

CURRENT REPORT

HOOP S.A.

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Report of the Management Board of HOOP S.A. Stating the Rationale for the Merger of HOOP S.A. and Kofola SPV Sp. z o.o.

Acting pursuant to Par. 19.2.2, in conjunction with Par. 5.1.13 of the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities, dated October 19th 2005 (Dz.U. of 2005, No. 209, item 1744), the Management Board of HOOP S.A. publishes, attached hereto, the Report of the Management Board of HOOP S.A. stating the rationale for the merger of HOOP S.A. and Kofola SPV Sp. z o.o., approved by virtue of Resolution No. 1 adopted by the Management Board of Hoop S.A. on January 31st 2008. The Report was prepared pursuant to Art. 501 of the Commercial Companies Code.

The Plan of Merger of HOOP S.A. and Kofola SPV Sp. z o.o. was published in *Monitor Sądowy i Gospodarczy* No. 239 of December 10th 2007, under entry 15305, as well as in Current Report No. 51/2007 of November 28th 2007. An auditor's opinion on the Plan of Merger was published in an appendix to Current Report No. 3/2008 of January 22nd 2008.

Legal basis: Art. 56.1.2 of the Public Offering Act – current and periodic information.

**REPORT OF THE MANAGEMENT BOARD OF HOOP S.A., PRESENTING THE RATIONALE AND THE
LEGAL AND ECONOMIC GROUNDS FOR THE MERGER,
PREPARED PURSUANT TO ART. 501 OF THE POLISH COMMERCIAL COMPANIES CODE**

Pursuant to Art. 501 of the Polish Commercial Companies Code, the Management Board of Hoop S.A. has prepared and approved this Report providing the rationale for the merger of Hoop S.A. and Kofola SPV Sp. z o.o.

1. General Objectives

The objective behind the merger of Hoop S.A. and Kofola SPV Sp. z o.o. is to integrate the operations of two groups (Hoop and Kofola) active on the Polish and Central European beverage markets.

In addition to parent company Hoop S.A., the Hoop Group comprises eight companies, i.e. Hoop Polska S.A. of Warsaw, Przedsiębiorstwo Produkcji Wód Mineralnych "Woda Grodziska" Sp. z o.o. of Grodzisk Wielkopolski, Pomorskie Centrum Dystrybucji HOOP Sp. z o.o. of Koszalin, Bobmark International Sp. z o.o. of Warsaw, Maxpol Sp. z o.o. of Sufczyn, Paola S.A. of Kobierzyce, Transport – Spedycja – Handel – Sulich Sp. z o. o. of Bielsko Podlaskie, OOO Megapack of Promozno, Vidnoye, Leninsky District, Moscow Region, Russian Federation. Hoop S.A. also holds an 8.8% equity interest in Rabat Pomorze S.A. of Pruszcz Gdański.

The Hoop Group operates three production plants in Poland (situated in Bielsko Podlaskie, Tychy and Grodzisk Wielkopolski) with the total headcount standing at 676 (employees of Hoop Polska Sp. z o.o.) and 133 (employees of HOOP S.A.), while the plant operated by OOO Megapack of Promozno, Vidnoye, Leninsky District, Moscow Region is manned by 410 employees.

Hoop S.A. is listed on the Warsaw Stock Exchange ("the WSE"). Additionally, Hoop S.A. represents the Hoop Group's headquarters responsible for group-wide strategic management and operational control.

The Hoop Group's business activities focus on the production, sale and distribution of carbonated and still drinks, as well as mineral water. Its operations cover the entire country and – through subsidiaries – also the Russian Federation.

The Kofola Group is one of Central Europe's major producers of soft beverages. It is present in the Vyšehrad Group countries (V4), i.e. the Czech Republic, Slovakia, Poland and Hungary, and exports its products to other countries.

The Kofola Group's parent undertaking is KSM Investment S.A. of Luxembourg. The Group also includes Kofola SPV Sp. z o.o. of Warsaw – a special-purpose vehicle established for the purpose of the merger with Hoop S.A., which holds 100% of shares in Kofola Holding a.s. of Ostrava, which in turn is the sole shareholder in the five production companies: Kofola Sp. z o.o. of Poland, Kofola a.s. of the Czech Republic, Kofola a.s. of Slovakia, Kofola Rt. of Hungary and Klimo s.r.o. of the Czech Republic, as well as Santa Trans s.r.o. of the Czech Republic – a transport company.

At its production plants located in the Czech Republic (Krnov, Mnichovo Hradiste, Klatovy), Slovakia (Rajecká Lesná) and Poland (Kutno), and at its Hungarian branch (based in Budapest), the Kofola Group employs a total of more than over 1,000 staff.

