

Mr. Likmeta,

1. In our first letter of 9 August 2017 we raised our serious concerns about presentation of untruthful statements concerning the investment of DiaVita in the hemodialysis concession project by Reporter.al, of BIRN. In the article published by Reporter.al, the author has among others indicated **“the main argument for the current government to grant concession ... is that such concessions would bring in considerable private investments ... but from an overview of the published balance sheets, such as the balance sheets of 2016 of DiaVita, such investments are inexistent (do not exist)”**.

[Text in Albanian below]

“Argumentimi kryesor i qeverisë aktuale për dhënien me koncesion të një pjese të konsiderueshme të sistemit të shëndetësisë ka qenë që këto kontrata koncesionare do të sillnin investime private, investime që shteti **shqiptar tani për tani nuk ka mundësi t'i kryejë për shkak se borxhi publik është për momentin shumë i lartë**. Por nga koncesionet e qeverisë aktuale për të cilat ka bilance të publikuara, siç është dhe bilanci i vitit 2016 i Diavita Sh.p.k, **investime të tilla nuk duken asgjekundi**.”

In our first letter to you, we forcefully rejected such statement as inaccurate and false. In your reply to our first letter, you have supported your statements, by arguing that in fact you have referred to capital investments (registered share capital investments), only(?!). Now, as you may very clearly notice on your statements cited above, under the said article it is distinctly cited that the company has not carried out **“any investment”; which is an untruthful statement and it constitutes a LIE**.

The balance sheets of the company visibly indicate the value of the investments for the financial year 2016 in the amount of ALL 204,363,096. In less than 17 months from the commencement date of the project up to July 2017, the company has invested the amount of ALL 418,302,204, or approximately EUR 3.2 Million. Again, in your reply to us, you avoid with **all means to refer to the term “investment” but rather “assets”, in the amount of ALL 294,000,000 (EUR 2,23 Million)**.

The global definition of long-term assets includes: long-term investments, property, plant, equipment, intangible assets, etc.

2. In your headline of the article you have referred to the company making a profit of EUR 380 K, while the services to be provided have not taken place yet (the work has not yet commenced).

[Text in Albanian below]

Koncesioni i dializës realizon 380 mijë euro fitime, ende pa nisur mire punën.

This is another inaccurate statement and a LIE, which contradicts the factual situation. The concession agreement has been effective as of February 2016, while the company has started to provide its services as early as May 2016. The services / work of the company are currently existing, and running since more than a year ago.

3. Going back to the term **“capital investment”** that you have used as an excuse under your reply, and your statements under your article that **“the company has not invested a single”**

cent of its own capitals”: **this is another inaccurate and false statement.** We would like to remind you that any simple economist understands that the **term** “Capital” of a company includes both Equity and Debt. Your statements very clearly aim at misleading the reader to believe that the company has not invested in the project a single cent, it has not yet commenced its activity, but somehow is making an extraordinary profit!

Yet, BIRN Albania has successfully managed to convey such false message to the average reader – replies and messages of a very hateful nature, all the way to cursing are easily **evidenced at Reporter’s** public social media account.

4. We had expressed our concerns at some other untrue and manipulative statements and misleading **conclusions in your article.** **You have stated that the efficiency of a company’s** activity is usually calculated by taking the net profits of the company as a percentage over the **registered share capital (shareholders’ registered capital),** highlighting that “ ... **the profits of the company outnumbered 51 times or 5,100% the value of the registered initial capital of the company**”.

[Text in Albanian below]

Eficienta e punës në një kompani zakonisht matet me normën e fitimit neto si përqindje mbi të ardhurat, normën e kthimit në raport me kapitalin aksioner si dhe normën e kthimit mbi asetet. Të treja këto tregues duken të pakuptimtë në bilancin e kompanisë koncesionare të shërbimit të dializës. Aksionerët e kompanisë paguan një kapital themeltar prej 1 milionë lekësh në nëntor 2015, kur kompania u themelua. Por gjatë vitit 2016, kompania pati fitime neto në masën 51 milionë lekë, ose 51 herë më shumë se sa vlera e kapitalit themeltar, ose 5100 përqind.

Viti 2016 që vetëm viti i parë i funksionimit të kompanisë. Të ardhurat e saj qenë në masën 148 milionë lekë. Fitimet neto të kompanisë janë të barabarta me 35 përqind të të ardhurave, një normë fitimi neto e lakmueshme për çfarëdolloj aktiviteti.

Treguesi tjetër, norma e kthimit mbi asetet rezulton gjithashtu shumë e lartë. Kompania ka në bilanc asetet të përgjithshme me vlerë 294 milionë lekësh. Fitimet neto të kompanisë janë të barazvlefshme me 17 përqind të asetëve. Sa për krahasim, sistemi bankar në tërësi ka një normë kthimi mbi asetet në rendin 1-2 përqind.

We requested why and based on what would you calculate the ratio of the profits of a company over the registered share capital of that company and come up with a wild figure of 5,100%?

In your reply to us you have provided that your highlights were based on the financial balance sheets of the company and the evaluation using performance instruments such as ROIC, ROA and Profit Margin.

Well, there are so many untrue statements, manipulation of numbers towards misleading conclusions in this section of the article. Because logic aside, a simple search would show you that to calculate the return on capital, there is a number of different ways that can be done. Many economists will give you a number of different ways to calculate the return on capital, or **as you have referred to it “ROIC”, based on a number of variables such as the industry, the type of activity, etc.** However, there is one thing that every economist will tell you: Capital DOES include both debt and equity.



