Fiscal Risks Statement



*State-Owned Enterprises (SOEs), PPP Projects, Legal Claims, Long Term Fiscal Risks*

November, 2022

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# Executive Summary

Except macroeconomic risks, SOEs and PPP projects remain one of the major sources of fiscal risks for the country. Risks arising from legal claims, climate and demographic changes were also identified.

**The SOE sector (excluding the Marabda-Kartsakhi Railway) after experiencing dramatic losses in recent years, showed a net profit of GEL 413 million in 2021, which is a historical maximum.** The same figure, including the Marabda-Kartsakhi Railway, amounts to GEL 537 million.

This outcome was as a result of realizing the risk in a positive direction, in particular, **the profit generated by the exchange rate difference for the sector without the Marabda-Kartsakhi Railway amounted to GEL 515 million.** Accordingly, without the effect of the exchange rate difference, the reporting year would have ended with a loss.

Exchange rate risk, despite the positive outcome of 2021, is still one of the main issues to be resolved. It is advisable to achieve such a ratio of national and foreign currency in the loan portfolio of state enterprises or to introduce such a financial solution that will help us avoid the loss of the scale of the past years in case of currency depreciation.

At the same time, in order to ensure the sustainability of the sector, it is necessary to enter into the active phase of the implementation of each pillar of the state-owned enterprises reform.

In contrast to previous years, we are facing completely different challenges in terms of fiscal risks arising from public- private partnership projects, in particular energy sector projects. It can be said that the fiscal risks from the sector are gradually decreasing, however, it is important to focus more on the long-term economic efficiency of the support scheme, which in the long term will reduce the need for further incentives for the said sector, including incentives related to fiscal risks. After the beginning of the pandemic, the Ministry of Finance set a moratorium on the issuance of Power Purchase Agreements (PPA), stopping the accumulation of contingent liabilities, and reducing the level of existing contingent liabilities, this decision was unequivocally correct. In the same period, with the involvement of interested parties, work on the development and implementation of alternative and more effective mechanisms for encouraging the sector began. Before the deregulation (opening) of the electricity market, there is a transitional period of several months, which should practically determine the direction of the development of the energy sector in the following years. It is necessary to conduct the process as transparently as possible, to encourage competition, and over time to completely ban the mechanism of direct negotiations, which is allowed only in the energy sector by the legislation of public-private partnership and contains certain risks.

## SOE news

* At the end of 2021, within the scope of the Fiscal Risks Statement, the draft Strategy for the reform of state-owned enterprises was published, which is based on the best international standards and practices. The MOF Georgia, with the support of international partner organizations and active cooperation with the MOESD Georgia, continues to work on the completion of the comprehensive reform strategy of state enterprises in accordance with the standards established under the resolution N629 of the Government of Georgia of December 20, 2019 "On the Development, Monitoring and Evaluation of Policy Documents”. The document, taking into account the local context, identifies the main challenges of the sector and ways to overcome them, and its approval is planned by the end of this year. The strategy for promoting economic growth and strengthening public finances aims to increase the effectiveness of state enterprises based on measures to be implemented at the institutional and legislative level within the framework of the reform. In addition, it should be noted that the reform of public corporations is one of the main cornerstones of the 3-year program (Stand-by Arrangement) signed with the International Monetary Fund (IMF) this year.
* According to the resolution N1012 of the Government of Georgia of June 10, 2022, the rules for financial oversight of SOEs were approved. According to the aforementioned decree, the Ministry of Finance of Georgia was assigned the role of financial supervisor in relation to 7 main state enterprises, which implies a set of decisions that have a significant impact on the company's financial results and financial position. In order to carry out the functions of financial supervision, the Ministry of Finance will approve the basic parameters of the enterprise budget, dividend policy, statement of corporate intent (a document that defines the financial and non-financial goals to be achieved by the enterprise within the limits of the established risks), quasi-fiscal activities. Moreover, enterprise investment and loan decisions. It should be noted that the obligation to add the aforementioned functions to the Ministry of Finance was a prerequisite for the start of the new program of the International Monetary Fund.
* International partner organizations actively support Georgia's reform agenda, including comprehensive reform of state enterprises. This year, the World Bank published a Report on the Observance of Standards and Codes (ROSC) in the field of corporate governance. With the support of the European Union, the mentioned report prepared within the framework of the joint program of the World Bank and the International Monetary Fund (IMF), as of December 2021, examines and analyzes the corporate governance practices and policy framework in Georgia, including in relation to state-owned enterprises. The ROSC assessment of the corporate governance of state-owned enterprises is based on the survey results of 13 major state-owned enterprises and indicates the progress and challenges in the sector. It also develops policy recommendations to ensure the improvement of management practices. The mentioned assessment also emphasizes the importance of streamlining the corporate governance framework and strengthening the function of state ownership, which, in fact, represent the main challenges of the sector.

## Overview of the State Enterprise Sector (Registry)

The fiscal risk analysis document covers 88% of state-owned enterprises (enterprises created with state, created with municipal participation) by turnover, including 100% of central government owned enterprises[[1]](#footnote-1).

The Unified Register of state enterprises includes information provided by state structures, the National Statistics Service of Georgia and other administrative sources, enterprises created with participation of the central government and local governments, which are classified as enterprises important for fiscal risk analysis. Such enterprises are considered:

* a) all central government enterprises;
* b) municipal enterprises in which the state's share is more than 25% and whose annual turnover exceeds GEL 200 thousand, or the paid annual salary exceeds GEL 15 thousand.

Financial data obtained from various administrative sources were used for the evaluation of the enterprises in relation to the mentioned indicators. Based on the mentioned data, a financial data base for 2021 was created for these enterprises.

Based on the criteria mentioned above, 316 state enterprises are represented for fiscal risk analysis, 154 are owned by the central government, and 162 are owned by the local government, and the listed enterprises have a total of 96 subsidiary enterprises.

As a result of consolidation of financial data, the analysis is based on the data of 316 state enterprises, and the data of 96 subsidiary companies is presented as additional information.

Table 1. Number of state enterprises managed by central and local governments

| **Name** | **Amount** |
| --- | --- |
| **Total number of state enterprises** | **316** |
| Including: |  |
| **Is owned by local government** | **162** |
| **Is owned by central government, including** | **154** |
| Owned by Ministry of Economy and Sustainable Development | 102 |
| Is created with the participation of a Partnership Fund | 25 |
| Owned by Ministry of Environmental Protection and Agriculture of Georgia | 7 |
| Owned by legal entities | 3 |
| Owned by Ministry of Defence of Georgia | 8 |
| Owned by Ministry of Regional Development and Infrastructure of Georgia | 2 |
| Owned by Ministry of Justice | 2 |
| Owned by Ministry of Education and Science | 2 |
| Owned by the Ministry of Culture, Sport and Youth | 1 |
| Owned by Ministry of Internally Displace Persons, Labor, Health and Social Affairs | 1 |
| Investment Fund created by state | 1 |

Out of the state enterprises owned by the municipalities, 44 companies are owned by the municipalities of Tbilisi and Batumi, and their share is 93 percent of the total turnover of the enterprises owned by the municipalities.

Table 2

Data of municipality enterprises owend by state, by munipitalities

|  | Number of enterpri ses | Share of the total number of enterprises owned by the municipal government | Share of the total number of municipal enterprises of the municipal authorities | 2021 Joint income (thousand GEL) | Share of total revenue in the total number of municipal enterprises | Share of gross income of the municipal government in the total number of municipal enterprises |
| --- | --- | --- | --- | --- | --- | --- |
| **Total** | **316** |  |  | **3,632,572.1** |  | 100% |
| Including: |  |  |  |  |  |  |
| **Municipalities** | **162** | **51.3%** |  | **348,901.8** |  | 9.6% |
| Tbilisi Municipality | 19 | 6.0% | 11.7% | 271,260.6 | 7.47% | 77.75% |
| Batumi Municipality | 25 | 7.9% | 15.4% | 52,944.7 | 1.46% | 15.17% |
| Sachkhere Municipality | 2 | 0.6% | 1.2% | 7,379.9 | 0.20% | 2.12% |
| Kutaisi Municipality | 9 | 2.8% | 5.6% | 2,700.1 | 0.07% | 0.77% |
| Tetritskaro Municipality | 1 | 0.3% | 0.6% | 2,316.5 | 0.06% | 0.66% |
| Marneuli Municipality | 3 | 0.9% | 1.9% | 1,853.4 | 0.05% | 0.53% |
| Telavi Municipality | 2 | 0.6% | 1.2% | 1,717.0 | 0.05% | 0.49% |
| Kobuleti Municipality | 6 | 1.9% | 3.7% | 1,416.5 | 0.04% | 0.41% |
| Bolnisi Municipality | 10 | 3.2% | 6.2% | 1,675.5 | 0.05% | 0.48% |
| Keda Municipality | 6 | 1.9% | 3.7% | 889.1 | 0.02% | 0.25% |
| Mestia Municipality | 3 | 0.9% | 1.9% | 704.1 | 0.02% | 0.20% |
| State body Autonomous Republic of Abkhazia | 9 | 2.8% | 5.6% | 544.3 | 0.01% | 0.16% |
| Sagarejo Municipality | 4 | 1.3% | 2.5% | 665.8 | 0.02% | 0.19% |
| Oni Municipality | 1 | 0.3% | 0.6% | 638.5 | 0.02% | 0.18% |
| Rustavi Municipality | 6 | 1.9% | 3.7% | 507.4 | 0.01% | 0.15% |
| Dusheti Municipality | 6 | 1.9% | 3.7% | 306.5 | 0.01% | 0.09% |
| Ambrolauri Municipality | 2 | 0.6% | 1.2% | 298.0 | 0.01% | 0.09% |
| Senaki Municipality | 5 | 1.6% | 3.1% | 185.5 | 0.01% | 0.05% |
| Zugdidi Municipality | 2 | 0.6% | 1.2% | 177.3 | 0.00% | 0.05% |
| Kazbegi Municipality | 1 | 0.3% | 0.6% | 154.3 | 0.00% | 0.04% |
| Akhaltsikhe Municipality | 1 | 0.3% | 0.6% | 147.0 | 0.00% | 0.04% |
| Chiatura Municipality | 3 | 0.9% | 1.9% | 134.0 | 0.00% | 0.04% |
| Tskaltubo Municipality | 1 | 0.3% | 0.6% | 65.1 | 0.00% | 0.02% |
| Sagarejo Municipality | 35 | 11.1% | 21.6% | 220.9 | 0.01% | 0.06% |

Table 3

Analysis of state-owned enterprises by sector

| Area | Total number of enterprises | Including: | | Total joint income of enterprises 2021 (thousand GEL) | Including: | | share of sectoral enterprises in gross joint income | |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| central | local | Central | local | central | local |
| Agriculture, hunting and forest culture | 7 | 7 | 0 | 22,698.6 | 22,698.6 | 0.0 | 0.7% | 0.0% |
| Mining industry | 2 | 2 | 0 | 601.8 | 601.8 | 0.0 | 0.0% | 0.0% |
| Manufacturing industry | 20 | 17 | 3 | 137,592.6 | 137,574.8 | 17.8 | 4.2% | 0.0% |
| Production and distribution of electricity, gas and water | 21 | 9 | 12 | 1,972,247.9 | 1,946,527.5 | 25,720.4 | 59.3% | 7.4% |
| Construction | 16 | 11 | 5 | 84,681.1 | 83,168.5 | 1,512.7 | 2.5% | 0.4% |
| Trade; repair of automobiles, household goods and personal items | 14 | 10 | 4 | 193,391.9 | 193,040.7 | 351.2 | 5.9% | 0.1% |
| Hotels and restaurants | 9 | 7 | 2 | 31,093.0 | 31,055.9 | 37.0 | 0.9% | 0.0% |
| Transport and communication | 23 | 6 | 17 | 916,216.2 | 751,745.6 | 164,470.6 | 22.9% | 47.1% |
| Financial activity | 8 | 8 | 0 | 720.8 | 720.8 | 0.0 | 0.0% | 0.0% |
| Operations with real estate, lease and providing services to customers | 49 | 27 | 22 | 39,853.6 | 31,014.1 | 8,839.5 | 0.9% | 2.5% |
| Health care and social affairs | 78 | 37 | 41 | 35,172.0 | 29,372.4 | 5,799.6 | 0.9% | 1.7% |
| Providing utility, social and personal service | 69 | 13 | 56 | 198,302.7 | 56,149.6 | 142,153.1 | 1.7% | 40.7% |
| **Total** | **316** | **154** | **162** | **3,632,572.1** | **3,283,670.3** | **348,901.8** |  |  |

Based on the data of the register of enterprises created with state equity participation, the number of enterprises operating in the field of health protection and social assistance is leading (out of 316 enterprises register - 78 enterprises, of which 41 are local). Enterprises operating in the field of healthcare and social assistance are leading in terms of quantity, although the share of their total joint income in the total joint income of enterprises does not exceed 1%.

## Funding received by state enterprises

Detailed information on financial assistance provided by the state to state-owned enterprises for 2020-2022 is given in Tables 2-3.

Table 1. Funds directed to state enterprises from the state budget and received dividends (GEL million)

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **2020** | **2021** | **2022, 8 months** |
| Capital transfer |  |  |  |
| Loan |  |  |  |
| Subsidy | -88.3 | -246.4 | -33.6 |
| Dividend |  | 59.0 |  |
| **Net cash-flow** | -88.3 | -187.4 | -33.6 |

Table 2. 2020-2021 subsidy from the state budget (GEL thousand)

| **Name of company** | **2020** | **2021** | **2022, 8 months** |
| --- | --- | --- | --- |
| Georgian Post LLC | 2,188 | 1,000 |  |
| Georgian Melioration LLC | 18,500 | 24,175 | 12,000 |
| Acad. N. Kipshidze Central University Clinic of Tbilisi Medical University LLC | 786 |  | 0 |
| Akura LLC | 16,000 | 28,000 | 0 |
| Adam Beridze's Soil and Food Diagnostic Center Anaseuli LLC | 12 | 134 | 212 |
| United Airports of Georgia LLC | 1,350 | 3,883 | 2,021 |
| Solid Waste Management Company of Georgia LLC | 13,800 | 14,000 | 15,000 |
| Universal Healthcare Center LLC | 2,150 |  | 0 |
| Black Sea Arena LLC | 3,518 | 6,850 | 3,155 |
| United Water Supply Company Georgia LLC | 30,000 | 60,000 | 0 |
| V. Sanikidze War Veterans Clinical Hospital LLC |  | 800 | 523 |
| Georgian Teleradiocenter LLC |  | 973 | 0 |
| MTA LLC |  | 13,374 | 128 |
| Mountain Resorts Development Company LLC |  | 800 | 0 |
| Tolia 2020 LLC |  | 63 | 80 |
| Perspective LLC |  | 72 | 0 |
| Harvest Management Company LLC |  | 91,073 | 0 |
| JSC infectious Diseases and AIDS Center |  | 1,173 | 439 |
| **Total** | **88,304** | **246,369** | **33,558** |

The companies Georgian Melioration LLC, Solid Waste Management Company of Georgia LLC, United Airports of Georgia LLC, Black Sea Arena Georgia LLC, United Water Supply Company of Georgia LLC depend on regular financial assistance from the state budget. Funds received from the budget in the form of subsidies will be directed to the implementation of infrastructural projects as well as to cover operational costs.

The subsidy allocated by the state to the United Water Supply Company of Georgia LLC in 2020 was used to cover the loan obligation received from international donor organizations. Similarly, from the subsidy allocated by the state in 2021, 20 million GEL was intended to finance the 2021 debt obligation and operating expenses, and 40 million GEL was intended to finance the 2022 debt obligation and operating expenses.

Enterprises created with the participation of local governments, which are active in health care utility services, construction and other sectors, also constantly need support from the local budget. Municipalities allocated GEL 101 and 262 million in 2021-2021, respectively. Among them, 80% of the total volume comes only to the enterprises of Tbilisi Municipality.

The subsidy given to Tbilisi Transport CompanyLLC in 2020-2022 exceeded GEL 260 million, which is allocated to finance the measures of transport infrastructure, modernization and reconstruction projects of the rolling stock of city passenger transport.

Table 3. 2020-2022 subsidy from the Tbilisi budget (GEL thousand)

|  |  |  |  |
| --- | --- | --- | --- |
| **Name of company** | **2020** | **2021** | **2022, 8 months** |
| Tbilisi Cardiology Hospital LLC |  | 5 | 0 |
| Tbilisi Transport Company LLC | 40,106 | 119,366 | 105,717 |
| Aqua-center Tonus LLC | 94 | 209 | 33 |
| Tbilservice Group LLC | 32,480 | 82,409 | 65,720 |
| Ecoservice Group LLC | 6,500 | 16,763 | 11,400 |
| **Total** | **79,179** | **218,752** | **184,625** |

Table 4. Amounts lent to state entrprises (million) (as of Decemebr 31, 2021)

| **Company** | **Currency** | **Agreed amount** | **Assimilated amount** | **Paid part of principal** | **Paid part of interest accreted** | **Debt balance** | **Debt balance in GEL** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **JSC Georgian State Electro system** | EUR | 378.3 | 101.7 | 47.4 | 14.6 | 50.8 | 178.1 |
| SDR | 31.0 | 31.0 | 2.6 | 1.9 | 28.4 | 123.1 |
| USD | 59.0 | 58.2 | 0.0 | 5.2 | 58.2 | 180.3 |
| **Engurhesi LLC** | EUR | 88.6 | 83.4 | 1.6 | 2.3 | 72.1 | 252.6 |
| GEL | 37.0 | 37.0 | 5.8 | 5.6 | 31.2 | 31.2 |
| **Energotrans LLC** | EUR | 218.5 | 218.5 | 74.1 | 35.5 | 144.4 | 506.1 |
| **Sakaeronavigatsia LLC** | EUR | 4.7 | 4.7 | 2.5 | 0.6 | 2.2 | 7.6 |
| **United Water Supply Company Georgia LLC.** | EUR | 394.3 | 90.4 | 15.1 | 6.9 | 68.6 | 240.4 |
| SDR | 188.5 | 170.6 | 22.3 | 1.0 | 118.4 | 513.4 |
| USD | 249.7 | 150.8 | 0.0 | 0.0 | 146.1 | 452.5 |
| **Solid Waste Management Company of Georgia LLC** | EUR | 55.4 | 4.9 | 3.7 | 1.4 | 1.2 | 4.3 |
| **Total** |  | **1,705.1** | **951.1** | **175.1** | **75.0** | **721.7** | **2,489.7** |

Dividends paid by SOEs

According to the resolution N174 of government of Georgia dated as of April 12, 2011 on “ identifying composition and rules of operation of commission reviewing and making decisions regarding proposals about distribution and usage of net profit of the operating enterprises established with share participation of state” commission reviewing and making decisions regarding proposals about distribution and usage of net profit of the operating enterprises established with share participation of state created with the Ministry of Finance of Georgia, reviews the issue of distribution of net profit of the operating enterprises established with share participation of state. Proposals regarding the mentioned are sent to the Ministry of Finance of Georgia in advance by relevant agency, in agreement with the enterprise operating under its management. And the review of the submitted proposals is carried out at the meeting of the above- mentioned commission. Commission based on the submitted reasoned proposal, makes decision whether to direct the dividend fully/partially to the budget or leaving it to company for development.