There is a compelling economic case for the merger between Hoop S.A. and Kofola SPV Sp. z

o.o. In the long run, the integration of the Kofola Group's and the Hoop Group's activities will lead to the creation of a single large player with a strong market presence in Central Europe.

2. Legal Basis for the Merger

Given the fact that a cross-border merger is currently not possible under Polish law, the merger of Hoop S.A. and Kofola SPV Sp. z o.o. will be executed under Art. 492.1.1 of the Commercial Companies Code, i.e. through the transfer of the entire assets of Kofola SPV Sp. z o.o. to Hoop S.A. in exchange for new shares in Hoop S.A. which will be allotted to the shareholders of Kofola SPV Sp. z o.o. As a result of the merger, Kofola SPV Sp. z o.o. will cease to exist.

Hoop S.A. will take steps to introduce the new shares to be granted to the shareholders of Kofola SPV Sp. z o.o. to trading on a regulated market, in accordance with the provisions of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 (Dz.U. of 2005 No. 184, item 1539).

As a result of the merger of Kofola SPV Sp. z o.o. and Hoop S.A., the share capital of Hoop S.A. will be increased from PLN 13,088,576 (thirteen million, eighty eight thousand, five hundred and seventy six zloty) to PLN 26,171,918 (twenty six million, one hundred and seventy one thousand, nine hundred and eighteen zloty), i.e. by PLN 13,083,342 (thirteen million, eighty three thousand, three hundred and forty two zloty), through the issue of 13,083,342 (thirteen million, eighty three thousand, three hundred and forty two) Series F ordinary bearer shares with the par value of PLN 1 (one) zloty per share.

Together with the Hoop S.A. shares currently held by the shareholders in Kofola SPV Sp. z o.o., after the registration of the merger:

- the Kofola SPV Sp. z o.o. shareholders, including KSM Investment S.A. as the parent undertaking, will hold approximately 57 % of the share capital and votes at the General Shareholders Meeting;
- the existing shareholders of Hoop S.A., excluding KSM Investment S.A., will hold approximately 43% of the share capital and votes at the General Shareholders Meeting.

After the merger the acquirer will conduct business under the name of Kofola-Hoop Spółka Akcyjna, and will have its registered office in Warsaw. The Warsaw headquarters of Kofola-Hoop S.A. will be the coordinating and organisational centre for the business conducted by the entire group.

3. Economic Rationale Behind the Merger

3.1 Synergy Effects

The entity which will be created as a result of the merger – Kofola-Hoop S.A. – will have high growth potential achieved thanks to the impact of all the merger synergies, related to both the strong brands held by the two merging groups on the Polish, Czech, Slovakian and Russian markets, and the two groups' experience in operating on those markets.

The Group to be established following the merger will have nine production plants in four countries (Poland, Czech Republic, Slovakia and Russia).

The new Group will (i) benefit from material cost synergies, (ii) will be able to develop its existing and launch new high-value added products, and (iii) will be able to integrate the distribution of its products by fully exploiting the potential of the Kofola Group's and the Hoop Group's sales networks. In the long run, this should bring a clear improvement in the operating efficiency, leading to measurable economic benefits to the Shareholders, higher quality of products offered to the customers, and streamlining of the distribution and the sales processes.

3.2 Improvement of the Competitive Environment

The merger will result in the establishment of a leader, in terms of both a market share and product range, on the market of producers of carbonated and non-carbonated beverages, juices and mineral waters.

Kofola-Hoop S.A. will seek to increase its market share by expanding the range of products offered under own brands and introducing Kofola's and Hoop's flagship products on new markets through an integrated distribution network.

3.3 Cost Efficiencies

The merger will deliver tangible cost savings as a result of concentration of operations within a single entity. The savings will result both from better operational organisation of the new entity, allowing for the elimination of overlapping costs incurred by the separate production and distribution companies, as well as from direct reductions in operating and administrative expenses. In a longer run, the cost rationalisation will contribute to higher shareholders' earnings, as well as to expanding the product range and improving their quality.

3.4 Improvement of Management Processes and Better Quality Control of Products

The merger will contribute to a significant improvement in management processes through application and full implementation of the high standards developed at both groups. A further material improvement in product quality as well as enhancement of management quality and operating procedures is among the priorities to be achieved by the new company.

3.5 Economic Benefits for the Merger Participants

Prior to making the decision to execute the merger, possible synergies of the merger were analysed.

In the course of the work, the Management Boards of both companies defined the key initiatives designed to help the companies achieve material cost synergies over coming years. The costs and expenses are expected to be reduced as a result of rationalisation of operations connected with raw material supplies, logistics and transport, as well as a reduction in the costs of production, selling costs, and administrative expenses. The adopted plan provides for significant cost reductions in the operations of the merged group.

