

EUROMEDICA S.A.

22/6/07

**BOARD OF DIRECTORS' REPORT
ON THE SHARE CAPITAL INCREASE**

Dear Shareholders,

The company's Board of Directors convened an Extraordinary General Assembly of the Company's Shareholders to be held on 30.06.2007 to make decisions on the following issues, *inter alia*:

- a) the approval of the increase of the Company's share capital by Euro eleven million six hundred and twenty five thousand (€ 11,625,000.00) with the issue of seven million five hundred thousand (7,500,000) new common registered shares of a nominal value of Euro one and fifty cents (€ 1.55) each;
- b) the partial cancellation of the preemption right in favor of older company shareholders, for the reasons detailed in this present report; and
- c) the sale of the above shares;
 - i. on the one hand, to a strategic investor, who will purchase a total of six million two hundred and fifty thousand (6,250,000) shares by paying a total amount of Euro fifty million (€ 50,000,000); and
 - ii. on the other hand, to the company shareholder "Axon Holding Company S.A.", which will purchase a total of one million two hundred and fifty thousand (1,250,000) shares by paying a total amount of Euro ten million (€ 10,000,000).

1. The share capital increase.

In the above way, it is possible to ensure the full and immediate coverage of the share capital increase, and the resulting funds will amount to Euro sixty million (€ 60,000,000). The said funds will be spend on an effort to expand the Company's market share and ensure its further development in markets where it is already active, as well as in new ones of the health sector. Depending on the case and upon detailed assessment of relevant facts, the Company will implement its development plan through its organic expansion or/and buyouts and holdings in other companies of the same sector, even including its immediate competitors. Thus, the Company intends to fully utilize the strategic advantages acquired so far. Until implementation of its above development plan and within a two year period anyway, the Company will use the cash resulting from the increase of its share capital for reducing its payables, on a per case basis, and increasing its working capital. It should be noted that certain factors that are beyond the Company's control, such as the overall conditions prevailing in the market and certain investment opportunities, could possibly alter the above plan completely.

2. Reasons for the partial cancellation of the preemption right in favor of older company shareholders. Advantages resulting for the Company from the participation of a strategic investor.

The cancellation of the preemption right in favor of older company shareholders and, from then on, the participation of a strategic investor in its share capital:

- a) will ensure the immediate and full coverage of the increase of the Company's share capital;
- b) will set the scene for a substantial improvement of the Company's valuation, which will:
 - i. place the company in the center of attention in its sector, both among domestic and, mainly, international investors and analysts;
 - ii. enable the company:
 - on the one hand, to take advantage of the strategic investor's special knowledge and experience to promptly identify and better exploit investment opportunities; and
 - on the other hand, to have easier access to international money markets — which has been so hard to do so far — thus making it easier to secure funds for its investment plans;
 - iii. serve as a “passport” for attracting other globally important institutional investors too;
 - iv. really improve the long term prospects of the Company; and
 - v. allow for the globalization of its shareholders' structure;
- c) will come as an acknowledgement of the Company's strategy and progress, which is aimed at making it the most important health provider in the country, with a nation-wide network and a presence both in the primary and secondary health care sectors.

In conclusion, the strategic investor's participation in the Company can really promote the realization of its business plans in a number of different ways, and finally, it can serve the company's interests.

3. The partial cancellation of the preemption right in favor of older shareholders will not be against their interests.

The partial cancellation of the preemption right in favor of company's older shareholders will not compromise their interests, for the following reasons:

- a) the Company's liquidity level will rise significantly;
- b) it will set the scene for a better valuation of the price of the Company's share;
- c) “Axon Holdings S.A.” will still have control over the Company; and
- d) older shareholders, whose preemption right is cancelled, will benefit from the diffusion of the benefit resulting for the Company from the increase, and thus their eventual position will be better than their current one.

4. Price justification

The selling price per share, which is Euro eight (€ 8.00), is the result of negotiations between the Company and the strategic investor, whereas the following facts were taken into account for its determination:

On the one hand, the management's estimates of the Company's value and the advantages resulting for the Company from the strategic investor's participation in its share capital, based on the information detailed in paragraph 2 hereof.

On the other hand, the strategic investor's estimates of and plans for the Company.

Although the stock market price of the Company's share was taken into account in the negotiations, it was not the only criterion in the determination of the selling price. On the contrary, the subsequent benefits were also taken into consideration.

5. Reasons for the participation of "Axon Holdings S.A." in the increase of the Company's Share Capital.

- a) It was a requirement set by the strategic investor, who requested the basic shareholder's "vote of confidence" — that is, of the company "Axon Holdings S.A." — with regard to the Company's progress, that the said company should take part in the increase of the Company's share capital under the same terms and conditions applicable to the strategic investor. "Axon Holdings S.A." will be called to purchase one million two hundred and fifty thousand shares (1,250,000) by paying the amount of Euro eight (€ 8.00) for each one of them.
- b) Furthermore, the strategic investor has requested that "Axon Holdings S.A." makes a commitment, on the third (3rd) anniversary of the signing of the said agreement and on condition that at that time the stock market price of the share is lower than the selling price by up to Euro one and fifty cents at the most, to transfer to the strategic investor such a number of shares so that the final purchasing price per share, for the six million two hundred and fifty thousand (6,250,000) shares purchased through the increase, is equal to the then current stock market price of the share, but no less than Euro six and fifty cents (€ 6.50).
- c) To ensure the strategic investor's ability to acquire the said shares, "Axon Holdings S.A." will have to maintain the said shares at the strategic investor's disposal, and it will not be possible to transfer them without the strategic investor's consent.

For the above reasons, we recommend the partial cancellation of the preemption right in favor of older shareholders.