

**EXPLANATORY REPORT OF THE BOARD**  
**CONCERNING THE MERGER OF THE COMPANIES**  
**FROM THE ECONOMIC AND LEGAL PERSPECTIVE**

Dear Shareholders,

Our company's merger, which the Board has initiated by drafting the merger contract dated 19-11-2007, has its legal grounding in the 11th Chapter of Codified Law 2190/1920, as supplemented by Presidential Decree 498/1987 and now amended by Law 3604/07, specifically in respect of articles 69-79, and is an action whereby a société anonyme (being acquired by another) is wound up, without an ensuing process of liquidation, and all its assets (and liabilities) are transferred to another société anonyme in exchange for shares to be issued by the recipient of these assets (material and immaterial), with the parallel option of acquiring new shares by payment of cash.

In our case, our company, **EUROMEDICA MEDICAL SERVICES PROVISION S.A.**, will acquire the companies **THESSALONIKI GENERAL CLINIC S.A.**, **CRETE HIGH-TECHNOLOGY MEDICAL INSTITUTE S.A.** and **EUROMEDICA WESTERN MACEDONIA S.A.**, in accordance with the provisions of the above articles, in combination with the beneficial provisions of **Law 2166/93**. This step is considered feasible and expedient for the following reasons:

**1. The Merger viewed from the economic perspective**

The merger will be effected by consolidation of the assets and liabilities of the acquiring company and the companies being acquired, as shown in the corresponding balance sheets at 30-9-2007, compiled for this purpose. The assets and liabilities of the companies being acquired will be transferred as items in the balance sheet of the acquiring company.

The more specific economic reasons which have led us to take this decision are as follows:

- i. The needs of the contemporary economy require the creation of large, powerful medical service provision units, capable of meeting effectively the conditions of competition which are developing in the Greek market. On completion of the merger the company will be able to improve significantly its competitiveness and its profile in the health sector, especially insofar as all the merging companies are engaged in the primary and secondary care sector and belong to the EUROMEDICA Group of Companies.
- ii. The reduction in operating costs through economies of scale to be achieved by the merger in many sectors, such as investment, subsidiaries, the network of medical services we provide, central management, and so on. Also, by reorganizing the service network we will be able to reduce significantly the cost of procuring machinery, medical and pharmaceutical supplies and consumables; finally, in combination with this reduction in the companies' operating costs, it will be possible to make significant cuts in the cost of providing services, and thus to increase profits.

- iii. More efficient organization and more rational allocation of responsibilities among company management and staff.
- iv. More rapid and effective monitoring and implementation of economic programmes; once the merger has taken place the acquiring company will be able to coordinate all sections, thereby – again – reducing operational costs.
- v. Improved quality of medical services through the new synergies created, and
- vi. Through the proposed acquisition the company will increase its capital and improve its credit rating.

It follows from all the above that the economic prospects of the company, post-merger, are extremely propitious. The decision to effect the merger under the provisions of Law 2166/1993 was taken in light of the need to accelerate the procedures involved in realizing the objective we are pursuing.

The merger of the companies by acquisition will be effected pursuant to the provisions of Codified Law 2190/1920, as currently in effect, and of Law 2166/1993, which provides for a simple accounting consolidation of the assets and liabilities of the companies involved, without any need to assess the surplus value. Moreover, precisely because the share exchange ratio has been based on the nominal book values, and has been unanimously accepted as fair and reasonable by the Boards of the acquiring company and the companies being acquired, there is no requirement – nor is it deemed necessary or useful – to conduct an assessment of the current value of the accruing assets. The conversion balance sheets are those drawn up at 30-9-2007. Under the provisions of Law 2166/1993, all transactions carried out by the companies being acquired during the period intervening between the date of compilation of the conversion balance sheets and the completion of the merger are to be regarded as having been carried out on account of the acquiring company, and the total amounts involved in such transactions are to be transferred, in summary form, to the books of the acquiring company.

Under the provisions of Law 2166/1993, since the merger being pursued will be effected by acquisition, the relevant report is required, and has been requested, from a certified accountant-auditor, ascertaining and verifying the level of net book value of the assets solely of the companies being acquired.

Transfer of the immovable and moveable assets of each company being acquired will be effected pursuant to the provisions of Law 2166/1993, without tax, and the declared value will be the book value stated in the books of the company, and which will be certified by the relevant report of the Certified Auditor-Accountant.

The share capital of the acquiring company following completion of the conversion will consist of the sum of the share capitals of all the companies merging.

The share exchange ratio has been explained in detail in the Draft Merger Contract.

On completion of the merger the shares held by the shareholders of each company being acquired will give them the right to share in the profits of the acquiring company throughout the financial year 2007.

## *2. The Merger from a legal perspective*

Through the current legal framework the state favours and assists mergers between sociétés anonymes. Specifically, the provisions of Law 2166/93 provide the same tax incentives and the relief provided in articles 2 and 3 of Legal Decree 1297/72, without the conditions specified in article 4 of Legal Decree 1297/72, i.e. the requirement to register by name and deposit 75% of the shares over a five-year period. Also, real estate property will be transferred free of Property Transfer Tax, provided that they meet the conditions of the Law without limitations on their further transfer for the next five years. The merger of the companies will not render them liable for payment of Capital Gains Tax under Law 1676/86.

The merger will be concluded with entry on the register of sociétés anonymes of the decision to approve the merger by the competent regulatory authority (Minister for Development). The decisions of the general meetings of the merging companies, as well as the final (notary's) contract of the merger and the approval decision for the merger from the above competent regulatory authority, and the approval for the increase in the share capital of the acquiring company, will all be subject to the publicity requirements set out in article 7b of Codified Law 2190/20, in respect of each of the merging companies.

On completion of the merger the acquiring company will automatically succeed each of the companies being acquired, without any other formal procedures being required, as envisaged by the law, in all the rights, obligations and other relations or transactions of the company, including the administrative licences which have been issued in favour of the companies being acquired, assuming the status of those companies' general successor. Legal proceedings initiated by or involving the acquired companies will be continued by the acquiring company, without any other formal procedures being required; no such legal proceedings will be suspended as a consequence of the merger.

No shareholders in the acquiring or acquired companies will have any special rights, nor holders of other securities apart from shares. Special privileges for the members of the Boards or regular auditors of these companies are not envisaged in their articles of association, nor in decisions of their General Meetings, nor are any such privileges granted by virtue of this merger.