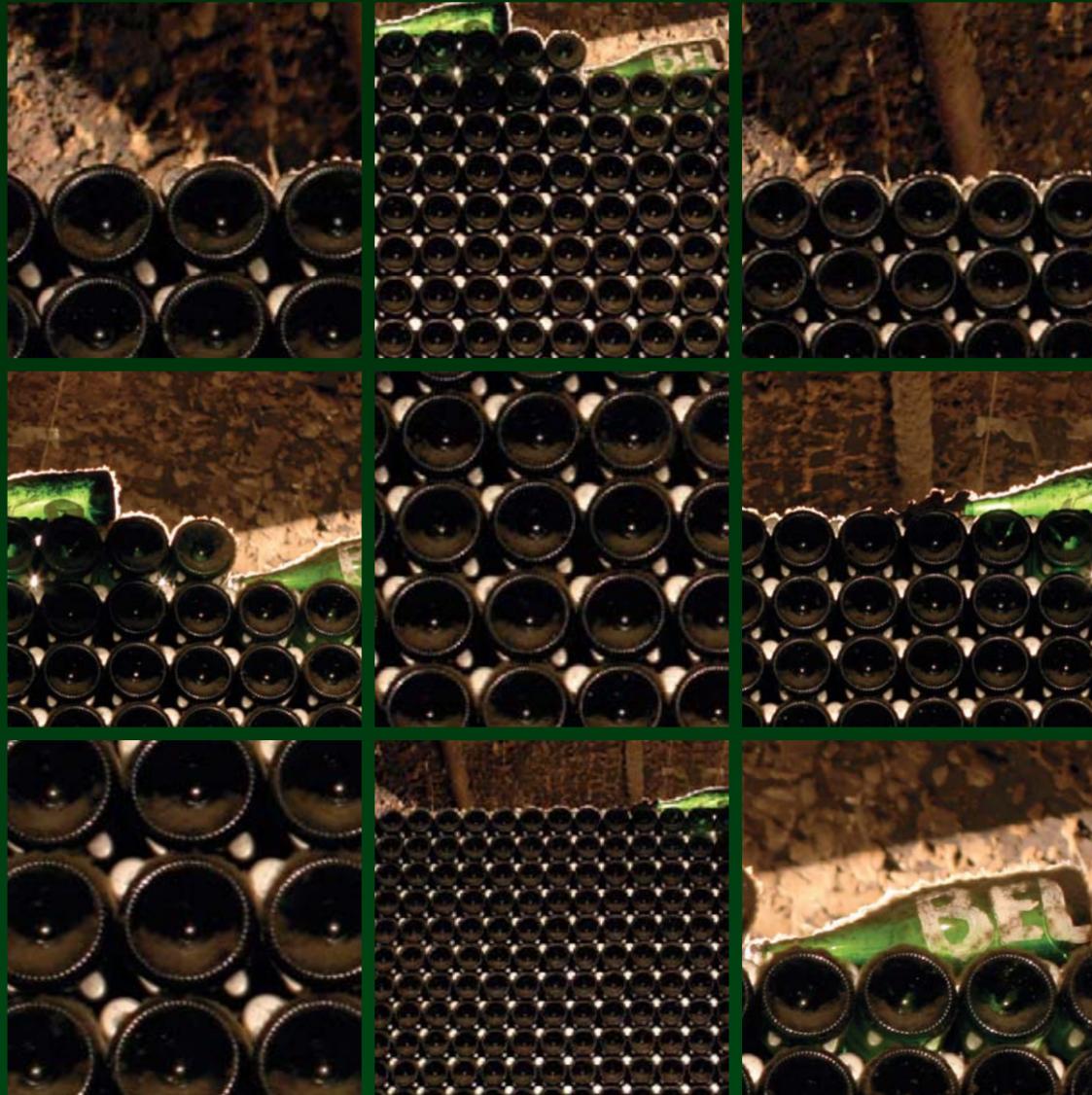


Grzegorz Nowak
Vice President of the Board



Robert Ogór
Vice President of the Board

Warsaw 13 October, 2006



Financial

results

CONSOLIDATE BALANCE SHEET

ASSETS

Fixed assets	2005/2006	2004/2005
Tangible fixed assets	103 378	55 034
Intangible assets	6 120	5 618
Goodwill	18 136	8 907
Biological assets	408	398
Long-term receivables	1 502	1 671
Investment property	1 282	-
Investments in associates	3 859	3 386
Shares	228	2 271
Long-term loans	4 393	4 690
Other financial assets	200	-
Deferred tax asset	4 120	2 072
Total fixed assets	143 626	84 047
Current assets		
Inventory	93 041	68 321
Corporate income tax receivables	2 032	1 718
Short-term receivables	113 736	96 839
Short-term loans	428	254
Short-term financial assets	2 006	-
Prepaid expenses	2 789	4 233
Cash and cash equivalents	49 144	5 979
Total current assets	263 176	177 344
TOTAL ASSETS	406 802	261 391

LIABILITIES

Equity	2005/2006	2004/2005
Share capital	25 207	18 907
Share premium	67 300	17 168
Other capital reserve	53 596	40 196
Foreign exchange differences on translation of subsidiaries	67	(713)
Retained earnings	159	370
Net profit of the current year	20 882	16 214
Equity of the parent company shareholders	167 211	92 142
Minority interest	36 480	13 002
Total equity	203 691	105 144
Long-term liabilities		
Long-term liabilities of loans, borrowings and debt instruments	35 264	33 164
Long-term trade and other liabilities	14	1 060
Employee benefits	101	90
Deferred tax provision	8 927	1 842
Total long-term liabilities	44 306	36 156
Short-term liabilities		