4. Rationale for the Adopted Valuation Method and Share Exchange Ratio

4.1 Valuation Method

To determine the share exchange ratio, two valuation methods were applied to value the merging companies: the Discounted Cash Flow (DCF) method and the comparative method (including the market multiples and transaction multiples methods).

No particular difficulties emerged while determining the values of the merging companies or the share exchange ratio.

4.2 Rationale for the Selection of the Method Used to Measure the Assets of Kofola SPV Sp. z o.o. and Hoop S.A.

The use of the respective values of Hoop S.A. and Kofola SPV Sp. z o.o. computed based on the DCF and comparative methods is justified by the fact that both these methods take into account the nature of the transaction and are commonly used to determine the share exchange ratio for the purposes of mergers.

While agreeing upon the Plan of Merger, the Management Boards of Hoop S.A. and Kofola SPV Sp. z o.o. resolved that the share exchange ratio should be determined based on the merging companies' values computed with the use of the aforementioned methods. The decision was supported by the fact that the DCF method is most commonly used in practice and the most advanced in terms of methodological development for the valuation of enterprises, including the value of cash flows expected to be generated in the future by the entities being valued. On the other hand, the comparative method takes into account the market context of the transaction and the assumption that assets of a similar nature should be similarly perceived and valued by the market. Accordingly, they should be valued at similar prices for the purposes of the transaction.

For the purposes of the merger, it would not be correct to value Hoop S.A. exclusively based on the market price of Hoop S.A. shares at the WSE as Kofola SPV Sp. z o.o. is not listed on the WSE and, consequently, different criteria would have been used to value both companies. The use of the same valuation method best serves the interests of both merging companies.

4.3 Share Exchange Ratio

The share exchange ratio was adopted based on the valuations of both companies prepared by Ernst&Young. The value of Hoop S.A. was estimated to range from EUR 137,543,000 to EUR 152,022,000, while the value of Kofola SPV Sp. z o.o. – from EUR 138,632,000 to EUR 153,225,000. Ernst&Young issued an opinion that given the values of both companies, the percentage share of the existing shareholders in Kofola SPV Sp. z o.o. in the share capital of the merged entity should fall in the range from 47.70% to 52.70%.

Based on Ernst&Young's valuation, the Management Boards of the merging companies determined, as stated in the Plan of Merger, that in line with the share exchange ratio, in return for 266,229 shares in Kofola SPV Sp. z o.o., the shareholders of Kofola SPV Sp. z o.o. would acquire 13,083,342 ordinary bearer shares in Hoop S.A., representing 49.99% of the share capital of the merged entity.

The adopted share exchange ratio is justified in the light of the valuation prepared by Ernst&Young. It is also justified economically and from the point of view of the merged company's future growth.

4.4 Additional Payment by the Shareholders in Kofola SPV Sp. z o.o.

In line with the adopted share exchange ratio, the shareholders in Kofola SPV Sp. z o.o. will receive 13,083,342 shares representing 49.99% of the share capital of Hoop S.A. following the merger. The share capital of Kofola SPV Sp. z o.o. amounts to PLN 13,311,450 and is divided into 266,229 shares with a par value of PLN 50 per share. Thus, the share exchange ratio is 13,083,342 Hoop S.A. shares to 266,229 Kofola SPV Sp. z o.o. shares. The quotient of 13,083,342 to 266,229 is not an integer; it approximately equals 49.143 (which means that for one share in Kofola SPV Sp. z o.o. its shareholders should receive 49.143 shares in Hoop S.A.). The product of 49.143 and 266,229 is 13,083,291.747. The difference between 13,083,342 and 13,083,291.747, that is 50.253, represents the number of shares for which an additional payment should be made.

The value of such additional payment was computed with use of the issue price per Hoop S.A. share acquired in return for the assets of Kofola SPV Sp. z o.o., that is approximately PLN 40.33 per share. The issue price was computed as follows: (i) the value of Kofola SPV Sp. z o.o. was assumed to be about EUR 145,350,000, that is at the lower limit of the valuation range, (ii) this value was multiplied by the EUR mid exchange rate effective on October 31st 2007 (EUR 1 = PLN 3.6306) (with the product equal to PLN 527,707,710), (iii) the product was then divided by 13,083,291.747 (that is the number of shares computed directly with use of the share exchange ratio), thus arriving at the quotient of PLN 40.33. This value (PLN 40.33) was then multiplied by 50.253 (the number of shares for which an additional payment should be made), yielding an amount of PLN 2,027, that is the additional amount necessary to make a full payment for the total number of shares to be received by the shareholders of Kofola SPV Sp. z o.o. (as assumed by the Management Boards of both companies).

The Report of the Management Board was approved in Resolution No. 1 adopted by the Management Board of Hoop S.A. on January 31st 2008.