In addition, the partnership fund disposes of part of the state enterprises and independently uses the dividends received from them for investment and loan services.

At the meeting held on August 21, 2020, the proposal submitted by the National State Property Agency was discussed regarding the reinvestment of the 2017-2018 profit (GEL 1,307.8 thousand) of JSC "Infectious Diseases and AIDS Center " at the disposal of the enterprise. The Commission took into account that the Decree of the Government of Georgia N1341 of July 23, 2020, allocating financial resources in the form of a capital transfer to JSC "Infectious Diseases and AIDS Center " in order to ensure the purchase or construction of profiled real estate for the unrestricted and safe implementation of medical activities and it was considered expedient to leave GEL 300,000 from the company's 2017- 2018 net profit at the enterprise's disposal, for reinvestment, for the development of medical technical capabilities necessary at the current stage. And the commission will additionally discuss the remaining part of the enterprise's 2017-2018 net profit.

At the sessions held on October 29, 2020 and December 30, 2020, the proposal presented by the Ministry of Economy and Sustainable Development of Georgia regarding the distribution of the profit of the State Electricity System in 2018- 2019 was discussed (the profit of the company in 2018-2019 amounted to GEL 77,175 thousand, of which the net profit in 2018 made up GEL 30,432 thousand, and in 2019 - GEL 46,743 thousand). According to the decision of the commission, the company, from the net profits of 2018 and 2019, GEL 8,175 thousand remained at the disposal of the enterprise for reinvestment, and GEL 69,000 thousand was paid to the state budget, including GEL 10,350,000 as profit tax and GEL 58,650,000 as a dividend belonging to the state. The mentioned amount was deposited in December 2021.

At the meeting of March 25, 2021, the 2017-2019 the issue of distribution of net profit of JSC UES Sakrusenergo EL 32,406 thousand was discussed. According to the commission's decision, GEL 31,806 thousand of the net profit remained at the disposal of the company, while GEL 600 thousand was distributed among the shareholders in proportion to their shares. Accordingly, GEL 300 thousand was determined as the amount belonging to the state budget, which was credited in March 2021.

In total, GEL 59,000 thousand GEL was credited to the state budget as a dividend in 2021.

Loans between state enterprises

Loaning between state enterprises and joint borrowing by them for financing various projects creates the danger of shifting the risk to the government. The practice of such loans is not common in Georgia, and in 2021, such loans did not occur among state companies.

## Non-financial transfers

In addition to financial transfers, there are also asset transfers between the Government of Georgia and state-owned enterprises, including gas, land, equipment, inventory and other plant and property. Such transfers are mainly carried out for the purpose of state enterprises becoming the owners of assets and performing the functions and projects assigned to them in full and better. It does not involve fiscal risks.

By 2021, based on the information provided by the enterprises, no significant non-financial transfer is observed.

# Methodology on the Introduction of Best Practices for the Identification, Analysis and Financing Mechanisms of Quasi-Fiscal Activities

What is a Quasi-Fiscal activity?

Quasi-fiscal activity, which is performed by an SOE vividly, under the instructions of the government or discreetly is when a payment made for the supply of such goods/services is less than a market price or existing practice. To generalize it further, any activity that a profit-making/commercial enterprise would not perform is quasi-fiscal. Such activities mainly have social and political purposes.

Examples of quasi-fiscal activities are the supply of water to the population for lower than a market price or par value, as well as an irrelevantly high number of employees and/or irrelevant payroll at an SOE.

If and when the State does not compensate such types of enterprises from the State Budget, SOEs assume the burden related to quasi-fiscal activities, which worsens their financial results.

It is essential for the government to design a policy for the effective management of risks stemming from quasi-fiscal assets, which will ease the burden related to quasi-fiscal assets not compensated to SOEs or minimize them to nil. Also, future rise of such burdens should be avoided by SOEs. At the same time, it is essential to be done only in cases if any other kind of inefficiency is abolished at the level of an SOE and funds practically allocated for the funding of quasi- fiscal assets is returned to the State Budget in the following reporting year in the form of a dividend paid by the SOE.

## Forms of Quasi-Fiscal Activities

Quasi-fiscal activity may be **Explicit** (defined in a company statutes, regulations issued by the government/ministry/public institution) and **Implicit** (company carries out a quasi-fiscal activity without assigning this function under a regulation). Example of a discreet quasi-fiscal activity is a more-than- required number of employees at an SOE for social and/or political purposes).

**Implicit quasi-fiscal activity should be prohibited.** It is impermissible to carry out non-commercial services by an SOE, except those cases, when they are vivid and their value is fully compensated from the State Budget.

In addition, there are the following types of quasi-fiscal activities:

**Non-Commercial Services (NCSO):** setting a less-than-commercial tariff. For instance, artificially low tariff- setting for utility services, such as power energy, water supply;

**Non-Core Functions:** obligations assigned by the government, e.g. obligation to incur capital expenditures, which are not related to the core business of the company;

**Subsidized Procurement:** payment of higher-than-market price, e.g. procurement of agriculture produce at higher- than-market prices from local farmers to incentivize such farmers;

**Abuse of Monopoly Position:** accepting the commercially unfair price from consumers (more than justified in commercial terms), use of additional income for cross-subsidising the other activities of the enterprise (practice of funding one activity from profits earned in other activities);

**Super-Dividends:** payment of more dividends by an enterprise than possible with profits earned in a reporting period. Such payments are made mainly through the sale of enterprise assets (one-off transactions) or from other accumulated reserves.

**Price Adjustment for Short-Term Higher Income Generation Purposes:** setting higher prices for goods and services to make sure that SOE profits and dividends increase in a short-run, even when it will reduce the share of an enterprise at the market and its profits in a medium term.

In addition to the above, commercial and non-commercial services of the state enterprise are distinguished.

**Commercial Service Obligations (CSO)** of SOEs are such services that are fully compensated by consumers of such SOEs,

Each commercial function of the SOEs should be reflected in the Statement of Corporate Intent of the company or other similar documents, which represent the strategic goals, targeted financial and non- financial ratios and other KPIs, risk limits, etc. defined by shareholders to the Supervisory Council.

Commercial functions of a corporation should be published in an Annual Report of an SOE. Published information should include the following: (1) description of each commercial function, (2) revenues/profit earned from each of them; and (3) description and report on how its cost will be compensated by consumers.

Resumes of commercial functions should also be published in the document of Fiscal Risks Analysis, which will assess the risks of transforming these functions into quasi-fiscal activities.

#### Non-Commercial Service Obligations (NCSOs)

SOE should reflect all the non-commercial services as a transfer from a respective budget in its full amount, including the relevant rate of return. The amount should be incorporated in the expenditures of the State Budget, in line with the legislation of Georgia.

All non-commercial services should be reflected in the Statements of Statement of Corporate Intents (SCI) of companies with respective measurements.

Compliance of non-commercial activities with the SCI should be published in the Overall SOE Report on an annual basis. Report should at least include the following:

* Description of each non-commercial service;
* Actual cost incurred on it against the budgeted cost;
* Comparison of non-financial results with planned results.

Information on non-commercial services should also be published in a Fiscal Risk Statement.

As a related information, let us note that in line with Articles 203-206 of the Association Agreement concluded by Georgia on the one hand with EU and European Atomic Energy Association and their member states on the other hand, parties understand the importance of free and unrestricted competition for their trade relations and acknowledge that state actions that damage competitive neutrality (e.g. subsidies) harm the entire market, thus reducing the benefits of trade liberalisation.

#### Existing Practices Ministry of Finance of Georgia started identifying, analyzing and publishing quasi-fiscal activities from 2017. According to the recent experience, explicit quasi-fiscal activities are carried out in 3 SOEs. However, implicit quasi-fiscal activities should be of a much larger volume.

An example of implicit quasi-fiscal is over-employment.

#### Impact of Quasi-Fiscal Activities on Financial Outcomes of the SOEs

*Million GEL*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Engurhesi Ltd | 2020 | | 2021 | |
| Without quasi- fiscal activity | Quasi-fiscal activity | Without quasi- fiscal activity | Quasi-fiscal activity |
| Total income | 51.6 |  | 133.6 |  |
| Operating income | 39.2 |  | 96.1 |  |
| Non-operating income | 12.4 |  | 37.5 |  |
| Total expenses | 105.5 | 31.6 | 91.2 | 29.6 |
| Operating expenses | 59.3 | 31.6 | 88.0 | 29.6 |
| Non-operating expenses | 46.3 |  | 3.2 |  |
| Unearned profit |  |  |  |  |
| Profit before tax | -22.4 | -31.6 | 72.0 | -29.6 |
| Profit tax |  |  |  |  |
| Net profit | -22.4 | -31.6 | 72.0 | -29.6 |

* The company's electricity tariff compared to other companies operating in the Georgian market, is significantly low. Moreover, according to the order N77 of Minister of Energy of Georgia on - "Rules of the Electricity Market", the company cannot receive remuneration for the electricity supplied on the territory of Abkhazia.
* The share of electricity supplied on the territory of Abkhazia by 2021 exceeded 45% of the total output. Financial data of Engurhesi Ltd presented in the table without quasi-fiscal activities and separately impact of quasi-fiscal activity on major indicators of profit and loss statement.
* The table shows that Engurhes lost about GEL 30 million revenue due to supplying electricity free of charge to the population of occupied Abkhazia.

*Million GEL*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Georgian Railway | 2020 | | 2021 | |
| Without quasi-fiscal activity | Quasi-fiscal activity | Without quasi- fiscal activity | Quasi-fiscal activity |
| Total income | 528.4 | 12.8 | 664.7 | 15.3 |
| Operating income | 501.9 | 11.2 | 556.8 | 14.8 |
| Non-operating income | 26.5 | 1.6 | 107.9 | 0.5 |
| Total expenses | 692.6 | 63.0 | 611.5 | 37.8 |
| Operating expenses | 372.7 | 47.1 | 391.4 | 37.7 |
| Non-operating expenses | 319.9 | 15.9 | 220.1 | 0.1 |
| Unearned profit |  |  |  |  |
| Profit before tax | -114.0 | -50.2 | 75.7 | -22.5 |
| Profit tax | -0.5 |  | -0.5 |  |
| Net profit | -114.5 | -50.2 | 75.2 | -22.5 |

* JSC Georgian Railway annually subsidizes passenger transportation at the expense of revenue received from cargo turnover, which the company annually costs about GEL 40 million. The table below shows the company’s financial indicators with and without quasi-fiscal activities. Like the Enguri HPP, in the absence of the quasi- fiscal activity, Georgian Railway would close 2021 with a profit, amount of 22.5 mln lari.

*Million GEL*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| JSC Georgian Oil and Gas Corporation | 2020 | | 2021 | |
| Without Quasi-fiscal activity | Quasi-fiscal activity | Without Quasi-fiscal activity | Quasi-fiscal activity |
| Total income | 1024.1 |  | 1250.6 |  |
| Operating income | 997.2 |  | 1114.6 |  |
| Non-operating income | 26.9 |  | 136.0 |  |
| Total expenses | 1020.9 |  | 1113.0 |  |
| Operating expenses | 863.1 |  | 1065.9 |  |
| Non-operating expenses | 157.8 |  | 47.1 |  |
| Unearned profit |  | 198.9 |  | 302.1 |
| Profit before tax | 202.1 | -198.9 | 439.7 | -302.1 |
| Profit tax |  |  |  |  |
| Net profit | 202.1 | -198.9 | 439.7 | -302.1 |

* JSC Georgian Oil and Gas Corporation has been subsidizing the tariff of gas customers for household sector since 2013, which reduces potential profits to be obtained by the company. Profit to be obtained represents the difference between selling at a commercial tariff opportunity and actually earned income.
* The table shows the financial data of JSC Georgian Oil and Gas Corporation in case of sale at commercial tariff and separately, unearned profit due to quasi-fiscal activity, which exceeds GEL 302 million by 2021. This is the result of reducing average selling price of social tariff by USD 52.5 per thousand cubic meters in order to support the population considering the pandemic. The Social tariff was reduced by USD 40.5 per thousand cubic meters in 2020 and the similar rate in 2019 was 25.4 USD per thousand cubic meters.
* As a result of subsidizing tariff of gas customers for household sector by 2022, it is expected to receive GEL 220 million less income.

# Review of financial results of state enterprises

147 enterprises submitted their 2021 financial statements

* Without the Marabda-Kartsakhi Railway, **the net profit of state enterprises in 2021 amounted to GEL 413 million**, and including the Marabda-Kartsakhi railway, the net profit reached GEL 537 million;
* The 2021 net profit rate of state-owned enterprises is mainly due to the profit obtained from the inter-exchange rate difference.

|  |  |
| --- | --- |
|  |  |
|  |  |

Below are the total financial results of state enterprises, including and without the Marabda-Kartsakhi Railway[[2]](#footnote-2).

**Balance**

*Million GEL*

| **Consolidated(including the Marabda-Kartsakhi Railway)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **11,890** | **12,045** | **12,031** | **11,951** | **12,575** | **13,394** | **14,457** |
| Current assets | 2,499 | 2,670 | 2,903 | 2,623 | 2,464 | 2,465 | 2,481 |
| Non-current assets | 9,391 | 9,374 | 9,128 | 9,328 | 10,112 | 10,930 | 11,975 |
| **Capital** | **5,589** | **4,972** | **4,826** | **4,302** | **4,322** | **3,570** | **4,928** |
| Charter capital | 3,707 | 4,103 | 5,045 | 5,418 | 5,216 | 6,721 | 7,042 |
| Equity Injections | 2,376 | 2,647 | 2,700 | 2,772 | 2,765 | 2,148 | 2,147 |
| Retained Earnings | 34 | 91 | 52 | 70 | 45 | 188 | 338 |
| Uncovered Losses | 0 | -1,464 | -2,988 | -3,828 | -4,174 | -6,166 | -5,490 |
| Other remaining capital | -528 | -406 | 16 | -130 | 471 | 679 | 891 |
| **Liabilities** | **6,301** | **7,073** | **7,206** | **7,650** | **8,253** | **9,824** | **9,528** |
| Current liabilities | 808 | 1,066 | 1,271 | 1,691 | 1,047 | 2,203 | 1,893 |
| Non-current liabilities | 5,493 | 6,007 | 5,935 | 5,958 | 7,207 | 7,621 | 7,635 |
| **Total capital and liabilities** | **11,890** | **12,045** | **12,031** | **11,951** | **12,575** | **13,394** | **14,457** |

**Profit-Loss Statement**

*Million GEL*

| **Consolidated(including the Marabda-Kartsakh Railway)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Income** | **2,316** | **2,555** | **2,954** | **2,958** | **3,242** | **3,801** | **4,757** |
| Operating income | 2,196 | 2,339 | 2,605 | 2,636 | 2,943 | 3,064 | 3,688 |
| Non-operating income | 120 | 216 | 349 | 322 | 299 | 737 | 1,069 |
| Incl. foreign exchange income | 0 | 48 | 184 | 140 | 109 | 218 | 800 |
| **Costs** | **3,104** | **3,089** | **3,683** | **3,771** | **3,477** | **4,940** | **4,257** |
| Operating expenses | 2,085 | 2,358 | 3,154 | 3,264 | 2,828 | 3,292 | 3,680 |
| Depreciation/amortization | 182 | 291 | 314 | 317 | 278 | 354 | 315 |
| Non-operating expenses | 1,019 | 731 | 529 | 507 | 650 | 1,648 | 577 |
| Incl. interest cost | 138 | 221 | 208 | 171 | 171 | 431 | 360 |
| Incl. foreign exchange loss | 423 | 465 | 227 | 272 | 436 | 1,171 | 137 |
| Other remaining non-operating  Expenses | 459 | 45 | 95 | 64 | 43 | 50 | 40 |
| **Profit before tax** | **-788** | **-533** | **-729** | **-813** | **-235** | **-1,138** | **500** |
| Income tax | -1 | 1 | 3 | 3 | 2 | 2 | 2 |
| **Net profit** | **-786** | **-535** | **-732** | **-816** | **-237** | **-1,075** | **537** |

**Financial Ratios**

| **Consolidated (including the Marabda-Kartsakhi Railway)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profitability** | | | | | | |  |
| Change of revenues | 22% | 10% | 16% | 0% | 10% | 12% | 19% |
| Change of costs | 57% | 0% | 19% | 2% | -8% | 21% | -17% |
| Operating Margin | 5% | -1% | -21% | -24% | 4% | -7% | 0% |
| ROA | -7% | -4% | -6% | -7% | -2% | -8% | 4% |
| ROE | -14% | -11% | -15% | -19% | -5% | -30% | 11% |
| Cost Recovery | 134% | 121% | 125% | 127% | 107% | 115% | 129% |
|  |  |  |  |  |  |  |  |
| **Liquidity** | | | | | | |  |
| Current Ratio | 309% | 250% | 229% | 155% | 235% | 112% | 131% |
| **Solvency** | | | | | | |  |
| Debt to Equity | 113% | 142% | 149% | 178% | 191% | 275% | 193% |
| Interest Coverage | -571% | -242% | -353% | -478% | -139% | -250% | 149% |