Short-term liabilities of loans, borrowings and other debt instruments	78 138	56 143
Corporate income tax liabilities	1 497	2 434
Short-term trade and other liabilities	79 170	61 514
Total short-term liabilities	158 805	120 091
TOTAL EQUITY AND LIABILITIES	406 802	261 391



CONSOLIDATED PROFIT AND LOSS ACCOUNT

Financial year	1.07.2005 – 30.06.2006 2005/2006	1.07.2004 – 30.06.2005 2004/2005
Sales of products	311 015	244 886
Sales of merchandise	119 256	118 614
Gross sales	430 271	363 500
Customer bonuses	(32 864)	(16 977)
Excise tax	(56 810)	(42 978)
Net sales	340 597	303 545
Cost of materials	(121 915)	(107 867)
Cost of sold merchandise	(70 561)	(76 625)
Cost of materials and cost of sold merchandise	(192 476)	(184 492)
Advertising, marketing and distribution expenses	(39 738)	(35 336)
Gross profit on sales	108 383	83 717
Operating costs	(33 096)	(22 033)
Employee benefits	(38 806)	(22 364)
Depreciation and amortization	(11 979)	(9 480)
Profit on sales	24 502	29 840
Other operating income	12 592	4 448
Other operating expenses	(4 081)	(3 220)
Earnings before interests and taxes (EBIT)	33 013	31 068
Financial revenues	8 533	2 030
Financial expenses	(8 287)	(7 474)
Profit before tax	33 259	25 624
Current corporate income tax	(8 294)	(5 764)
Deferred tax	570	(218)
Income tax	(7 724)	(5 982)
Profit on discontinued activities	-	124
Profit's share in entities consolidated under the equity method	473	-
Net profit from continued activities	26 008	19 766
Profit from discontinued activities	-	(124)
Net profit	26 008	19 642
Net profit of the parent company shareholders	20 882	16 214
Net profit of minority interest	5 126	3 428