It will be unreasonable and ridiculous to any person with minimum financial knowledge to highlight the ratio of the value of the registered share capital of any company against its profit value, and not take into consideration / calculation the debt value.

We will challenge BIRN Albania with a tax/financial opinion to be issued by of one of the Big Four's on this matter.

If such calculations had been done properly and in accordance with the standards you yourself have in fact referred to in your reply, then **you wouldn't come up with** exhilarating figures such as 5,100%.

In addition and for your information, the best international practice of some 7,000 listed non-financial US companies' shows that ROIC is variable for different industries and with a wide intra-industry variation. While industries like telecom may have a median ROIC of 7%, and intra-industry variation of 3-12%, food and retail may have a median ROIC of 10% and intra-industry variation of 7-16%, other industries such as software have a median ROIC of 5-36%, with the healthcare service industry having a median ROIC of 17-18% and intra-industry variation of 8-22%, and with biotechnology and pharmaceuticals having a median ROIC of 25% and a intra-industry variation of 10%-35%; while you have referred in your article that **DiaVita's net profits represent 17% of its assets.**

Yet, you have intentionally chosen to use the most unrealistic and out of place comparison between the banking industry and the healthcare industry although economically it makes absolutely no sense for these two industries to be compared, unless required by a very important agenda behind your article.

5. We have argued in our letter that under your article you intentionally have tried to convey to the reader that this is just an existing service, which was transferred to the concessionaire to make some profits out of it, and that the concessionaire is providing the same service, as it used to be provided by the state, prior to its concession, while making extraordinary amounts out of that.

[Text in Albanian below]

Kjo është kompania që ka për detyrë të zbatojë kontratën e shumëdebatuar koncesionare të dhënë nga Ministria e Shëndetësisë në vitin 2015 për të dhënë shërbimin e dializës në pesë spitale rajonale, shërbim që më parë jepej nga spitalet publike.

Was the hemodialysis service, a service that existed prior to the concession? - Of course, it was, and it has always been!

It was offered from two of the target hospitals only, under miserable conditions and constant failure to provide adequate service both in quality and time. Service offered under night shifts, due to lack of capacities and patients suffering and travelling three times per week, accompanied by their relatives / family members, sleeping in open air and incurring very high costs. Due to lack of capacities patients were taking hemodialysis service in any momentary free equipment without taking in consideration if they were infected with combined hepatitis infections.

The provision of concessionary services of DiaVita has radically and substantially improved the situation and enlarged the geography of services. Now, this service is offered in 5 regional hospitals, in the best international standards, following the investments of the concessionaire,



providing relief for patients and professional medical services to them, with a competitive price far below the average price of the region. This was done through a considerable investment of the concessionary company. After the expiry of the term of the concession agreement and following a re-investment of 100% in the 7-th year of the concession, the whole invested structure shall be transferred to the public hospitals.

The duty of the concessionaire is not to provide the service, which was provided before by the public hospital(s). The duties of the concessionaire are (i) to invest and establish new structures with the hospitals, which did not provide the services, and provide services for the patients; (ii) invest and re-built in the existing structures and provide service, according to the indicated standards, and (iii) transfer to the state the renovated and re-invested capacities.

The strategic investor and the shareholder of DiaVita is the American Hospital of Albania, countries largest private hospital chain with a large presence in the neighboring Kosovo. Established in 2006 with 11 years of experience in Albanian market, American Hospital has an excellent reputation. Its indirect controlling shareholders include: OPIC (Overseas Investment Corporation) US, EBRD (European Bank for Reconstruction and Development), Industry Pensions (Denmark), and many more.

Mr. Likmeta,

In our first letter to you, we have expressed our very deep concern and great disappointment that your article refers to and provides inaccurate data, and that intentionally manipulates the figures and misleads the readers in a malicious way.

This situation may affect heavily our reputation, and the company may be incurring costs and other damages, which shall be burdened accordingly to the responsible party. Your answer to our letter of 9 August 2017, is superficial, cynical, non-acceptable, unfair to the concerns that we have presented, and unprofessional.

As indicated in our first letter to you, we strongly believe that this article, and previous articles of BIRN Albania on this project, has been inspired by personal motives of certain individuals within your staff. However, this is a matter, which should concern you, and it must not affect us in any way!

Our company will always strongly support free independent media and investigative journalism, and we have thought and hoped that BIRN Albania would become a leader of investigative and ethical journalism, setting up the best standards for other Albanian media stakeholders. Unfortunately, we are very disappointed and troubled to observe that now this is becoming a tool for individuals to satisfy their own interests, and unjustly and maliciously hurt and damage business interests of third parties, such as DiaVita, and that your integrity is seriously being at question.

We will not put up with this situation and accordingly we will take any and all legal actions that may be required in the due course.

In the meantime, given the extent of inaccurate, false and misleading information under this article, the intentions behind it, the bad faith of the author, as well as the unprofessional, cynical and superficial reply to our first letter, and taking into account the irreversible negative effects



to our company, shareholders and the project in general, we would urge from BIRN Albania / Reporter.al to immediately:

1. Remove any and articles and all links related to this article and any previous articles concerning DiaVita, and Evita;
2. Publish this letter in the front page of the website of Reporter.al in both printed and online versions;
3. Refute publicly the false and misleading statements in its printed and online newspaper / official page;
4. Provide an apology to DiaVita and Evita in its printed and online newspaper / official page.

Elona Saraçi
Legal Representative