**Balance**

*Million GEL*

| **Consolidated (without Marabda- Kartsakhi Railway)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Assets** | **10,721** | **10,759** | **10,638** | **10,490** | **11,040** | **11,715** | **12,607** |
| Current assets | 2,190 | 2,410 | 2,622 | 2,365 | 2,216 | 2,220 | 2,235 |
| Non-current assets | 8,531 | 8,350 | 8,016 | 8,125 | 8,824 | 9,495 | 10,372 |
| **Capital** | **6,003** | **5,588** | **5,391** | **4,966** | **5,169** | **4,799** | **6,034** |
| Charter capital | 3,654 | 4,050 | 4,991 | 5,361 | 5,159 | 6,663 | 6,985 |
| Equity Injections | 2,376 | 2,618 | 2,671 | 2,742 | 2,765 | 2,148 | 2,147 |
| Retained Earnings | 34 | 91 | 52 | 70 | 45 | 188 | 338 |
| Uncovered Losses | 0 | -765 | -2,339 | -3,077 | -3,241 | -4,850 | -4,298 |
| Other remaining capital | -61 | -406 | 16 | -130 | 441 | 650 | 861 |
| **Liabilities** | **4,717** | **5,171** | **5,247** | **5,524** | **5,871** | **6,916** | **6,573** |
| Current liabilities | 785 | 1,056 | 1,257 | 1,673 | 1,023 | 2,175 | 1,864 |
| Non-current liabilities | 3,932 | 4,115 | 3,990 | 3,851 | 4,848 | 4,741 | 4,710 |
| **Total capital and liabilities** | **10,721** | **10,759** | **10,638** | **10,490** | **11,040** | **11,715** | **12,607** |

**Profit-Loss Statement**

*Million GEL*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
| **Consolidated (without Marabda- Kartsakh Railway)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **2,316** | **2,513** | **2,776** | **2,824** | **3,170** | **3,599** | **4,472** |
| Operating income | 2,196 | 2,339 | 2,605 | 2,636 | 2,943 | 3,064 | 3,688 |
| Non-operating income | 120 | 173 | 171 | 188 | 227 | 535 | 784 |
| Incl. foreign exchange income | **0** | **5** | **7** | **5** | **37** | **15** | **515** |
| **Costs** | **2,771** | **2,841** | **3,518** | **3,534** | **3,223** | **4,355** | **4,095** |
| Operating expenses | 2,069 | 2,340 | 3,134 | 3,244 | 2,806 | 3,270 | 3,656 |
| Depreciation/amortization | 182 | 289 | 313 | 315 | 277 | 352 | 314 |
| Non-operating expenses | 702 | 500 | 384 | 290 | 417 | 1,085 | 440 |
| Incl. interest cost | 131 | 213 | 200 | 160 | 162 | 415 | 343 |
| Incl. foreign exchange loss | 423 | 243 | 90 | 70 | 212 | 623 | 16 |
| Other remaining non-operating expenses | 148 | 45 | 95 | 60 | 43 | 50 | 40 |
| **Profit before tax** | **-455** | **-328** | **-742** | **-710** | **-53** | **-756** | **376** |
| Income tax | -1 | 5 | 3 | 3 | 2 | 2 | 2 |
| **Net profit** | **-454** | **-333** | **-746** | **-713** | **-55** | **-692** | **413** |

**Financial Ratios**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |  |  |
| **Consolidated (without Marabda- Kartsakh Railway)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | |  |
| Change of revenues | 22% | 8% | 10% | 2% | 12% | 9% | 18% |
| Change of costs | 47% | 3% | 24% | 0% | -9% | 14% | -9% |
| Operating Margin | 6% | 0% | -20% | -23% | 5% | -7% | 1% |
| ROA | -4% | -3% | -7% | -7% | 0% | -6% | 3% |
| ROE | -8% | -6% | -14% | -14% | -1% | -14% | 7% |
| Cost Recovery | 121% | 115% | 80% | 77% | 115% | 110% | 122% |
| **Liquidity** | | | | | | |  |
| Current Ratio | 279% | 228% | 209% | 141% | 216% | 102% | 120% |
| **Solvency** | | | | | | |  |
| Debt to Equity | 79% | 93% | 97% | 111% | 114% | 144% | 109% |
| Interest Coverage | -346% | -156% | -373% | -446% | -34% | -167% | 120% |

**Rating of state enterprises**

| Ν | **Name of company** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1 | JSC Georgian Oil and Gas Corporation | **Low** | **Medium** | **Medium** | **Low** | **Low** | **High[[3]](#footnote-3)** | **High** | **High** |
| 2 | JSC Georgian Railway | **Medium** | **Medium** | **Medium** | **Very  high** | **Very  high** | **High** | **High** | **Medium** |
| 3 | JSC Georgian State Electrosystem | **Very high** | **Very high** | **Very high** | **Very high** | **Very high** | **Very high** | **Medium** | **Medium** |
| 4 | Energotrans LLC | **Very high** | **Very high** | **Very high** | **Very high** | **Very high** | **Very high** |  |  |
| 5 | United Water Supply Company Georgia LLC. | **Medium** | **Very high** | **Very high** | **Very high** | **Very high** | **Very high** | **High** | **Medium** |
| 6 | Engurhesi LLC | **Medium** | **Medium** | **Very high** | **Medium** | **Medium** | **Medium** | **Very high** | **Medium** |
| 7 | JSC Electricity system Commercial operator | **Medium** | **Very high** | **Medium** | **Medium** | **Medium** | **Very high[[4]](#footnote-4)** | **Very high** | **Very high** |
| 8 | Georgian Gas transportation company LLC | **Very**  **high** | **Very**  **high** | **Medium** | **Medium** | **Low** | **Low** | **Low** | **Low** |
| 9 | Marabda-Kartsakhi Railway LLC | **Very**  **high** | **Very**  **high** | **Very**  **high** | **Very**  **high** | **Very**  **high** | **Very**  **high** | **Very**  **high** | **Very**  **high** |
| 10 | State Construction Company LLC | **Very**  **high** | **Medium** | **Very**  **high** | **Medium** | **Medium** | **Low** | **Medium** | **Medium** |
| 11 | JSC Partnership Fund | **Medium** | **Medium** | **Medium** | **Very**  **high** | **Very**  **high** | **Medium** | **Medium** | **Medium** |
| 12 | Georgian Post LLC | **High** | **Medium** | **Medium** | **High** | **High** | **Medium** | **Low** | **Low** |
| 13 | JSC UES SAKRUSENERGO | **Medium** | **Medium** | **Medium** | **Medium** | **Low** | **Low** | **Low** | **Low** |
| 14 | JSC Georgian Energy Development Fund | **Medium** | **Very**  **high** | **Low** | **Medium** | **Medium** | **Low** | **Low** | **Medium** |
| 15 | Tbilisi Transport Company LLC | **Medium** | **Medium** | **High** | **Very**  **high** | **Very**  **high** | **Medium** | **Medium** | **Medium** |

# Financial Performance of SOEs

#### *JSC Partnership Fund*



**State share:** 100%

**Name of economic activity:** Name of economic activity: other activities of financial services, except for insurance and pension funds, not included in other groups

**Major activity:**

* **Asset management** - the asset portfolio consists of companies of strategic importance: JSC Georgian Railways, JSC Georgian Oil and Gas Corporation;
* **Investment activity** - making investments in priority sectors: energy, agriculture, production, real estate and tourism, infrastructure and logistics.
* The audit process of the financial statements of the partnership fund is not completed at this stage, however, according to preliminary data, it is clear that the consolidated portfolio of the fund ended 2021 with a net profit, a significant share of the net profit is the profit obtained from the exchange rate difference.
* Exchange rate risk remains one of the main risks of enterprises, only the impressive results of 2021 cannot be used to conclude that there is a trend of recovery.
* According to the individual reporting of JSC Partnership Fund, the company ended the year with a profit in 2021

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance**  *In GEL Million*   | **JSC Partnership Fund**  **(consolidated)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | | --- | --- | --- | --- | --- | --- | --- | --- | | JSC Partnership Fund (consolidated) | **6,281** | **6,867** | **6,337** | **5,815** | **6,037** | **4,601** | **4,528** | | **Assets** | 1,400 | 1,662 | 1,503 | 1,178 | 1,093 | 916 | 865 | | Current assets | 4,880 | 5,205 | 4,834 | 4,637 | 4,943 | 3,685 | 3,663 | | Non-current assets | 2,557 | 2,731 | 2,292 | 1,771 | 1,939 | 1,426 | 1,622 | | Capital | 100 | 100 | 100 | 100 | 100 | 100 | 100 | | Charter capital | 2,376 | 2,601 | 2,654 | 2,726 | 2,749 | 2,146 | 2,147 | | Equity Injections | 34 | 0 | 0 | 0 | 0 | 0 | 0 | | Retained Earnings | 0 | -18 | -505 | -1,084 | -930 | -833 | -638 | | Uncovered Losses | **46** | **48** | **42** | **29** | **20** | **13** | **12** | | **Other remaining capital** | 3,724 | 4,135 | 4,045 | 4,044 | 4,098 | 3,175 | 2,906 | | Liabilities | 449 | 743 | 991 | 1,378 | 698 | 1,315 | 1,097 | | **Current liabilities** | 0 | 0 | 0 | 0 | 2 | 1,080 | 795 | | Incl. non-current loans | **3,275** | **3,392** | **3,054** | **2,665** | **3,400** | **1,860** | **1,809** | | Non-current liabilities | 0 | 0 | 0 | 0 | 3 | 1,759 | 1,707 | | **Incl. non-current loans** | **6,281** | **6,867** | **6,337** | **5,815** | **6,037** | **4,601** | **4,528** | |
| **Profit-Loss Statement**  *In GEL Million*   |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **JSC Partnership Fund**  **(consolidated)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | | **Income** | **1,494** | **1,644** | **1,819** | **1,831** | **1,371** | **1,575** | **1,967** | | Operating income | 1,437 | 1,566 | 1,742 | 1,760 | 1,332 | 1,528 | 1,722 | | Non-operating income | 57 | 78 | 77 | 71 | 39 | 48 | 245 | | Incl. foreign exchange  income |  |  |  |  |  |  | 217.7 | | **Costs** | **1,699** | **1,630** | **2,298** | **2,414** | **1,447** | **1,843** | **1,787** | | Operating expenses | 1,113 | 1,212 | 2,036 | 2,200 | 1,222 | 1,315 | 1,511 | | Depreciation/amortization | 182 | 204 | 210 | 205 | 137 | 148 | 143 | | Non-operating expenses | 586 | 418 | 262 | 214 | 226 | 529 | 276 | | Incl. interest cost | 119 | 163 | 154 | 142 | 186 | 529 | 276 | | Incl. foreign exchange loss | 423 | 227 | 74 | 66 | 144 | 330 | 0 | | Other remaining non-  operating expenses | 44 | 28 | 35 | 6 | 0 | 4 | 0 | | **Profit before tax** | **-204** | **15** | **-479** | **-583** | **-76** | **-268** | **180** | | Income tax | -10 | -10 | 3 | 3 | 2 | 2 | 1 | | **Net profit** | **-195** | **24** | **-482** | **-585** | **87** | **-196** | **179** | |
| **Financial Ratios**   |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **JSC Partnership Fund (consolidated)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | | **Profitability** | | | | | | | | | | Change in Revenues | - | 10% | 11% | 1% | -25% | 15% | 25% | | Change in Expenses | - | -4% | 41% | 5% | -40% | 27% | -3% | | Operating Margin | 23% | 23% | -17% | -25% | 8% | 14% | 12% | | ROA | -3% | 0% | -8% | -10% | 1% | -4% | 4% | | ROE | -8% | 1% | -21% | -33% | 5% | -14% | 11% | | Cost Recovery | 134% | 136% | 89% | 83% | 112% | 120% | 130% | | **Liquidity** | | | | | | | | | | Current Ratio | 312% | 224% | 152% | 85% | 157% | 70% | 79% | | **Solvency** | | | | | | | | | | Debt to Equity | 146% | 151% | 176% | 228% | 211% | 223% | 179% | | Interest Coverage | -163% | 15% | -314% | -412% | 47% | -37% | 65% | |

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Lillion* | | | | | | | |
| **JSC Partnership Fund (individual)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **2 839** | **2 946** | **2 496** | **1 786** | **1 736** | **1 605** | **1 583** |
| Current assets | 288 | 305 | 258 | 105 | 12 | 67 | 35 |
| Non-current assets | 2 551 | 2 642 | 2 239 | 1 681 | 1 724 | 1 537 | 1 548 |
| **Capital** | **2 474** | **2 524** | **2 117** | **1 507** | **1 563** | **1 408** | **1 416** |
| Charter capital | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Equity Injections | 2 376 | 2 539 | 2 592 | 2 664 | 2 675 | 2 084 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncovered Losses | -2 | -115 | -575 | -1 256 | -1 212 | -775 | -769 |
| Other remaining capital | 0 | 0 | 0 | 0 | 0 | 0 | 2 085 |
| **Liabilities** | **365** | **422** | **379** | **279** | **173** | **196** | **167** |
| Current liabilities | 6 | 60 | 124 | 245 | 133 | 146 | 59 |
| Incl. non-current loans | 0 | 0 | 0 | 239 | 127 | 144 | 57 |
| Non-current liabilities | 359 | 362 | 256 | 34 | 40 | 51 | 108 |
| Incl. non-current loans | 0 | 0 | 0 | 34 | 40 | 51 | 108 |
| **Total capital and liabilities** | **2 839** | **2 946** | **2 496** | **1 786** | **1 736** | **1 605** | **1 583** |

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| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Partnership Fund (individual)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **59** | **30** | **51** | **99** | **100** | **74** | **36** |
| Operating income | 45 | 14 | 31 | 88 | 90 | 50 | 12 |
| Non-operating income | 14 | 16 | 19 | 11 | 10 | 25 | 25 |
| Incl. foreign exchange income | 0 | 0 | 4 | 0 | 0 | 0 | 8 |
| **Costs** | **57** | **143** | **501** | **778** | **55** | **69** | **29** |
| Operating expenses | 7 | 97 | 469 | 744 | 21 | 40 | 17 |
| Depreciation/amortization | 0 | 0 | 1 | 1 | 1 | 1 | 1 |
| Non-operating expenses | 50 | 46 | 32 | 34 | 33 | 29 | 12 |
| Incl. interest cost | 50 | 30 | 32 | 32 | 20 | 13 | 12 |
| Incl. foreign exchange loss | 0 | 15 | 0 | 2 | 14 | 14 | 0 |
| Other remaining non-operating expenses | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| **Profit before tax** | **2** | **-113** | **-450** | **-680** | **45** | **5** | **7** |
| Income tax | 0 | 0 | 0 | 1 | 1 | 2 | 1 |
| **Net profit** | **2** | **-113** | **-450** | **-681** | **44** | **4** | **7** |

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| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **JSC Partnership Fund (individual)** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | -49% | 69% | 95% | 1% | -26% | -51% |
| Change in Expenses | - | 150% | 250% | 55% | -93% | 26% | -58% |
| Operating Margin | 84% | -574% | -1395% | -747% | 76% | 20% | -45% |
| ROA | 0% | -4% | -18% | -38% | 3% | 0% | 0% |
| ROE | 0% | -4% | -21% | -45% | 3% | 0% | 0% |
| Cost Recovery | 842% | 31% | 11% | 13% | 472% | 186% | 217% |
| **Liquidity** | | | | | | | |
| Current Ratio | 5108% | 508% | 208% | 43% | 9% | 46% | 60% |
| **Solvency** | | | | | | | |
| Debt to Equity | 15% | 17% | 18% | 18% | 11% | 14% | 12% |
| Interest Coverage | 3% | -371% | -1394% | -2144% | 227% | 28% | 54% |

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| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | Medium risk | High risk | High risk | High risk | Medium risk | Medium risk | Medium risk |
| Return on Equity | Medium risk | High risk | High risk | High risk | Medium risk | Medium risk | Medium risk |
| Cost Recovery | Very low risk | Very high risk | Very high risk | Very high risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very low risk | Very low risk | Very high risk | Very high risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
| Interest Coverage | Very high risk | Very high risk | Very high risk | Very high risk | Very low risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Overall risk rating** | Low risk | Medium risk | Medium risk | High risk | Low risk | Medium risk | Medium risk |

JSC Georgian Railway

##### 

**State share:** 100% (The owner of 100% of the share is JSC "Partnership Fund", which in turn is fully owned by the state).

**Name of economic activity:** Railway freight transport, passenger transport

**Major activity:**

* **freight transportation**, including the rental of freight wagons;
* **Passenger transport;**
* **Infrastructure** - maintenance and management of rail-tracks, embankments, railway signaling, power lines and other equipment, as well as construction of railway lines.
* According to the audited statements of the company, the net profit of the company amounted to GEL 53 million at the end of 2021;
* In 2021, compared to the last year, cargo turnover increased by 10%, which proportionally reflected on revenues;
* In 2021, the company's profit from exchange rate difference amounted to GEL 84 million;
* In September 2022, the Railway dividend in the amount of GEL 26 million was distributed in order to cover the current liability of the partnership fund;
* The company continues to cross-subsidize non-commercial areas, the mentioned cost for the company in 2022 amounted to GEL 22 million. For the transparency of the process, it is advisable for the company to become a dividend payer for the state budget, on the other hand, for the state to pay compensation to the company for maintaining those non- commercial directions that have a certain social and economic purpose.