CONSOLIDATED CASH FLOW STATEMENT

	1.07.2005 – 30.06.2006 Financial year 2005/2006	1.07.2004 – 30.06.2005 Financial year 2004/2005
Cash flows from operating activities		
Net profit	20 882	16 214
Adjustments:		
Minority interest	5 126	3 428
Depreciation and amortization	11 979	9 480
Write-offs of financial assets	(100)	-
Profit's share in entities consolidated under the equity method	(473)	-
Foreign exchange (gains)/losses	(1 562)	642
(Profit)/loss on investing activities	(296)	-
(Profit)/loss on sales of fixed assets	(279)	(207)
Interest and dividends	(86)	4 689
Current income tax	8 294	4 718
Other adjustments of cash flows from operating activities	(4 617)	(3 347)
Earnings before interests and taxes before changes in working capital and provisions	38 868	35 617
Change in receivables	(22 149)	(21 118)
Change in inventory	(8 261)	8 088
Change in liabilities (excluding loans and borrowings)	4 037	1 237
Change in provisions	2 093	278
Change in liabilities from employee benefits	12	-
Net cash flows generated on operating activity	14 600	24 102
Income tax paid	(8 373)	(5 662)
Net cash flows from operating activities	6 227	18 440
Cash flows from investing activities		
Inflows		
Sales of intangible assets and tangible fixed assets	760	712
Repayment of loans	539	6 027
Interest received	2 105	38
Dividends received	-	870
Other inflows from investing activities	-	374
	3 404	8 021
Outflows		
Purchase of intangible assets and tangible fixed assets	(13 275)	(13 571)
Acquisitions	(11 942)	(3 155)
Loans granted	(20)	(355)
Dividends paid	(194)	(5 677)
	(25 431)	(22 758)
Net cash flows from investing activities	(22 027)	(14 737)
Cash flows from financing activities		
Inflows		
Net inflows from issue of shares and other equity instruments	57 799	-
Loans and borrowings received	14 573	12 886
Other inflows from financing activities	1 141	49
	73 513	12 935
Outflows		
Loans and borrowings repaid	(5 394)	(10 107)
Dividends paid	(3 868)	-
Interest paid	(5 023)	(5 981)
Finance lease payments	(367)	(99)
	(14 652)	(16 187)
Net cash flows from financial activities	58 861	(3 252)
Net cash flows, total	43 061	451
Change in result of foreign exchange differences	104	(250)
Balance-sheet change of cash, including:		
Cash and cash equivalents at the beginning of the period	5 979	5 778
Cash and cash equivalents at the end of period	49 144	5 979



STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

	Share capital	Share premium	Other capital reserves	Foreign exchange differences on translation of subsidiaries	Retained earnings	Net profit of the current year	Equity of the parent company shareholders	Minority interest	Total equity
1.07.2004 – 30.06.2005									
Equity at the beginning of the period	18 907	17 168	26 398	(272)	3 422	10 710	76 333	7 152	83 485
Net profit	–	–	–	–	–	16 214	16 214	3 555	19 769
Distribution of profit	–	–	–	–	(3 066)	(10 710)	(13 776)	–	(13 776)
Transfer of profit to the capital reserves	–	–	13 776	–	–	–	13 776	–	13 776
Extention of the Group	–	–	–	–	–	–	–	3 037	3 037
Payment of dividends	–	–	–	–	–	–	–	(708)	(708)
Foreign exchange differences on consolidation	–	–	–	(441)	–	–	(441)	–	(441)
Other adjustments	–	–	22	–	14	–	36	(34)	2
Equity at the end of the period	18 907	17 168	40 196	(713)	370	16 214	92 142	13 002	105 144
01.07.2005 – 30.06.2006									
Equity at the beginning of the period	18 907	17 168	40 196	(713)	370	16 214	92 142	13 002	105 144
Net profit	–	–	–	–	–	20 882	20 882	5 126	26 008
Distribution of profit	–	–	–	–	16 214	(16 214)	–	–	–
Transfer of profit to the capital reserves	–	–	13 400	–	(13 400)	–	–	–	–
Issue of shares	6 300	50 132	–	–	–	–	56 432	–	56 432
Extention of the Group	–	–	–	–	–	–	–	20 100	20 100
Payment of dividends	–	–	–	–	(3 025)	–	(3 025)	–	(3 025)
Payment of dividends by subsidiaries	–	–	–	–	–	–	–	(2 628)	(2 628)
Foreign exchange differences on consolidation	–	–	–	780	–	–	780	880	1 660
Equity at the end of the period	25 207	67 300	53 596	67	159	20 882	167 211	36 480	203 691

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards in the version approved by the EU.