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| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Georgian Railway** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **3 094** | **3 226** | **2 862** | **2 264** | **2 314** | **2 348** | **2 260** |
| Current assets | 461 | 419 | 352 | 319 | 330 | 389 | 272 |
| Non-current assets | 2 632 | 2 807 | 2 510 | 1 945 | 1 983 | 1 959 | 1 988 |
| **Capital** | **1 471** | **1 599** | **1 245** | **529** | **523** | **359** | **413** |
| Charter capital | 1 053 | 1 053 | 1 053 | 1 054 | 1 053 | 1 054 | 1 055 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 448 | 93 | 0 | 0 | 0 | 0 |
| Uncovered Losses | 0 | 0 | 0 | -625 | -630 | -795 | -742 |
| Other remaining capital | 419 | 98 | 98 | 100 | 100 | 100 | 101 |
| **Liabilities** | **1 623** | **1 626** | **1 617** | **1 735** | **1 790** | **1 988** | **1 847** |
| Current liabilities | 164 | 191 | 196 | 352 | 243 | 185 | 153 |
| Incl. non-current loans | 45 | 57 | 59 | 134 | 65 | 74 | 16 |
| Non-current liabilities | 1 459 | 1 435 | 1 421 | 1 383 | 1 547 | 1 803 | 1 694 |
| Incl. non-current loans | 1 193 | 1 362 | 1 374 | 1 337 | 1 501 | 1 703 | 1 591 |
| **Total capital and liabilities** | **3 094** | **3 226** | **2 862** | **2 264** | **2 314** | **2 348** | **2 260** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Georgian Railway** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **626** | **563** | **517** | **459** | **519** | **528** | **665** |
| Operating income | 575 | 539 | 474 | 444 | 504 | 502 | 557 |
| Non-operating income | 52 | 24 | 43 | 15 | 15 | 27 | 108 |
| Incl. foreign exchange income | 0 | 0 | 25 | 0 | 0 | 0 | 84 |
| **Costs** | **703** | **537** | **870** | **1 174** | **524** | **693** | **612** |
| Operating expenses | 387 | 364 | 766 | 1 089 | 396 | 373 | 391 |
| Depreciation/amortization | 0 | 33 | 110 | 114 | 81 | 76 | 58 |
| Non-operating expenses | 315 | 173 | 104 | 85 | 128 | 320 | 220 |
| Incl. interest cost | 59 | 53 | 53 | 47 | 43 | 128 | 101 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 38 | 85 | 192 | 0 |
| Other remaining non-operating expenses | 256 | 120 | 51 | 0 | 0 | 0 | 119 |
| **Profit before tax** | **-76** | **26** | **-353** | **-715** | **-5** | **-164** | **53** |
| Income tax | -11 | -39 | 1 | 1 | 1 | 1 | 1 |
| **Net profit** | **-65** | **65** | **-354** | **-717** | **-6** | **-165** | **53** |

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| **Financial ratios** | | | | | | | |
| **JSC Georgian Railway** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | -10% | -8% | -11% | 13% | 2% | 26% |
| Change in Expenses | - | -24% | 62% | 35% | -55% | 32% | -12% |
| Operating Margin | 33% | 33% | -62% | -145% | 21% | 26% | 30% |
| ROA | -2% | 2% | -12% | -32% | 0% | -7% | 2% |
| ROE | -4% | 4% | -28% | -135% | -1% | -46% | 13% |
| Cost Recovery | 162% | 155% | 67% | 42% | 131% | 142% | 170% |
| **Liquidity** | | | | | | | |
| Current Ratio | 282% | 219% | 179% | 91% | 136% | 210% | 178% |
| **Solvency** | | | | | | | |
| Debt to Equity | 110% | 102% | 130% | 328% | 342% | 553% | 447% |
| Interest Coverage | -110% | 123% | -663% | -1513% | -13% | -129% | 52% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | Medium risk | High risk | High risk | High risk | High risk | Medium risk |
| Return on Equity | High risk | Medium risk | High risk | High risk | High risk | High risk | Medium risk |
| Cost Recovery | Very low risk | Very low risk | Very high risk | Very high risk | Low risk | Low risk | Very low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very low risk | Low risk | Very high risk | Medium risk | ძალიან დაბალ რისკიანი | Low risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Medium risk | Medium risk | Medium risk | Very high risk | Very high risk | Very high risk | Very high risk |
| Interest Coverage | Very high risk | Medium risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Overall risk rating** | Medium risk | Low risk | High risk | Very high risk | High risk | High risk | Medium risk |

##### JSC Georgian Oil and Gas Corporation



**State share:** 100% The owner of 100% of the share is JSC Partnership Fund, which in turn is fully owned by the state).

**Name of economic activity:** Wholesale trade in natural gas

**Major activity:**

* Natural gas (import of natural gas and subsequent wholesale sale for the purpose of providing power generation facilities and the population, as well as the lease of pipelines issued to the Georgian Gas Transportation Company LLC);
* Electricity (a relatively new direction - electricity production is carried out through thermal power plants located in Gardabani. The electricity produced is continuously supplied to distribution companies, which in turn supply the generated electricity to retail customers);
* Oil (realization of the state's share of the oil extracted by oil companies on the territory of Georgia, as well as the lease of the oil pipeline issued by financial leasing to BP).
* The operating income of the company in 2021 compared to 2020 has increased by about 12%, which is mainly due to the full-year operation of Gardabani LLC thermal station 2 in 2021, while in 2020 the thermal station operated at full capacity only in the second part of the year. In addition, the volume of sold commercial gas and oil increased.
* The growing level of quasi-fiscal activities is a big threat to the company's financial performance. Like the Georgian Railway, it would be healthy for the company to compensate such activities from the state budget, if in turn the company would become a direct dividend payer to the state budget; In 2021, the realized volume of social gas increased.
* In 2021, the net profit of the company is increased largely by the profit obtained from the difference between exchange rates (GEL 114 million).

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| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Georgian Oil and Gas Corporation** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **1 404** | **1 581** | **1 660** | **1 693** | **1 882** | **1 844** | **1 901** |
| Current assets | 446 | 712 | 709 | 552 | 490 | 442 | 538 |
| Non-current assets | 958 | 869 | 951 | 1 141 | 1 392 | 1 403 | 1 363 |
| **Capital** | **715** | **712** | **913** | **988** | **1 052** | **907** | **1 045** |
| Charter capital | 611 | 617 | 625 | 627 | 643 | 646 | 646 |
| Equity Injections | 0 | 72 | 72 | 72 | 60 | 60 | 60 |
| Retained Earnings | 0 | 265 | 429 | 481 | 541 | 403 | 503 |
| Uncovered Losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining capital | 104 | -242 | -213 | -191 | -192 | -201 | -164 |
| **Liabilities** | **689** | **870** | **747** | **705** | **830** | **937** | **856** |
| Current liabilities | 88 | 219 | 110 | 47 | 121 | 937 | 856 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 17 | 828 | 711 |
| Non-current liabilities | 601 | 651 | 637 | 658 | 710 | 0 | 0 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 705 | 0 | 0 |
| **Total capital and liabilities** | **1 404** | **1 581** | **1 660** | **1 693** | **1 882** | **1 844** | **1 901** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Georgian Oil and Gas Corporation** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **529** | **696** | **750** | **687** | **914** | **1 024** | **1 251** |
| Operating income | 495 | 635 | 680 | 643 | 874 | 997 | 1 115 |
| Non-operating income | 33 | 61 | 71 | 44 | 40 | 27 | 136 |
| Incl. foreign exchange income | 0 | 0 | 7 | 0 | 0 | 0 | 114 |
| **Costs** | **488** | **599** | **528** | **531** | **796** | **1 021** | **1 113** |
| Operating expenses | 401 | 485 | 474 | 467 | 730 | 863 | 1 066 |
| Depreciation/amortization | 0 | 40 | 37 | 38 | 41 | 59 | 71 |
| Non-operating expenses | 87 | 113 | 54 | 65 | 65 | 158 | 47 |
| Incl. interest cost | 22 | 48 | 49 | 43 | 28 | 51 | 46 |
| Incl. foreign exchange loss | 0 | 50 | 5 | 22 | 38 | 103 | 0 |
| Other remaining non-operating expenses | 65 | 15 | 0 | 0 | 0 | 0 | 1 |
| **Profit before tax** | **41** | **97** | **222** | **156** | **118** | **3** | **138** |
| Income tax | 4 | 19 | 2 | 0 | 0 | 0 | 0 |
| **Net profit** | **36** | **78** | **220** | **157** | **120** | **3** | **138** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **JSC Georgian Oil and Gas Corporation** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Prifutability** | | | | | | | |
| Change in Revenues | - | 32% | 8% | -8% | 33% | 12% | 22% |
| Change in Expenses | - | 23% | -12% | 1% | 50% | 28% | 9% |
| Operating Margin | 19% | 24% | 30% | 27% | 16% | 13% | 4% |
| ROA | 3% | 5% | 13% | 9% | 6% | 0% | 7% |
| ROE | 5% | 11% | 24% | 16% | 11% | 0% | 13% |
| Cost Recovery | 132% | 143% | 158% | 147% | 125% | 119% | 117% |
| **Liquidity** | | | | | | | |
| Current Ratio | 507% | 325% | 645% | 1186% | 406% | 47% | 63% |
| **Solvency** | | | | | | | |
| Debt to Equity | 96% | 122% | 82% | 71% | 79% | 103% | 82% |
| Interest Coverage | 166% | 162% | 453% | 369% | 436% | 6% | 298% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Proficiency** | | | | | | | |
| Return on Assets | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Return on Equity | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Cost Recovery | Low risk | Low risk | Very low risk | Low risk | Low risk | Medium risk | Medium risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Low risk | Medium risk | Low risk | Low risk | Low risk | Medium risk | Low risk |
| Interest Coverage | Low risk | Low risk | Very low risk | Very low risk | Very low risk | Very high risk | Very low risk |
|  | | | | | | | |
| **Overall risk rating** | Low risk | Low risk | Low risk | Low risk | Low risk | High risk | Medium risk |

#### JSC Georgian State Electrosystem



**State share:** 100%

**Name of economic activity:** Electric power transmission

**Major activity:**

* Electric power transmission and dispatching (sole licensee); GSE carries out technical management of the system to ensure a stable mode of electricity supply and consumption, and without the right to buy and sell electricity, transfers electricity produced or imported in Georgia to distribution energy companies, direct consumers or electricity systems of neighboring countries. Also, it ensures the construction of international and domestic power transmission lines and substations.
* A portion of the revenue for the state power system is regulated by the regulator. It is necessary to plan infrastructure projects in such a way that the commercial interests of the company are not violated, ensuring that the company does not face short- and medium-term liquidity problems;
* After the completion of the company's rehabilitation, the company's capital became positive for the first time, without the need to convert debt into capital, which was caused by the increase in revenues as a result of the increase in the volume of electricity (including transit energy) transferred by the company, and in this case, the profit obtained from the exchange rate difference (138 million GEL).

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| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Georgian State Electrosystem** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **1 144** | **1 272** | **1 100** | **1 130** | **946** | **1 387** | **1 490** |
| Current assets | 58 | 65 | 79 | 117 | 144 | 119 | 67 |
| Non-current assets | 1 086 | 1 207 | 1 022 | 1 013 | 802 | 1 267 | 1 424 |
| **Capital** | **153** | **104** | **-177** | **-127** | **334** | **-81** | **152** |
| Charter capital | 574 | 600 | 639 | 643 | 645 | 663 | 663 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 57 | -36 | 235 |
| Uncovered Losses | 0 | -508 | -828 | -781 | -380 | -698 | -769 |
| Other remaining capital | -421 | 12 | 12 | 12 | 11 | -10 | 23 |
| **Liabilities** | **991** | **1 168** | **1 278** | **1 257** | **612** | **1 468** | **1 339** |
| Current liabilities | 136 | 211 | 512 | 633 | 104 | 313 | 241 |
| Incl. non-current loans | 0 | 0 | 0 | 556 | 32 | 173 | 161 |
| Non-current liabilities | 856 | 957 | 766 | 624 | 508 | 1 155 | 1 097 |
| Incl. non-current loans | 0 | 0 | 0 | 459 | 455 | 1 050 | 841 |
| **Total capital and liabilities** | **1 144** | **1 272** | **1 100** | **1 130** | **946** | **1 387** | **1 490** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Georgian State Electrosystem** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **117** | **133** | **150** | **245** | **244** | **380** | **448** |
| Operating income | 114 | 130 | 147 | 237 | 190 | 197 | 297 |
| Non-operating income | 3 | 3 | 3 | 8 | 54 | 184 | 151 |
| Incl. foreign exchange income | 0 | 0 | 0 | 1 | 32 | 0 | 138 |
| **Costs** | **232** | **205** | **470** | **198** | **187** | **418** | **214** |
| Operating expenses | 96 | 108 | 362 | 171 | 115 | 157 | 173 |
| Depreciation/amortization | 0 | 52 | 56 | 47 | 35 | 47 | 65 |
| Non-operating expenses | 137 | 97 | 109 | 27 | 71 | 261 | 41 |
| Incl. interest cost | 21 | 20 | 21 | 21 | 10 | 23 | 40 |
| Incl. foreign exchange loss | 0 | 71 | 81 | 6 | 61 | 230 | 0 |
| Other remaining non-operating expenses | 115 | 6 | 6 | 0 | 0 | 8 | 0 |
| **Profit before tax** | **-115** | **-72** | **-320** | **47** | **57** | **-38** | **235** |
| Income tax | -1 | 8 | 0 | 0 | 0 | 10 | 0 |
| **Net profit** | **-113** | **-80** | **-320** | **47** | **57** | **-48** | **235** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **JSC Georgian State Electrosystem** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 13% | 13% | 63% | 0% | 56% | 18% |
| Change in Expenses | - | -12% | 130% | -58% | -6% | 124% | -49% |
| Operating Margin | 17% | 17% | -145% | 28% | 39% | 20% | 42% |
| ROA | -10% | -6% | -29% | 4% | 6% | -3% | 16% |
| ROE | -74% | -77% | 181% | -37% | 17% | 59% | 155% |
| Cost Recovery | 123% | 123% | 42% | 143% | 211% | 242% | 259% |
| **Liquidity** | | | | | | | |
| Current Ratio | 43% | 31% | 15% | 18% | 138% | 38% | 28% |
| **Solvency** | | | | | | | |
| Debt to Equity | 648% | 1125% | -720% | -989% | 183% | -1806% | 883% |
| Interest Coverage | -534% | -400% | -1505% | 223% | 590% | -208% | 581% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | High risk | High risk | Medium risk | Medium risk | High risk | Medium risk |
| Return on Equity | High risk | High risk | Medium risk | High risk | Medium risk | Medium risk | Medium risk |
| Cost Recovery | Medium risk | Medium risk | Very high risk | Low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very high risk | Very high risk | Very high risk | Very high risk | Medium risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very high risk | Very high risk | Very low risk | Very low risk | High risk | Very low risk | Very high risk |
| Interest Coverage | Very high risk | Very high risk | Very high risk | Very low risk | Very low risk | Very high risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | High risk | High risk | High risk | Medium risk | Medium risk | Medium risk | Medium risk |

#### JSC Electricity System Commercial operator

****

**State share:** 100%

**Name of economic activity:** Electricity distribution

**Major activity:**

* Purchase and sale of balancing electricity and guaranteed capacity (performs the purchase, sale and corresponding payments of guaranteed capacity from thermal power plants)
* Import/export of electricity.
* JSC Electricity System Commercial operator (ESCO) has a natural monopoly on the supply of balancing electricity.
* ESCO is a party to Power Purchase Agreements (PPA), thus the main source of contingent liabilities from state enterprises is this company. The risks arising from PPA contracts are assessed below.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Electricity System Commercial operator** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **57** | **63** | **52** | **87** | **76** | **98** | **150** |
| Current assets | 57 | 63 | 52 | 86 | 74 | 97 | 146 |
| Non-current assets | 1 | 0 | 0 | 1 | 2 | 1 | 4 |
| **Capital** | **5** | **7** | **17** | **14** | **13** | **17** | **24** |
| Charter capital | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 7 | 17 | 13 | 13 | 17 | 24 |
| Uncovered Losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining capital | 5 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Liabilities** | **52** | **56** | **36** | **73** | **63** | **81** | **126** |
| Current liabilities | 52 | 56 | 36 | 73 | 63 | 81 | 122 |
| Incl. current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital and liabilities** | **57** | **63** | **52** | **87** | **76** | **98** | **150** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC Electricity System Commercial operator** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **231** | **328** | **508** | **524** | **572** | **655** | **737** |
| Operating income | 230 | 327 | 506 | 522 | 571 | 649 | 735 |
| Non-operating income | 1 | 1 | 2 | 2 | 1 | 6 | 3 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Costs** | **232** | **326** | **498** | **524** | **571** | **651** | **730** |
| Operating expenses | 232 | 326 | 498 | 524 | 571 | 648 | 729 |
| Depreciation/amortization | 0 | 0 | 0 | 0 | 1 | 1 | 1 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 | 3 | 0 |
| Incl. interest cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| Other remaining non-operating expenses | 0 | 0 | 0 | 0 | 0 | 2 | 0 |
| **Profit before tax** | **-2** | **2** | **10** | **0** | **1** | **4** | **7** |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-2** | **2** | **10** | **0** | **1** | **4** | **7** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial** | | | | | | | |
|  | | | | | | | |
| **JSC Electricity System Commercial operator** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 42% | 55% | 3% | 9% | 15% | 13% |
| Change in Expenses | - | 40% | 53% | 5% | 9% | 14% | 12% |
| Operating Margin | -1% | 0% | 2% | 0% | 0% | 0% | 1% |
| ROA | -3% | 3% | 19% | 0% | 1% | 4% | 5% |
| ROE | -35% | 26% | 60% | 1% | 4% | 23% | 29% |
| Cost Recovery | 99% | 101% | 102% | 100% | 100% | 101% | 101% |
| **Liquidity** | | | | | | | |
| Current Ratio | 108% | 112% | 147% | 118% | 118% | 120% | 119% |
|  | | | | | | | |
| Debt to Equity | 1029% | 816% | 210% | 531% | 469% | 466% | 518% |
| Interest Coverage | - | - | - | - | 292% | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Return on Equity | High risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Cost Recovery | მაღალ რისკიანი | Medim risk | Medim risk | Medium risk | Medim risk | Medim risk | Medim risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | High risk | High risk | Medium risk | High risk | High risk | High risk | High risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk |
| Interest Coverage | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | High risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |

#### United Water Supply Company Georgia LLC

****

**State share:** 100%

**Name of economic activity:** Water collection, treatment and distribution

**Major activity:** water collection, treatment and supply of drinking and technical water to subscribers in different cities and villages of Georgia; Design, construction, exploitation and operation of water supply and drainage systems.

* The company has been showing stable operating losses in recent years, which should be due to the social nature of the rates on the one hand, and unannounced quasi-fiscal activities on the other hand. In 2021, the company will experience an operating loss, although the reporting year has ended with a profit, which is due to the profit obtained from the difference between the exchange rates.
* According to the company's data, 2851 people were employed in the company in 2021.
* Improving the amortized infrastructure remains a challenge for the company, reduction of water losses, improvement of accounting systems and rates policy remain the challenge for company. Regarding the latter, it is advisable to revise the rates only when inefficiencies and potential unannounced quasi-fiscal activities are eliminated at the level of operating expenses.
* GEL 60 million from the company's total income in 2021 is a subsidy received from the state, of which GEL 20 million was intended to finance the loan obligation and operating expenses of 2021, and GEL 40 million - to finance the loan obligation and operating expenses of 2022. In 2020, the company received a subsidy of GEL 30 million, which was used to cover the loan obligation received from international donor organizations.
* The non-profitability of the utility sector, depending on its content, is somewhat justified, however, it is necessary to compensate the non-commercial components with a transparent procedure. As a result, the level of subsidies may remain unchanged, however, a commercial tariff will be determined and the tariff will be subsidized using the appropriate methodology
* In 2021, the number of subscribers of the company increased to 366 thousand subscribers. The income received from the main activity of the company increased, and the operating expenses increased to GEL 170,238 thousand, which includes the cost of depreciation of long-term assets (GEL 63,887 thousand).

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **United Water Supply Company Georgia LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **636** | **545** | **712** | **853** | **1 080** | **1 192** | **1 428** |
| Current assets | 38 | 44 | 93 | 76 | 81 | 32 | 141 |
| Non-current assets | 598 | 501 | 619 | 777 | 999 | 1 161 | 1 287 |
| Capital | **256** | **7** | **15** | **16** | **22** | **-110** | **133** |
| Charter capital | 218 | 255 | 288 | 381 | 383 | 383 | 440 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncovered Losses | 0 | -401 | -464 | -504 | -590 | -796 | -760 |
| Other remaining capital | 38 | 153 | 191 | 139 | 229 | 303 | 453 |
| **Liabilities** | **380** | **538** | **697** | **837** | **1 058** | **1 303** | **1 295** |
| Current liabilities | 13 | 24 | 40 | 75 | 125 | 143 | 64 |
| Incl. current loans | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Non-current liabilities | 367 | 514 | 657 | 762 | 933 | 1 159 | 1 231 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 1 213 |
| **Total capital and liabilities** | **636** | **545** | **712** | **853** | **1 080** | **1 192** | **1 428** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **United Water Supply Company Georgia LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **31** | **34** | **42** | **41** | **46** | **76** | **218** |
| Operating income | 31 | 33 | 39 | 39 | 42 | 72 | 108 |
| Non-operating income | 0 | 1 | 3 | 3 | 5 | 3 | 110 |
| Incl. foreign exchange income | 0 | 0 | 1 | 0 | 0 | 0 | 107 |
| **Costs** | **109** | **99** | **105** | **82** | **131** | **281** | **181** |
| Operating expenses | 58 | 64 | 66 | 71 | 77 | 79 | 170 |
| Depreciation/amortization | 0 | 15 | 16 | 16 | 17 | 19 | 21 |
| Non-operating expenses | 51 | 36 | 39 | 11 | 54 | 202 | 11 |
| Incl. interest cost | 0 | 35 | 39 | 9 | 53 | 17 | 18 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 2 | 2 | 199 | 0 |
| Other remaining non-operating  Expenses | 51 | 0 | 0 | 0 | 0 | -14 | -7 |
| **Profit before tax** | **-78** | **-65** | **-63** | **-40** | **-85** | **-205** | **37** |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-78** | **-65** | **-63** | **-40** | **-85** | **-205** | **37** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **United Water Supply Company Georgia LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 9% | 24% | -1% | 12% | 64% | 188% |
| Change in Expenses | - | -9% | 6% | -23% | 61% | 115% | -36% |
| Operating Margin | -88% | -95% | -69% | -83% | -84% | -9% | -58% |
| ROA | -12% | -12% | -9% | -5% | -8% | -17% | 3% |
| ROE | -31% | -984% | -434% | -250% | -380% | 186% | 28% |
| Cost Recovery | 53% | 53% | 64% | 59% | 60% | 96% | 128% |
| **Liquidity** | | | | | | | |
| Current Ratio | 295% | 186% | 231% | 102% | 65% | 22% | 221% |
| **Solvency** | | | | | | | |
| Debt to Equity | 148% | 8085% | 4762% | 5181% | 4741% | -1181% | 973% |
| Interest Coverage | - | -185% | -161% | -425% | -162% | -1196% | 200% |
|  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | High risk | High risk | High risk | High risk | High risk | Medim risk |
| Return on Equity | High risk | High risk | High risk | High risk | High risk | Medim risk | Medim risk |
| Cost Recovery | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | High risk | Low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Low risk | Very low risk | High risk | Very high risk | Very high risk | Very low risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Debt to Equity | Medim risk | Very high risk | Very high risk | Very high risk | Very high risk | Very low risk | Very high risk |
| Interest Coverage | Very low risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | Medium risk | High risk | High risk | Very high risk | Very high risk | High risk | Medium risk |

#### JSC UES Sakrusenergo



**State share:** 50% (the remaining 50% is owned by the Russian Federation, represented by JSC Federal Grid Company of the Unified Energy System).

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC UES SAKRUSENERGO** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **95** | **93** | **93** | **107** | **122** | **134** | **147** |
| Current assets | 13 | 15 | 13 | 28 | 43 | 56 | 57 |
| Non-current assets | 82 | 78 | 80 | 79 | 79 | 78 | 90 |
| **Capital** | **93** | **91** | **92** | **107** | **121** | **132** | **146** |
| Charter capital | 232 | 230 | 230 | 230 | 230 | 230 | 232 |
| Equity Injections | 0 | 2 | 2 | 2 | 2 | 2 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncovered Losses | 0 | -141 | -141 | -125 | -111 | -100 | -86 |
| Other remaining capital | -139 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Liabilities** | **2** | **3** | **2** | **0** | **1** | **1** | **1** |
| Current liabilities | 2 | 3 | 2 | 0 | 0 | 1 | 1 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital and liabilities** | **95** | **93** | **93** | **107** | **122** | **134** | **147** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **JSC UES SAKRUSENERGO** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **17** | **18** | **21** | **36** | **36** | **32** | **38** |
| Operating income | 17 | 17 | 19 | 35 | 33 | 29 | 34 |
| Non-operating income | 0 | 1 | 1 | 1 | 3 | 3 | 4 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 1 | 0 | 0 |
| **Costs** | **14** | **17** | **17** | **21** | **22** | **21** | **23** |
| Operating expenses | 14 | 17 | 17 | 20 | 22 | 21 | 23 |
| Depreciation/amortization | 0 | 3 | 4 | 4 | 4 | 4 | 4 |
| Non-operating expenses | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Incl. interest cost | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining non-operating expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit before tax** | **3** | **1** | **3** | **15** | **14** | **11** | **15** |
| Income tax | 0 | 4 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **2** | **-3** | **3** | **15** | **14** | **11** | **14** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **JSC UES SAKRUSENERGO** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 6% | 13% | 76% | -2% | -9% | 16% |
| Change in Expenses | - | 20% | 0% | 22% | 3% | -2% | 10% |
| Operating Margin | 15% | 2% | 11% | 42% | 34% | 29% | 33% |
| ROA | 2% | -3% | 3% | 14% | 11% | 8% | 10% |
| ROE | 2% | -3% | 3% | 14% | 12% | 9% | 10% |
| Cost Recovery | 121% | 108% | 120% | 178% | 165% | 156% | 165% |
| **Liquidity** | | | | | | | |
| Current Ratio | 732% | 566% | 823% | 5893% | 15199% | 6974% | 6627% |
| **Solvency** | | | | | | | |
| Debt to Equity | 2% | 3% | 2% | 0% | 1% | 1% | 1% |
| Interest Coverage | - | - | - | 2539% | - | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | Medim risk | High risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Return on Equity | Medim risk | High risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Cost Recovery | Medim risk | Medim risk | Medim risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Solvency** | | | | | | | |
| Debt to Equity | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
| Interest Coverage | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Overall Risk Rating** | Low risk | Low risk | Low risk | Low risk | Low risk | Low risk | Low risk |

#### Georgian Gas Transportation Company LLC



**State share:** 100%

**Name of economic activity:** Transportation through piplelines

**Major activity:** The only licensed company with a permanent license period (the license was issued in 2009), which provides for the right to carry out natural gas transportation. The company manages the main gas pipeline system and related infrastructure in the territory of Georgia, which is owned by JSC Georgian Oil and Gas Corporation and leased to the company (with the obligation to operate and maintain).

The main income of the company, which it receives from the use of the main gas pipeline system belonging to JSC Georgian Oil and Gas Corporation, consists of the following activities:

* Transit of natural gas (from the Russian Federation to the Republic of Armenia);
* Natural gas transportation (throughout Georgia, mainly for distribution companies, industrial enterprises and thermal power plants);
* Sale of gas (for other customers in Georgia based on individual negotiations between the parties).
* The company ended 2021 with a reduced profit compared to 2020. According to the audited report of 2021, the company did not sell gas in 2021, in particular, gas was sold in previous periods to only one customer, from whom there was no request for gas purchase in 2021. As a result, the operating income of the company decreased compared to the previous year.
* The company's income, which it receives from the operation of the main gas pipeline system, consists, among other things, of the income received from the transportation of natural gas for distribution companies, industrial enterprises and thermal power plants throughout Georgia. The natural gas transportation tariff for the periods of 2021 and 2020 was determined by the three-year resolution of the National Energy and Water Supply Regulatory Commission of Georgia, in the amount of GEL 18.95 GEL per 1000 cubic meters of gas transported.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Georgian Gas Transportation Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **100** | **108** | **158** | **141** | **173** | **200** | **205** |
| Current assets | 69 | 69 | 123 | 108 | 114 | 112 | 115 |
| Non-current assets | 31 | 38 | 35 | 33 | 59 | 88 | 90 |
| Capital | **2** | **57** | **117** | **103** | **141** | **169** | **178** |
| Charter capital | 26 | 36 | 84 | 56 | 34 | 4 | 5 |
| Equity Injections | 0 | 14 | 14 | 14 | 14 | 0 | 0 |
| Retained Earnings | 0 | 8 | 19 | 32 | 52 | 85 | 98 |
| Uncovered Losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining capital | -24 | 0 | 0 | 0 | 40 | 80 | 76 |
| **Liabilities** | **98** | **51** | **41** | **38** | **33** | **31** | **26** |
| Current liabilities | 98 | 51 | 20 | 19 | 13 | 14 | 12 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 0 | 0 | 21 | 19 | 20 | 17 | 14 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Assets** | **100** | **108** | **158** | **141** | **173** | **200** | **205** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Georgian Gas Transportation Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **222** | **165** | **182** | **108** | **120** | **122** | **110** |
| Operating income | 218 | 161 | 165 | 104 | 117 | 117 | 104 |
| Non-operating income | 3 | 4 | 18 | 4 | 4 | 6 | 6 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Costs** | **264** | **114** | **171** | **93** | **100** | **90** | **86** |
| Operating expenses | 264 | 114 | 171 | 93 | 100 | 90 | 85 |
| Depreciation/amortization | 0 | 2 | 2 | 2 | 2 | 3 | 3 |
| Non-operating expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. interest cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining non-operating  expenses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Profit before tax** | **-42** | **51** | **11** | **16** | **20** | **32** | **25** |
| Income tax | 2 | 3 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-44** | **48** | **11** | **16** | **20** | **32** | **25** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **Georgian Gas Transportation Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | -25% | 10% | -41% | 11% | 2% | -10% |
| Change in Expenses | - | -57% | 50% | -46% | 8% | -10% | -5% |
| Operating Margin | -21% | 29% | -4% | 11% | 14% | 23% | 18% |
| ROA | -44% | 45% | 7% | 11% | 11% | 16% | 12% |
| ROE | -1850% | 85% | 10% | 15% | 14% | 19% | 14% |
| Cost Recovery | 84% | 145% | 107% | 117% | 120% | 136% | 129% |
| **Liquidity** | | | | | | | |
| Current Ratio | 71% | 137% | 611% | 569% | 906% | 787% | 927% |
| **Solvency** | | | | | | | |
| Debt to Equity | 4128% | 88% | 35% | 37% | 23% | 18% | 15% |
| Interest Coverage | - | - | - | - | - | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Return on Equity | Very high risk | Medium risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
| Cost Recovery | High risk | Low risk | Medim risk | Medim risk | Medim risk | Low risk | Low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Current Ratio | Very high risk | Medim risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very high risk | Low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
| Interest Coverage | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | High risk | Low risk | Low risk | Low risk | Low risk | Low risk | Low risk |

JSC “Georgian Energy Development Fund”



**State share:** 100%

**Name of economic activity:** Consulting activities in business and in other matters of management

**Major activity:** Conducting preliminary research works in the field of energy, technical and economic evaluation of energy projects and preparation of report, assessment of project's environmental impact. As a result of the conducted studies, a project for the construction of a power plant is written, which the fund implements as follows: it will attract an investor with whom it will establish an enterprise (or with 100% equity participation it will establish itself) and the said enterprise implements the project of the power plant.

* Unlike the previous years when the company maintained a stable profit mark, the company ended 2021 with a loss. The stated result is mainly due to the devaluation of the investment made in the subsidiary enterprise, in particular, *according to the company's 2021 audited statement, the assets of the subsidiary JSC Namakhvani were sold in 2019 and the requirements related to the supply of assets as of December 31, 2021 amount to GEL 10,871,199. Based on the essential uncertainty, which raises reasonable doubts regarding the acceptance of the said request, the company depreciated the investment made in the said subsidiary.*

**Balance**

*In GEL Million*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **JSC Georgian Energy Development Fund** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **100** | **71** | **70** | **72** | **83** | **77** | **69** |
| Current assets | 43 | 32 | 31 | 31 | 51 | 58 | 57 |
| Non-current assets | 57 | 39 | 39 | 41 | 32 | 19 | 11 |
| **Capital** | **56** | **70** | **70** | **72** | **82** | **77** | **68** |
| Charter capital | 54 | 54 | 56 | 56 | 56 | 50 | 48 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 16 | 14 | 16 | 25 | 26 | 20 |
| Uncovered Losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining capital | 1 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Liabilities** | **44** | **1** | **0** | **0** | **1** | **0** | **1** |
| Current liabilities | 44 | 1 | 0 | 0 | 1 | 0 | 1 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital and liabilities** | **100** | **71** | **70** | **72** | **83** | **77** | **69** |

**Profit-Loss Statement**

*In GEL Million*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **JSC Georgian Energy Development Fund** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **2** | **26** | **3** | **3** | **13** | **5** | **8** |
| Operating income | 0 | 0 | 0 | 1 | 0 | 0 | 0 |
| Non-operating income | 2 | 26 | 3 | 3 | 13 | 5 | 8 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| **Costs** | **3** | **9** | **2** | **2** | **3** | **4** | **15** |
| Operating expenses | 1 | 1 | 1 | 2 | 3 | 4 | 14 |
| Depreciation/amortization | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-operating expenses | 2 | 8 | 0 | 1 | 0 | 0 | 1 |
| Incl. interest cost | 0 | 3 | 0 | 0 | 0 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 1 | 0 | 0 | 0 | 0 | 0 |
| Other remaining non-operating expenses | 2 | 4 | 0 | 1 | 0 | 0 | 1 |
| **Profit before tax** | **-1** | **17** | **1** | **1** | **10** | **1** | **-7** |
| Income tax | 0 | 2 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-1** | **15** | **1** | **1** | **10** | **1** | **-7** |

**Financial Ratios**

| **JSC Georgian Energy Development Fund** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 1012% | -88% | 9% | 279% | -58% | 45% |
| Change in Expenses | - | 156% | -81% | 35% | 36% | 28% | 260% |
| Operating Margin | - | - | - | -150% | - | - | - |
| ROA | -1% | 21% | 2% | 1% | 12% | 2% | -10% |
| ROE | -2% | 22% | 2% | 1% | 12% | 2% | -10% |
| Cost Recovery | 203% | 2168% | 226% | 222% | 403% | 134% | 55% |
| **Liquidity** | | | | | | | |
| Current Ratio | 97% | 2527% | 94279% | 102017% | 3422% | 108940% | 9040% |
| **Solvency** | | | | | | | |
| Debt to Equity | 79% | 2% | 0% | 0% | 2% | 0% | 1% |
| Interest Coverage | -4977% | 473% | - | 20720% | - | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | Medium risk | Medium risk | Medium risk | Medium risk | Medium risk | High risk |
| Return on Equity | High risk | Medium risk | Medium risk | Medium risk | Medium risk | Medium risk | High risk |
| Cost Recovery | Very  low risk | Very low risk | Very low risk | Very low risk | Very low risk | Low risk | Very high risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very high risk | Very low risk | Very low risk | Very low risk | Very  low risk | Very low risk | Very low risk |
|  | | | | | | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Solvency** | | | | | | | |
| Debt to Equity | Low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
| Interest Coverage | Very high risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | High risik | Low risk | Low risk | Low risk | Low  Risk | Low  risk | Medium risk |

#### Engurhesi LLC

****

**State share:** 100%

**Name of economic activity:** Production of electricity by hydroelectric power stations

**Major activity:**

* Production and sale of electricity. The company is responsible for the operation of the Enguri hydroelectric station, Vardnili HPP cascade and several small hydroelectric power stations located in the Kodori valley in the territory of the Autonomous Republic of Abkhazia.
* The share of occupied Abkhazia's consumption in the annual generation of Engurhesi share increases year by year, which increases the company's financial burden. This is a clear quasi- fiscal activity. In 2021, Engurhes LLC lost an average of GEL 30 million of income by providing free electricity to the population of occupied Abkhazia.
* Despite the large level of quasi-fiscal activities, the company ended the year 2021 with a profit, its net profit in the reporting year amounted to GEL 42 million, which was also mainly due to the profit obtained from the inter-exchange rate difference.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Engurhesi LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **349** | **348** | **354** | **371** | **383** | **416** | **479** |
| Current assets | 14 | 6 | 11 | 31 | 31 | 16 | 5 |
| Non-current assets | 335 | 341 | 342 | 340 | 352 | 400 | 474 |
| **Capital** | **186** | **169** | **161** | **182** | **177** | **123** | **165** |
| Charter capital | 207 | 207 | 208 | 208 | 208 | 208 | 208 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | -8 | -54 | 42 |
| Uncovered Losses | 0 | -38 | -47 | -26 | -34 | -42 | -96 |
| Other remaining capital | -21 | 0 | 0 | 0 | 10 | 10 | 10 |
| **Liabilities** | **163** | **179** | **192** | **188** | **206** | **293** | **314** |
| Current liabilities | 6 | 16 | 2 | 4 | 3 | 24 | 24 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 1 | 9 | 7 |
| Non-current liabilities | 157 | 163 | 190 | 184 | 203 | 269 | 290 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 185 | 263 | 284 |
| **Total capital and liabilities** | **349** | **348** | **354** | **371** | **383** | **416** | **479** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Engurhesi LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **47** | **37** | **42** | **63** | **62** | **52** | **134** |
| Operating income | 46 | 37 | 42 | 62 | 60 | 39 | 96 |
| Non-operating income | 1 | 0 | 0 | 1 | 1 | 12 | 38 |
| Incl. foreign exchange income | 0 | 0 | 0 | 1 | 0 | 0 | 37 |
| **Costs** | **60** | **45** | **51** | **43** | **69** | **106** | **91** |
| Operating expenses | 46 | 35 | 36 | 40 | 61 | 59 | 88 |
| Depreciation/amortization | 0 | 1 | 1 | 1 | 0 | 0 | 0 |
| Non-operating expenses | 14 | 10 | 15 | 3 | 8 | 46 | 3 |
| Incl. interest cost | 0 | 3 | 3 | 3 | 2 | 3 | 4 |
| Incl. foreign exchange loss | 0 | 7 | 13 | 0 | 6 | 42 | 1 |
| Other remaining non-operating expenses | 14 | 0 | 0 | 0 | 0 | 1 | 1 |
| **Profit before tax** | **-13** | **-8** | **-9** | **21** | **-8** | **-54** | **42** |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-13** | **-8** | **-9** | **21** | **-8** | **-54** | **42** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **Engurhesi LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | -21% | 14% | 49% | -3% | -16% | 159% |
| Change in Expenses | - | -24% | 13% | -17% | 63% | 52% | -14% |
| Operating Margin | 0% | 5% | 15% | 36% | -2% | -51% | 8% |
| ROA | -4% | -2% | -2% | 6% | -2% | -13% | 9% |
| ROE | -7% | -5% | -5% | 11% | -4% | -44% | 26% |
| Cost Recovery | 102% | 105% | 118% | 159% | 100% | 87% | 152% |
| **Liquidity** | | | | | | | |
| Current Ratio | 233% | 41% | 642% | 818% | 1029% | 67% | 21% |
| **Solvency** | | | | | | | |
| Debt to Equity | 88% | 106% | 119% | 103% | 116% | 239% | 190% |
| Interest Coverage | -2638% | -300% | -327% | 807% | -366% | -1956% | 1126% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | High risk | High risk | Medim risk | High risk | High risk | Medim risk |
| Return on Equity | High risk | High risk | High risk | Medim risk | High risk | High risk | Medim risk |
| Cost Recovery | Medim risk | Medim risk | Medim risk | Very low risk | Medim risk | High risk | Very low risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very high risk | Very low risk | Very low risk | Very low risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Low risk | Medim risk | Medim risk | Medim risk | Medim risk | Very high risk | High risk |
| Interest Coverage | Very high risk | Very high risk | Very high risk | Very low risk | Very high risk | Very high risk | Very low risk |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Overall Risk Rating** | Medim risk | High risk | Medim risk | Low risk | Medim risk | Very high risk | Medim risk |

#### Tbilisi Transport Company LLC



**State share:** 100% (Tbilisi City Hall owns 100% of the shares)

**Name of economic activity:** City and suburban passenger land transport

**Major activity:** Bus, metro and cable car transport services in Tbilisi, arrangement of parking spaces within the administrative boundaries of Tbilisi Municipality.

* According to the audited report of the company for 2021, during 2021, Tbilisi City Hall contributed plant and property the form of monetary and non-monetary contributions to the charter capital of the company with a total value of GEL 293,253 thousand and GEL 3,273 thousand. As a result, the capital increased to GEL 615 million.

|  |
| --- |
| **Balance**  *In GEL Million* |
| |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **Tbilisi Transport Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | | **Assets** | **460** | **511** | **288** | **424** | **406** | **531** | **719** | | Current assets | 37 | 51 | 71 | 221 | 80 | 84 | 92 | | Non-current assets | 423 | 460 | 217 | 203 | 326 | 448 | 627 | | **Capital** | **458** | **472** | **249** | **383** | **344** | **491** | **615** | | Charter capital | 348 | 365 | 332 | 521 | 554 | 851 | 1,147 | | Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Uncovered Losses | 0 | 0 | -83 | -138 | -210 | -360 | -532 | | Other remaining capital | 110 | 107 | 0 | 0 | 0 | 0 | 0 | | **Liabilities** | **2** | **39** | **39** | **42** | **62** | **40** | **105** | | Current liabilities | 2 | 39 | 14 | 19 | 31 | 12 | 75 | | Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Non-current liabilities | 0 | 0 | 25 | 23 | 31 | 28 | 30 | | Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | **Total capital and liabilities** | **460** | **511** | **288** | **424** | **406** | **531** | **719** | |

|  |
| --- |
| **Profit-Loss Statement** |
| *In GEL Million*   |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **Tbilisi Transport Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | | **Income** | **117** | **122** | **132** | **149** | **174** | **89** | **112** | | Operating income | 112 | 113 | 128 | 140 | 153 | 85 | 109 | | Non-operating income | 5 | 9 | 4 | 9 | 21 | 4 | 4 | | Incl. foreign exchange income | 0 | 0 | 0 | 1 | 0 | 0 | 37 | | **Costs** | **133** | **133** | **202** | **205** | **245** | **239** | **285** | | Operating expenses | 133 | 132 | 202 | 205 | 245 | 231 | 268 | | Depreciation/amortization | 0 | 0 | 16 | 16 | 21 | 1 | 1 | | Non-operating expenses | 0 | 0 | 0 | 0 | 0 | 8 | 18 | | Incl. interest cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | Other remaining non-operating  expenses | 0 | 0 | 0 | 0 | 0 | 8 | 18 | | **Profit before tax** | **-16** | **-10** | **-71** | **-56** | **-71** | **-150** | **-173** | | Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | **Net profit** | **-16** | **-10** | **-71** | **-56** | **-71** | **-150** | **-173** |   **Financial Ratios**   |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **Tbilisi Transport Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | | **Profitability** | | | | | | | | | Change in Revenues | - | 4% | 8% | 13% | 16% | -49% | 26% | | Change in Expenses | - | -1% | 53% | 1% | 20% | -2% | 19% | | Operating Margin | -19% | -17% | -58% | -46% | -60% | -171% | -146% | | ROA | -3% | -2% | -24% | -13% | -18% | -28% | -24% | | ROE | -3% | -2% | -28% | -15% | -21% | -31% | -28% | | Cost Recovery | 88% | 93% | 65% | 73% | 71% | 39% | 42% | | **Liquidity** | | | | | | | | | Current Ratio | 1750% | 131% | 506% | 1167% | 261% | 683% | 123% | | **Solvency** | | | | | | | | | Debt to Equity | 0% | 8% | 16% | 11% | 18% | 8% | 17% | | Interest Coverage | - | -6139% | -41475% | - | - | - | - |  |  |  |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | --- | --- | | **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | | **Profitability** | | | | | | | | | Return on Assets | High  risk | High  risk | High  risk | High  risk | High  risk | High  risk | High  risk | | Return on Equity | High  risk | High  risk | High  risk | High  risk | High  Risk | High  risk | High  risk | | Cost Recovery | High  risk | High  risk | Very  high risk | Very  high risk | Very  high risk | Very  high risk | Very high risk | |  | | | | | | | | | **Liquidity** | | | | | | | | | Current Ratio | Very low risk | Medium risk | Very low risk | Very low risk | Very low risk | Very low risk | High risk | |  | | | | | | | | | **Solvency** | | | | | | | | | Debt to Equity | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | | Interest Coverage | Very low risk | Very high risk | Very high risk | Very low risk | Very low risk | Very low risk | Very low risk | |  | | | | | | | | | **Overall Risk Rating** | Medium risk | High risk | Medium risk | Medium risk | Medium  Risk | Medium risk | Medium risk | |

#### Georgian Post LLC



**State share:** 100%

**Name of economic activity:** Postal activities with a universal service obligation

**Major activity:** Georgian Post LLC successfully cooperates with more than 190 countries of the world and more than 80 service centers operates throughout the country.

Georgian Post LLC provides its users with services included in the field of universal postal and shipping services, namely: Receiving, processing, sending, shipping and delivery of postal items (written correspondence, parcels, EMS, air mail) both within the country and outside if it; receiving utility bills; money transfer services.

* Compared to 2020, the company's income increased in 2021, in particular, income from postal services, product sales, and cargo transportation increased. The percentage distribution of operating income by activities for 2021 is as follows:
  + Income from postal services - 41%;
  + Income from cargo transportation - 24%;
  + Income from sale of products - 32%.
* In 2021, the company's operating expenses exceeded the same figure of the previous year by 25%, mainly due to increased costs of labor compensation, transportation and other operating expenses. Accordingly, the company's net profit before taxation amounted to –GEL 6 million. According to the company's 2021 audited statements, in 2021 the company changed its accounting policy for land and buildings and switched to the revaluation model. Under the revaluation model, upon recognition as an asset, land and buildings are recorded at fair value less any accumulated depreciation and impairment losses. The 2021 profit and loss statement provides for a revaluation reserve in the amount of GEL 36,852 thousand, which was reflected in the company's 2021 full income.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Georgian Post LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **57** | **70** | **72** | **84** | **88** | **91** | **127** |
| Current assets | 21 | 32 | 27 | 43 | 37 | 45 | 51 |
| Non-current assets | 35 | 38 | 45 | 41 | 50 | 45 | 76 |
| **Capital** | **39** | **48** | **51** | **47** | **50** | **66** | **97** |
| Charter capital | 42 | 51 | 51 | 48 | 50 | 59 | 59 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 7 | 2 |
| Uncovered Losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining capital | -3 | -3 | 0 | 0 | 0 | 0 | 37 |
| **Liabilities** | **18** | **22** | **21** | **37** | **38** | **24** | **30** |
| Current liabilities | 17 | 22 | 21 | 28 | 23 | 23 | 29 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 0 | 0 | 0 | 9 | 15 | 2 | 1 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital and liabilities** | **57** | **70** | **72** | **84** | **88** | **91** | **127** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Georgian Post LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **61** | **73** | **89** | **103** | **86** | **83** | **96** |
| Operating income | 59 | 70 | 86 | 98 | 83 | 75 | 93 |
| Non-operating income | 3 | 3 | 3 | 5 | 3 | 8 | 3 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 0 | 1 | 0 |
| **Costs** | **61** | **72** | **89** | **104** | **85** | **76** | **102** |
| Operating expenses | 59 | 69 | 86 | 100 | 85 | 76 | 95 |
| Depreciation/amortization | 0 | 0 | 3 | 4 | 5 | 5 | 5 |
| Non-operating expenses | 1 | 3 | 3 | 4 | 0 | 0 | 7 |
| Incl. interest cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| Other remaining non-operating  expenses | 1 | 3 | 3 | 4 | 0 | 0 | 4 |
| **Profit before tax** | **1** | **1** | **0** | **0** | **1** | **7** | **-6** |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **1** | **1** | **0** | **0** | **1** | **7** | **31** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **Georgian Post LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 19% | 22% | 16% | -17% | -4% | 16% |
| Change in Expenses | - | 19% | 24% | 16% | -18% | -11% | 34% |
| Operating Margin | -1% | 1% | -1% | -1% | -3% | -1% | -3% |
| ROA | 1% | 2% | 0% | 0% | 1% | 7% | 24% |
| ROE | 2% | 3% | 0% | -1% | 2% | 10% | 32% |
| Cost Recovery | 103% | 106% | 103% | 104% | 101% | 109% | 101% |
| **Liquidity** | | | | | | | |
| Current Ratio | 122% | 146% | 132% | 152% | 165% | 197% | 175% |
| **Solvency** | | | | | | | |
| Debt to Equity | 46% | 45% | 41% | 78% | 75% | 37% | 31% |
| Interest Coverage | - | - | - | - | - | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | Medim risk | Medim risk | High risk | High risk | Medim risk | Medim risk | Medim risk |
| Return on Equity | Medim risk | Medim risk | High risk | High risk | Medim risk | Medim risk | Medim risk |
| Cost Recovery | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk | Medim risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | High risk | Medim risk | Medim risk | Low risk | Low risk | Low risk | Low risk |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very low risk | Very low risk | Very low risk | Low risk | Low risk | Very low risk | Very low risk |
| Interest Coverage | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | Medim risk | Low risk | Medim risk | Medim risk | Low risk | Low risk | Low risk |

#### Georgian Amelioration LLC



|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Georgian Amelioration LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **665** | **83** | **107** | **72** | **81** | **101** | **100** |
| Current assets | 159 | 24 | 51 | 18 | 31 | 26 | 29 |
| Non-current assets | 506 | 59 | 55 | 55 | 50 | 74 | 70 |
| **Capital** | **634** | **69** | **90** | **56** | **46** | **69** | **62** |
| Charter capital | 762 | 840 | 910 | 907 | 900 | 922 | 897 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncovered Losses | 0 | 0 | -820 | -851 | -854 | -854 | -834 |
| Other remaining capital | -129 | -771 | 0 | 0 | 0 | 0 | 0 |
| **Liabilities** | **32** | **14** | **16** | **16** | **35** | **32** | **37** |
| Current liabilities | 26 | 13 | 16 | 16 | 17 | 17 | 14 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 14 | 0 |
| Non-current liabilities | 5 | 1 | 1 | 0 | 18 | 15 | 23 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital and liabilities** | **665** | **83** | **107** | **72** | **81** | **101** | **100** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Georgian Amelioration LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **17** | **19** | **21** | **23** | **25** | **30** | **32** |
| Operating income | 5 | 5 | 5 | 5 | 6 | 3 | 6 |
| Non-operating income | 13 | 14 | 16 | 18 | 19 | 27 | 26 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Costs** | **41** | **59** | **69** | **62** | **56** | **119** | **39** |
| Operating expenses | 41 | 58 | 68 | 61 | 53 | 118 | 39 |
| Depreciation/amortization | 0 | 20 | 7 | 7 | 6 | 6 | 6 |
| Non-operating expenses | 0 | 1 | 1 | 1 | 3 | 1 | 0 |
| Incl. interest cost | 0 | 1 | 1 | 1 | 1 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining non-operating expenses | 0 | 0 | 0 | 0 | 1 | 1 | 0 |
| **Profit before tax** | **-24** | **-40** | **-48** | **-39** | **-31** | **-89** | **-7** |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-24** | **-40** | **-48** | **-39** | **-31** | **-89** | **-7** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **Georgian Amelioration LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Prifitability** | | | | | | | |
| Change in Revenues | - | 12% | 11% | 8% | 8% | 21% | 7% |
| Change in Expenses | - | 45% | 17% | -10% | -11% | 113% | -67% |
| Operating Margin | -757% | -1051% | -1200% | -1066% | -791% | -3943% | -561% |
| ROA | -4% | -48% | -45% | -54% | -38% | -88% | -7% |
| ROE | -4% | -58% | -53% | -70% | -67% | -129% | -11% |
| Cost Recovery | 43% | 33% | 31% | 38% | 47% | 25% | 83% |
| **Liquidity** | | | | | | | |
| Current Ratio | 605% | 184% | 328% | 114% | 179% | 160% | 207% |
| **Solvency** | | | | | | | |
| Debt to Equity | 5% | 21% | 18% | 28% | 77% | 47% | 60% |
| Interest Coverage | -50236% | -4235% | -5082% | -2859% | -2376% | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | High risk | High risk | High risk | High risk | High risk | High risk |
| Return on Equity | High risk | High risk | High risk | High risk | High risk | High risk | High risk |
| Cost Recovery | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | High risk |
|  | | | | | | | |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Low risk | Very low risk | High risk | Low risk | Low risk | Very low risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very low  risk | Very low risk | Very low  risk | Very low risk | Low risk | Very low  risk | Low risk |
| Interest Coverage | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very low  risk | Very low  risk |
|  | | | | | | | |
| **Overall Risk Rating** | Medim risk | High risk | Medim risk | High risk | High risk | Medim risk | Medim risk |

#### State Construction Company LLC



**State share:** 100%

**Name of economic activity:** Construction of roads and highways

**Major activity:**

* Implementation of construction projects, including rehabilitation, modernization, reconstruction and other road construction works of public highways, bridges, tunnels; Implementation of liquidation/rehabilitation works of natural disasters.
* The company did not implement new investment and construction projects in 2021. Accordingly, the company's revenues and expenses have decreased compared to previous years.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *GEL Million* | | | | | | | |
| **State Construction Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **101** | **98** | **120** | **96** | **91** | **89** | **84** |
| Current assets | 82 | 81 | 110 | 88 | 87 | 86 | 84 |
| Non-current assets | 19 | 17 | 10 | 8 | 4 | 3 | 1 |
| **Capital** | **92** | **85** | **94** | **89** | **90** | **88** | **84** |
| Charter capital | 115 | 118 | 132 | 142 | 133 | 134 | 127 |
| Equity Injections | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncovered Losses | 0 | -34 | -40 | -54 | -44 | -47 | -45 |
| Other remaining capital | -22 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Liabilities** | **9** | **13** | **27** | **7** | **1** | **1** | **1** |
| Current liabilities | 9 | 13 | 27 | 7 | 1 | 1 | 1 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total capital and liabilities** | **101** | **98** | **120** | **96** | **91** | **89** | **84** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL* | | | | | | | |
| **State Construction Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **22** | **16** | **20** | **44** | **15** | **1** | **0** |
| Operating income | 21 | 16 | 20 | 44 | 2 | 0 | 0 |
| Non-operating income | 1 | 0 | 0 | 0 | 13 | 0 | 0 |
| Incl. foreign exchange income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Costs** | **28** | **27** | **26** | **51** | **5** | **3** | **1** |
| Operating expenses | 28 | 26 | 25 | 51 | 5 | 2 | 1 |
| Depreciation/amortization | 0 | 1 | 0 | 0 | 1 | 0 | 0 |
| Non-operating expenses | 0 | 0 | 1 | 0 | 0 | 1 | 0 |
| Incl. interest cost | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Incl. foreign exchange loss | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other remaining non-operating expenses | 0 | 0 | 1 | 0 | 0 | 1 | 0 |
| **Profit before tax** | **-6** | **-10** | **-6** | **-7** | **10** | **-2** | **-1** |
| Income tax | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Net profit** | **-6** | **-10** | **-6** | **-7** | **10** | **-2** | **-1** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **State Construction Company LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | -24% | 21% | 122% | -66% | -96% | -43% |
| Change in Expenses | - | -5% | -3% | 96% | -91% | -37% | -55% |
| Operating Margin | -32% | -63% | -28% | -15% | -159% | -406% | -1467% |
| ROA | -6% | -10% | -5% | -7% | 11% | -3% | -1% |
| ROE | -7% | -12% | -7% | -8% | 11% | -3% | -1% |
| Cost Recovery | 78% | 63% | 78% | 87% | 312% | 29% | 25% |
| **Liquidity** | | | | | | | |
| Current Ratio | 957% | 623% | 414% | 1304% | 8573% | 15599% | 16651% |
| **Solvency** | | | | | | | |
| Debt to Equity | 9% | 15% | 28% | 8% | 1% | 1% | 1% |
| Interest Coverage | - | - | - | - | - | - | - |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | High risk | High risk | High risk | Medim risk | High risk | High risk |
| Return on Equity | High risk | High risk | High risk | High risk | Medim risk | High risk | High risk |
| Cost Recovery | High risk | Very high risk | High risk | High risk | Very low risk | Very high risk | Very high risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
| Interest Coverage | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | Medim risk | Medim risk | Medim risk | Medim risk | Low risk | Medim risk | Medim risk |

#### Marabda-Kartsakhi Railway LLC



**State share:** 100%

**Name of economic activity** Construction of above-ground and underground railways

**Major activity:**  On the territory of Georgia, the implementation of the project from new railway line connecting Baku-Tbilisi-Kars to the border of Marabda - the Republic of Turkey (Kartsakhi), which will connect the railway networks of the Republic of Azerbaijan and the Republic of Turkey.

* At the stage of sectorization of state enterprises, the company did not belong to either the state enterprises or government sectors. The main activity of the company is the construction of a railway line on the territory of Georgia, which will connect the railway networks of Azerbaijan and Turkey, and its activity does not involve generating profit. Therefore, we do not consider it appropriate to consider the Marabda-Kartsakh railway in the consolidated financial results of the portfolio of state enterprises. However, for the sake of transparency, we include it anyway.
* In 2021, the net profit of the company amounted to GEL 123,912 thousand GEL inn 2021 with the profit from the exchange rate difference.
* The project is fully financed through a credit line (the loan was received from the Ministry of Transport of the Republic of Azerbaijan - the credit line amounts to USD 775 million) and as of December 31, 2021, cash resources in the amount of USD 41,355 thousand remained available. The loan was granted in 2 tranches:
  + The first tranche - 200 million US dollars; Annual interest rate - 1%; The tranche is fully utilized;
  + Second tranche - 575 million USD; Annual interest rate 5%; As of December 31, 2021, the company has 41,355 thousand USD of cash resources available under the second tranche of the credit line (as of 31 December 2020: 79,095 thousand USD).
* The company's loan is not part of the state debt.

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Balance** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Marabda-Kartsakhi Railway LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Assets** | **1 170** | **1 285** | **1 393** | **1 461** | **1 535** | **1 679** | **1 850** |
| Current assets | 310 | 261 | 281 | 258 | 248 | 245 | 246 |
| Non-current assets | 860 | 1 025 | 1 112 | 1 203 | 1 288 | 1 434 | 1 604 |
| **Capital** | **-414** | **-616** | **-565** | **-664** | **-847** | **-1 229** | **-1 105** |
| Charter capital | 53 | 53 | 53 | 57 | 57 | 57 | 57 |
| Equity Injections | 0 | 30 | 30 | 30 | 0 | 0 | 0 |
| Retained Earnings | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Uncovered Losses | 0 | -699 | -648 | -751 | -933 | -1 316 | -1 192 |
| Other remaining capital | -467 | 0 | 0 | 0 | 30 | 30 | 30 |
| **Liabilities** | **1 584** | **1 902** | **1 959** | **2 126** | **2 382** | **2 908** | **2 955** |
| Current liabilities | 23 | 10 | 14 | 19 | 23 | 28 | 29 |
| Incl. non-current loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current liabilities | 1 561 | 1 891 | 1 945 | 2 107 | 2 359 | 2 881 | 2 926 |
| Incl. non-current loans | 0 | 0 | 0 | 2 107 | 2 359 | 2 881 | 2 926 |
| **Total capital and liabilities** | **1 170** | **1 285** | **1 393** | **1 461** | **1 535** | **1 679** | **1 850** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Profit-Loss Statement** | | | | | | | |
| *In GEL Million* | | | | | | | |
| **Marabda-Kartsakhi Railway LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Income** | **0** | **43** | **178** | **134** | **72** | **202** | **285** |
| Operating income | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-operating income | 0 | 43 | 178 | 134 | 72 | 202 | 285 |
| Incl. foreign exchange income | 0 | 43 | 177 | 134 | 72 | 202 | 285 |
| **Costs** | **332** | **248** | **164** | **237** | **254** | **585** | **161** |
| Operating expenses | 16 | 18 | 20 | 20 | 22 | 22 | 24 |
| Depreciation/amortization | 0 | 2 | 2 | 2 | 2 | 2 | 2 |
| Non-operating expenses | 317 | 230 | 144 | 217 | 233 | 563 | 137 |
| Incl. interest cost | 6 | 8 | 8 | 11 | 9 | 15 | 17 |
| Incl. foreign exchange loss | 0 | 223 | 137 | 202 | 224 | 547 | 121 |
| Other remaining non-operating  expenses | 311 | 0 | 0 | 4 | 0 | 0 | 0 |
| **Income** | **-332** | **-205** | **14** | **-103** | **-183** | **-383** | **124** |
| Operating income | 0 | -3 | 0 | 0 | 0 | 0 | 0 |
| **Non-operating income** | **-332** | **-202** | **14** | **-103** | **-183** | **-383** | **124** |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Ratios** | | | | | | | |
| **Marabda-Kartsakhi Railway LLC** | **2015** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** |
| **Profitability** | | | | | | | |
| Change in Revenues | - | 177683% | 317% | -24% | -46% | 181% | 41% |
| Change in Expenses | - | -25% | -34% | 44% | 7% | 130% | -72% |
| Operating Margin | -64963% | - | - | - | - | - | - |
| ROA | -28% | -16% | 1% | -7% | -12% | -23% | 7% |
| ROE | 80% | 33% | -2% | 15% | 22% | 31% | -11% |
| Cost Recovery | 0% | 242% | 899% | 660% | 334% | 910% | 1189% |
| **Liquidity** | | | | | | | |
| Current Ratio | 1353% | 2579% | 2071% | 1365% | 1077% | 882% | 844% |
| **Solvency** | | | | | | | |
| Debt to Equity | -382% | -309% | -346% | -320% | -281% | -237% | -267% |
| Interest Coverage | -5341% | -2626% | 173% | -935% | -1973% | -2514% | 745% |

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
| **Profitability** | | | | | | | |
| Return on Assets | High risk | High risk | Medim risk | High risk | High risk | High risk | Medim risk |
| Return on Equity | Medimrisk | Medim risk | High risk | Medim risk | Medim risk | Medim risk | High risk |
| Cost Recovery | Very high risk | Very low  risk | Very low  risk | Very low  risk | Very low  risk | Very low  risk | Very low  risk |
|  | | | | | | | |
| **Liquidity** | | | | | | | |
| Current Ratio | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
|  | | | | | | | |
| **Solvency** | | | | | | | |
| Debt to Equity | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk | Very low risk |
| Interest Coverage | Very high risk | Very high risk | Low risk | Very high risk | Very high risk | Very high risk | Very low risk |
|  | | | | | | | |
| **Overall Risk Rating** | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk | Very high risk |

# Sensitivity analysis of SOEs

## Introduction

This chapter provides a financial risk analysis of the six major Georgian State-Owned Enterprises (SOEs). The chapter discusses the purpose of the analysis, key assumptions underlying the analysis and the modeled macroeconomic scenarios, also key findings of risk analysis and conclusions. The six SOEs that are examined are:

1. Engurhesi HPP;
2. Georgian Railway;
3. Georgian Oil and Gas Corporation;
4. Georgian State Electrosystem
5. Marabda-Kartsakhi (MK) Rail;
6. United Water Supply Company (UWSC).

These SOEs have been chosen because of their financial significance, The total assets of these companies for 2021 account for 65% of the total assets of the state-owned enterprises contemplated in the fiscal risk analysis.

## The Objectives of Sensitivity analysis

The objective of the scenario analysis is to provide a “high level” financial assessment of some of the financial risks the Georgian government faces from several large SOEs over the next five years. The key question the analysis seeks to address is “what are the financial implications for the SOEs and their shareholder, the Georgian Government, of adverse macroeconomic shocks. The shocks that are modeled, are adverse shocks to GDP growth, the exchange rate, and interest rates.

The analysis is undertaken at a high-level and the quantification of the risks is intended to be indicative rather than precise as there is inevitable uncertainty about the future financial projections and the impact of external events on a company.

The model includes three-year historic (2019-2021) and five-year Pro-forma (2022-2026) financial projections. The financial statements are a high-level Income Statement, Balance Sheet and Statement of Cash Flows. From these financial statements, key financial ratios are generated.

## The Economic Scenarios

**The model considers five scenarios for Georgia’s macroeconomic outlook.**

* Scenario 1, the base-case scenario, uses each SOE’s financial forecasts for the company’s current and subsequent four years (i.e. 2022 to 2026);
* Scenario 2 - assumes an adverse GDP shock, with GDP growing by only 0.7% and 0.9% in 2023 and 2024 respectively (compared with the base case assumptions of growth of 5% in 2023 and 5.2% in 2024) with other assumptions unchanged;
* Scenario 3 - assumes an adverse exchange rate shock, with the GEL depreciating approximately by 30% against other currencies in 2023, and by maintaining this figure in subsequent years, with all other assumptions unchanged;
* Scenario 4 - assumes an interest rate shock, with a standard deviation of 0.5 in 2023- 2026, with all other assumptions unchanged;
* Scenario 5 - assumes adverse shocks to all three macroeconomic variables (GDP, exchange rate and interest rates), with the magnitude and timing of the shocks equal to the assumptions described in Scenarios 2 to 4.

**The assumptions in the scenarios are based on the scenarios prepared by the Ministry of Finance of Georgia for the purposes of this analysis.**   
  
**It should be noted that the economic assumptions underlying Scenarios 2 to 5 outlined above are not the the vision of the Ministry on the forecasts for the development of the Georgian economy in the coming years.** Rather, the scenarios are depictions of what could happen, given Georgia’s recent past, in the case of adverse shocks impacting on the economy. The purpose of the scenarios is to examine what would be the impact on the Georgian SOEs and their shareholder, the government.

**The quantitative economic assumptions for the prepared base scenario, taking into account the forecasts, are provided in Table 1:**

**Table 1. Base Case Scenario: 5 year forecasts**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **Base Case Scenario** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **Real GDP growth rate** | 8.5% | 5.0% | 5.2% | 5.2% | 5.0% |
| **Exchange Rate GEL/USD** | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| **Interest Rates** |  |  |  |  |  |
| Interest rate on GEL borrowings | 9.3% | 9.7% | 8.3% | 8.3% | 8.3% |
| Interest rate on foreign currency borrowings | 1.0% | 2.2% | 2.1% | 2.0% | 1.8% |

In the base case scenario, the growth forecast of the Georgian economy for 2023 is reduced and is characterized by a slight upward trend for the next year, the exchange rate is unchanged and interest rates fluctuate and remain more or less stable at the same level.

**The economic assumptions underlying the alternative scenarios (Scenarios 2 to 5) are provided in Table 2 below:**

**Table 2. The macro economic assumptions underlying the alternative scenarios**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **DSA Assumptions** | **2022** | **2023** | **2024** | **2025** | **2026** |
| **Scenario 2: Real GDP growth rate** | 8.5% | 0.7% | 0.9% | 5.2% | 5.0% |
| **Scenario 3: Exchange Rate GEL/USD** | 2.8 | 4.07 | 4.07 | 4.07 | 4.07 |
| **Scenario 4: Interest Rates** |  |  |  |  |  |
| Interest rate on GEL borrowings | 9.3% | 10.5% | 9.1% | 9.1% | 9.1% |
| Interest rate on foreign currency  borrowings | 1.0% | 3.0% | 2.9% | 2.8% | 2.6% |
| **Scenario 5: Combined GDP, Exchange rate and Interest rate shock** | | | | | |

**The financial-risk analysis is based on a medium-term (5 year) model using annual figures.** As such, the analysis does not attempt or purport to capture all the financial risks facing the SOEs. For example, the model does not capture the following risks, even though these risks could be significant for several or all of the SOEs:

* Credit risks arising from late or defaulted payments by the SOEs’ customers;
* Sector-specific risks such as changes in gas or electricity commodity prices or volumes that Enguri HPP, GOGC and GSE in particular are exposed to;
* Market-share risks, as competitors increase their market share, for example through alternative forms of transport taking volumes away from Georgia Rail and MK Rail;
* Construction and project-management risks which can be a major source of financial risk for some of the SOEs like UWSC and MK Rail.

**As with any model, the model is only as precise as the core data and assumptions underlying it.** No audit of the underlying data provided by the SOEs has been undertaken.

## Results of the analysis

#### Base Case Scenario Projections

Before presenting the results of the scenario analysis, Table 3 below provides the base-case financial projections for six SOEs combined. As the table indicates:

* The projected net profit after taxes for 2022 is 700 million GEL. The projected net profit is declining significantly for 2023, and in the following years is mainly characterized by an upward trend;
* The ROE in 2022 is expected to be 40%, whereas the ROA ranges from 3% to 5% between 2023-2026.
* The debt to total assets ratio for the SOEs as a group is high, 82% in 2022. There is considerable variation in this ratio across the SOEs (with GOGC being around 40%, Enguri HPP– 65%, GSE- 74%, MK Rail - over 100%). The typically high level of debt to assets means the SOEs have little ability to withstand adverse economic shocks.

**Table 3. Key Financial Indicators – Base Case Scenario**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Base Case Scenario** | **2022** | **2023** | **2024** | **2025** | **2026** |
| NPAT (GEL Million) | 700 | -33 | 198 | 253 | 229 |
| Net Worth (GEL Million) | 1 771 | 2 004 | 2 517 | 3 140 | 3 595 |
| Return on Equity (ROE) (%) | 40% | -2% | 8% | 8% | 6% |
| Return on Assets (ROA) (%) | 3% | 3% | 5% | 5% | 5% |
| Debt to Total Assets (D/(D+E)) (%) | 82% | 76% | 73% | 69% | 67% |
| Interest Coverage Ratio | 0,7 | 0,9 | 1,8 | 2,0 | 1,9 |
| Current Ratio (CR) | 1,7 | 1,1 | 1,3 | 1,7 | 2,1 |
| Quick Ratio (QR) | 1,6 | 1,0 | 1,2 | 1,6 | 2,0 |

The impact of the different economic shocks on the above base-case financial projections for the six SOEs is presented below. The discussion focuses on the impact of the economic shocks on three key financial ratios for the SOEs:

* Aggregate net profit after tax (NPAT);
* The combined net worth of the SOEs; and
* The debt-to-total assets ratio for the SOEs as a group.

##### Low Growth Scenario

Low economic growth envisages GDP growth of 0.7% for 2023, 0.9% for 2024 and 5.2% and 5.0% for 2025-2026, respectively. Other assumptions of the baseline scenario remain unchanged.

The results of the lower economic growth assumptions on the three key financial metrics noted above for six SOEs combined is provided in Figures 1 to 3 below. The impact is material but nowhere near as large as the impact of an exchange rate shock as discussed in the next scenario.

**Figure 1. Decline in net profit after tax of SOEs in low economic growth scenario**

*Low economic growth reduces*

*the SOEs’ projected net profit*

*after tax (NPAT) by about 43*

*and 48 million GEL for 2023 and*

*2024.*

**Figure 2. Decline in net worth of the SOEs in low economic growth scenario**

|  |  |
| --- | --- |
| *The net worth of the SOEs declines by around 43 million GEL in 2023 under the low economic growth scenario compared to the baseline scenario.*  *Losses due to net worth increase in 2024 and maintain in the following years.* |  |

**Figure 3. Debt to total assets ratio of the SOEs in low economic growth scenario**

|  |  |
| --- | --- |
| *In the low economic growth scenario the ratio of debt to total assets for the SOEs is slightly increasing with a decreasing trend in the following years.* |  |

##### Exchange Rate Shock Scenario

In the exchange rate shock scenario, the Georgian Lari is assumed to depreciate by 30% against other currencies in 2023 and in the following years the 2023 rate is maintained.

The results of the exchange rate shock on the financial performance and financial position of the SOEs is very significant, as indicated by Figures 4 to 6 below. The impact is so large because the SOEs have around 7,745 million Lari in debt, with almost all the debt denominated in foreign currencies (mainly USD and Euro). When the Lari depreciates the costs of servicing this debt increases proportionately.

The effects of the exchange rate depreciation is dampened somewhat because some of the SOEs (eg, GOGC) receive revenue in foreign currency terms.

**Figure 4. Decline in net profit after tax of SOEs in exchange rate shock scenario**

|  |  |
| --- | --- |
| *The exchange rate shock has a significant impact on the SOEs’ projected net profit after tax (NPAT). NPAT is projected to decline by around 3,199 million GEL. This is a huge impact and arises from the SOEs’ large holdings of foreign currency*  *denominated debt. The*  *reduction in NPAT of SOEs is*  *equivalent to 5% of GDP.* |  |

**Figure 5. Decline in net worth of the SOEs in exchange rate shock scenario**

|  |  |
| --- | --- |
| *The exchange rate shock results in the net worth of the SOEs declining by a similar amount as the decline in NPAT, i.e. around 3,199 million GEL.*  *Most of the decline in net worth is permanent. A partial recovery in net worth is expected.* |  |

**Figure 6. Increase in debt to total assets of the SOEs in exchange rate shock scenario**

|  |  |
| --- | --- |
| *The ratio of debt to total assets of the SOEs increases by over 38% percentage points in the exchange rate shock scenario. In the base case, the average debt to total assets ratio for the*  *SOEs is 82% in 2022.*  *The exchange rate shock results in debt to total assets increasing above 100%, which indicates that the debt of state- owned enterprises exceeds the volume of their assets.* |  |

##### Interest Rate Shock Scenario

The interest rate scenario assumes the interest rate shock, with a standard deviation of 0.5 in 2023- 2026, with all other assumptions remain unchanged.

The results of the interest rate shock on the financial metrics for the SOEs is presented in Figures 7 to 9 below. The impact is material but nowhere near as significant as the impact of the exchange rate shock. The impact of higher interest rates is dampened by many of the SOEs having large parts of their debt portfolio at fixed interest rates which are sheltered from the increase in interest rates for the term over which the rates are fixed.

**Figure 7. Decline in net profit after tax of SOEs in interest rate shock scenario**

|  |  |
| --- | --- |
| *The increase in interest rates*  *reduces the SOEs’ projected net*  *profit after tax (NPAT) by 10-14*  *million GEL.* |  |

**Figure 8. Decline in net worth of the SOEs in interest rate shock scenario**

|  |  |
| --- | --- |
| *The net worth of*  *the SOEs declines by around 14-36 million GEL under the higher interest rate scenario.*  *The loss of net worth is permanent.* |  |

**Figure 9. Increase in debt to total assets of the SOEs in interest rate shock scenario**

|  |  |
| --- | --- |
| *There is only a very small*  *increase in the ratio of debt to*  *total assets of the SOEs in the*  *interest rate shock scenario.* |  |

##### Combined Shock Scenario

In the Combined Shock scenario, there are assumed to be adverse shocks to all three macroeconomic variables (GDP, exchange rate and interest rates) at the same time, with the magnitude and timing of the shocks as described in the scenarios above.

The results of the combined economic shocks on the financial performance and financial position of the SOEs is very significant, largely because of the exchange rate effect noted above. The magnitude of the impacts is presented in Figures 10 to 12 below

**Figure 10. Decline in net profit after tax of SOEs in combined shock scenario**

|  |  |
| --- | --- |
| *The combination of lower*  *economic growth, depreciation*  *of GEL and higher interest rates has a major impact on the SOEs’ net profit.*  *NPAT is projected to decline by around 3,261 million GEL in the combined shock scenario. This decline is equivalent to 5% of GDP.* |  |

**Figure 11. Decline in net worth of the SOES in combined shock scenario**

|  |  |
| --- | --- |
| *The net worth of the SOEs*  *declines in the combined shock scenario, so does the rate of net profit after taxes, by around 3,261 million GEL.*  *Recovery of net worth loss is not expected in the subsequent period.* |  |

**Figure 12. Increase in debt to total assets of the SOES in combined shock scenario**

|  |  |
| --- | --- |
| *The ratio of debt to total assets of the SOEs increases by approximately 40 percentage points in the combined shock scenario.*  *In the base case, the average debt*  *to total assets ratio is 82% in 2022. The combined economic shocks result in debt to total assets ratio increasing above 100%.* |  |

## Conclusions

While the SOEs project this situation to improve over the next five years, their high levels of debt to total assets (at over 73% on average) means they are highly exposed to adverse economic shocks. That most of their current 7,745 million GEL of debt is denominated in foreign currencies means the SOEs and their owner (the government) are highly exposed to a depreciation in the exchange rate.

The analysis presented in this report highlights that this foreign exchange risk is by far the main macroeconomic risk the SOEs as a group face. The analysis in this report indicates that the impact of a major foreign exchange shock on the major SOEs is huge. The adverse impact on their combined NPAT and net worth is over 3,199 million GEL and the companies’ average debt to total asset increases by over 38 percentage points. The impact on NPAT is equal to around 5% of Georgia’s GDP.

As a result of the above mentioned, in case of the realisation of foreign exchange risk, in addition to the planned budget injections, the gross financing need of SOEs from government will be 3,199 mln Gel, that will be additional financial burden on the state budget.

The analysis indicates that the SOEs are much less exposed to downturn in the economy or higher interest rates. Further, any major economic downturn or increase in interest rates is likely to be accompanied by a decline in the exchange rate, with the resulting large negative effects as shown in this report

# SOE Remuneration Practices

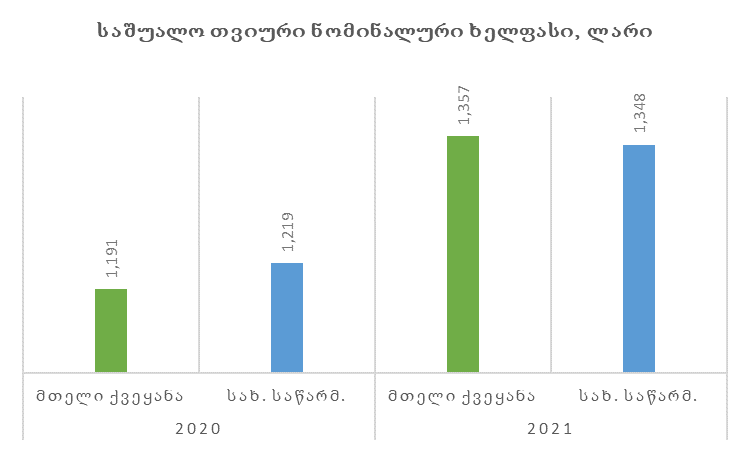
* Unlike other public sector institutions, there is no unified framework for remuneration policy in SOE sector. Overarching Reform of Public Corporations should ensure the settlement of this issue. In this part, the ultimate goal of the reform is not to reduce the aggregate salary level, it would be rational to benchmark SOE salaries to their relative private sector enterprises, and at the same time, it is important to have a centralized, precisely developed framework for remuneration in the State-owned enterprises, which ensures efficiency, accountability, and transparency.
* Excess employment in the SOEs remains historically inefficient. This is more visible in those countries, where State-owned enterprises are not corporatized, even in the case of corporatization, the private sector maintains greater efficiency. In addition, overemployment does not in all cases means same proportion of excess salary costs.
* In December 2020, up to 57,460 people were employed in the SOE sector, and up to 59,300 by the end of 2021;
* Net annual salary in the sector in 2020 was 800 million GEL, in 2021 - 907 million GEL.
* Up to 60% of total employment comes from TOP-10 enterprises;

Table 1

| **TOP - 10 employers (number of employees, end of December)** | **2020** | **2021** |
| --- | --- | --- |
| JSC Georgian Railway | 12273 | 12119 |
| Tbilisi Transport Company LLC | 6426 | 6496 |
| Tbilservice Group Ltd | 4990 | 5062 |
| United Water Supply Company Georgia LLC | 2880 | 2859 |
| Georgian Post LLC | 2384 | 2126 |
| Georgian Amelioration LLC | 1543 | 1453 |
| Georgian State Electrosystem JSC | 1455 | 1573 |
| State Food Supply Ltd | 1221 | 1218 |
| Regional Health Center LLC | 1046 | 1137 |
| Enrguhesi LLC | 1016 | 1037 |
| **Sum** | **35234** | **35080** |
| **Share in the total employment of the sector** | **61%** | **59%** |

* The average salary of the SOEs does not differ significantly from the average salary of the country.

Diagram 1



SOEs

SOEs

All

All

Average monthly nominal salary, GEL

* Approximately 65% of employees in the SOEs are men. Exception are SOEs of the healthcare sector, where up to 75% of employees are women;
* More than 70% of paid salaries are paid to men;
* About 80% of people working in managerial positions are men;
* The average salary of the women employed in the SOE is about 300 GEL less, than the salary of employed men.

# Legal Claims related to Fiscal Risks

Legal claims against the State are, as in many countries, a substantial source of fiscal risk. The Ministry of Justice takes the lead in addressing a specific category of legal claims against the State, international arbitration cases, through a specialized department. For legal cases in national courts, it can also sometimes be named a co-defendant in some cases concerning other ministries/agencies. Otherwise, each State entity is in charge of its own legal defense, even where several state entities can be jointly sued by the claimants. Therefore a unified registry of all legal cases against the government, which include cases against local city council and other sub-national levels of government, and against SOEs, still remains to be built.

In Georgia, the legal claims against the State are, in terms of size, mainly generated in the infrastructure and in the energy sectors, as they often relate to failed or terminated large projects and large contracts. An example of this pattern is the failed deep-sea port project of Anaklia, whose shareholders have issued public statements about their intention to seek compensation from the government; often there also are disputes concerning land that has been expropriated for public investment projects, notably for roads. There also are disputes concerning foreign investors in intended companies in different sectors, who claim that their rights have not been properly protected. And disputes, whether with foreign of with local investors, related to denial of permits and licences or to cancellation of projects which had already been granted permits and licences

Apart from the larger claims, there is a big number of legal lawsuits of relatively low amount, often related to labor-disputes, notably formerly dismissed staff of public entities.

The Ministry of Finance, with the cooperation of the Ministry of Justice, has been conducting a prioritized inventory of these legal claims. It has first identified those where the amounts claimed are above GEL 5 Million.

It deserves to be noted that in several cases, the government can end up winning the lawsuit, if not at the first level, at the appeals level or at the cassation level. Or at least having to pay a much lower amount than claimed. Sometimes the amounts claimed, or even some of the parts of the claim, are easily dismissed by the courts as “frivoulous” claims.

In future, statistical analysis could be conducted on those cases, but this would need building up a solid database with sufficient history of cases first. This endeavour is easier to achieve with a large number of small cases at the beginning, as shown in international experience. Patterns in large cases are more difficult to distinguish, apart from identifying the main sources for these cases; one of the reasons is that sometimes the cases can be terminated earlier through an out-of-court settlement.

Excluding international arbitration, the MoF has identified 17 large legal claims, many of them for amounts in foreign currency (for which, for this report, the exchange rate of 2.8 GEL per USD is used): the total amount claimed represents around GEL 487.5 Million GEL.

The MoF has also identified 26 cases with amounts above GEL 1 Million up to GEL 5 Million (total amount around GEL 70 Million), and 11 cases with amounts between GEL 0.5 and 1 Million (total amount around GEL 8 Million). The disputes are most of the time related to contested expropriation, other contested regulatory actions for example concerning the medical and pharmaceutical industries, and conflicts about the execution of procurement contracts.

The until now identified cases before the local courts (there are still the cases of some agencies to be found, as well as the amounts of smaller claims) thus represent around GEL 612 Million, slightly more than 1 % of the 2021 GDP of 60.23 Billion GEL.

Concerning international arbitration, it is necessary to warn that those cases, which can be very large in terms of claimed amounts, especially where large projects are involved, are subject to substantial confidentiality obligations for the parties by the specialized courts, such as International Centre for Settlement of Investment Disputes (ICSID) or International Criminal Court (ICC). And that very often a settlement is reached after the initial stages, while the amounts initially claimed tend to be much higher than what has a real chance to be awarded, and the Government can sometimes make a counterclaim, which can lead to the State winning the case and obtaining compensation. As per information from the MOJ updated as of September 23, 2022 the outstanding claimed amount of 7 existing cases represent a maximum potential amount of around USD 2.81 Billion, i.e. around GEL 7.87 Billion., around 13 % of the 2021 GDP.

It should be noted that, even if in general, the amounts that would be lost are much lower than those claimed, losing a large case with a very large amount is an occurrence that cannot be discarded completely. On the other hand, the experience of the 4 closed international arbitration cases, is the Government winning 2 cases, half-winning another one (each party has to pay compensations) and losing one case.

The government for each budgetary year, tries to allocate provisions for cases it considers it can lose, but actual amounts lost and paid during the last years tend to be lower, either because the amounts awarded to the claimants were lower or because the case is not closed during the projected year, due to different circumstances either specific to the case, or general factors (for example the Covid crisis has slowed down the work of the courts in 2020).

Table 1 shows the amounts paid by the Government of Georgia within the framework of disputes since 2019 (million GEL)[[5]](#footnote-5)

Table 1

|  |  |  |  |
| --- | --- | --- | --- |
| **2019** | **2020** | **2021** | **08/2022** |
| 3.67 | 3.45 | 4.98 | 5.27 |

While the upward trend in actual litigation costs is expected to continue, this does not mean that the state is losing proportionately more cases than before. Such tendency is observed in many countries, with a larger number of specialized law firms and more accumulated large cases still ongoing.

# Long-term fiscal risks

## Introduction

In managing fiscal risks, the time horizon of risks *(short-term and long-term)* is an important dimension. From a fiscal risks management perspective, long-term fiscal risks are qualitatively different from short-term macro- fiscal risks —those that could materialize within the budget horizon of one to two years —as well as medium-term macro-fiscal risks —between two to five years.

Longer term fiscal risks are those that could materialize over decades. Should they crystallize, these risks could render a fiscal trajectory unsustainable in the long term, even if the fiscal settings were sustainable and risks appropriately managed in the short and medium term.

Fiscal rules and other fiscal institutions play an important role in managing long-term fiscal risks, as does long term fiscal sustainability analysis, including publication of risk assessments, especially in the form of regular long-term fiscal sustainability statements (LTFSs).

Such analysis is crucial for informed policymaking that takes into consideration trade-offs in areas that entail major long-term commitments competing with other priorities for future fiscal space. Not only do they help identify and quantify long term fiscal pressures and their impacts, such analysis also sheds light on areas for deeper analysis to identify priority long-term fiscal risks management options. Often, the appropriate options require difficult policy choices, and publication of long-term fiscal risks analysis is intended to help build the public case for them, which often takes considerable time.

Against that backdrop, this chapter provides fiscal projections under a new baseline scenario against which long term fiscal risks could be assessed.   
  
Under plausible assumptions regarding economic growth and interest rates, and with primary net borrowing held constant at the 1 percent of GDP from the end of the medium-term projections, the debt-to-GDP ratio in this baseline scenario remains well within Georgia’s fiscal rule.

Climate change scenarios:

In the most extreme case — which takes into account not only the higher temperatures in a world of unmitigated and worsening climate crisis, but also the associated increase in extreme and unpredictable weather events as well as more frequent and severe floods and droughts—the debt-to-GDP ratio could breach the 60 percent ceiling set by the fiscal rule by the 2050s.

The baseline projection incorporates demographic effects on real GDP growth rate, which then flows on to the revenue side of the budget. In addition, ageing of Georgia’s population will likely have significant effects on expenditures. The final section of this chapter qualitatively discusses possible effects of demographic change on public finances. This foreshadows the preparation and publication in 2023 of Georgia’s first full-scale LTFS.

## Long-Term Baseline Scenario

Long-term fiscal sustainability analysis requires projecting fiscal aggregates —revenue, expenditure and debt —over decades under different scenarios. The first step in any such analysis is to project a baseline scenario for nominal GDP. Growth in nominal GDP over time reflects inflation and real GDP growth.

In the baseline scenario, as well as all the scenarios published in this chapter, annual inflation (defined as the growth in GDP deflator) is assumed to be constant at 3 percent. This is consistent with the National Bank of Georgia’s assessment that an inflation rate of 3 percent is ideal for maintaining macroeconomic stability.

Over time, the real GDP growth in an economy depends on the number of potential workers in the economy, and the average productivity of each worker. For example, in the decade from 2010 to 2019, Georgia achieved annual real GDP growth of 4.7 percent. Over that time, employment grew by 1.2 percent a year, while the annual growth in labour productivity was 3.5 percent.

In the near term, the stage of the business cycle can affect employment growth. For example, as the Georgian economy recovers from the recession caused by the pandemic, employment growth might be faster than long term trend. In the long term, once the economy reaches full employment, employment would likely track the working age population.

The baseline scenario assumes that the Georgian economy reaches full employment by 2026. From 2027, employment is assumed to grow in line with the United Nations’ (UN) projections (medium variant) for the 15 - 64 year-old population. The UN projects that Georgia’s working age population will decline by over a fifth over the next four decades in the medium variant scenario, and by nearly a third in the low variant scenario (Figure Xa). Accordingly, employment is projected to detract from real GDP growth in the long term.

Further, the ratio of dependants —children and the elderly —to the working aged is projected to rise over the coming decades in all scenarios (Figure Xb). Whereas in the early 2010s, each dependant could be cared for by two working aged Georgians, by the early 2060s for every two dependants, there will be three working-aged persons. In addition to detracting from real GDP growth, the ageing of the population will likely have fiscal consequences operating through the expenditure side of the budget. This is discussed further in the last section.

**Figure X: Demographic Projections for Georgia (2012-62)**

|  |  |
| --- | --- |
| *Figure Xa: Growth in 15-64 aged population* | *Figure Xb: Dependency ratio* |
|  |  |

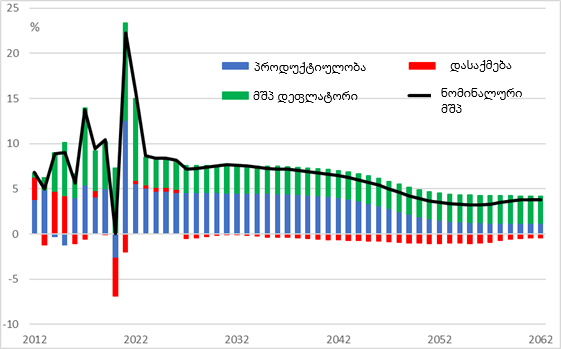
Similar to employment, the stage of the business cycle can also exert an influence on labour productivity. For example, Georgia might be experiencing strong labour productivity growth as the economy recovers from the pandemic. In the long term, however, an emerging economy’s productivity growth will reflect its ability to catch up with that of advanced economies.

Over the past quarter century, Georgia’s labour productivity has been catching up with the OECD average. In the mid-1990s, the average Georgian worker was around 10 percent as productive as an average OECD worker. Currently, Georgian labour productivity is around 40 percent of the OECD average. In contrast, over the past quarter century, the Baltic economies have seen their labour productivity rise from less than 40 percent of OECD average to around 80 percent currently.

The Baltic experience can be used as an ambitious and yet achievable benchmark for Georgia. If Georgia were to emulate the Baltic productivity convergence experience over the long term, the average Georgian worker would be around 95 percent as productive by the late 2050s. Of course, as the productivity level catches up to the OECD average, productivity growth rate will also slow to the assumed OECD annual average of 1.2 percent, which has been the annual average over the past three decades.

On this basis, the baseline scenario assumes that productivity growth declines from 4.6 percent in 2026 (implied by the Medium-Term Fiscal Framework) to 1.2 percent by the late 2050s. Figure 1 shows nominal GDP growth over the next four decades in the baseline scenario, with contributions from employment, productivity, and inflation.

**Figure 1: Nominal GDP Growth, Baseline Scenario**



Nominal GDP

Employment

GDP deflator

Productivity

*Source: UN Population Projection; World Bank World Development Indicators; MoF calculations.*

For the long-term fiscal projections in the baseline scenario, revenue and primary expenditure are assumed to remain constant relative to nominal GDP from 2026. That is, the policy settings are assumed to remain unchanged from the Medium-Term Fiscal Framework (MTFF). The MTFF projects maintaining the overall balance at 1 percent of GDP and this is projected forward into the long term.

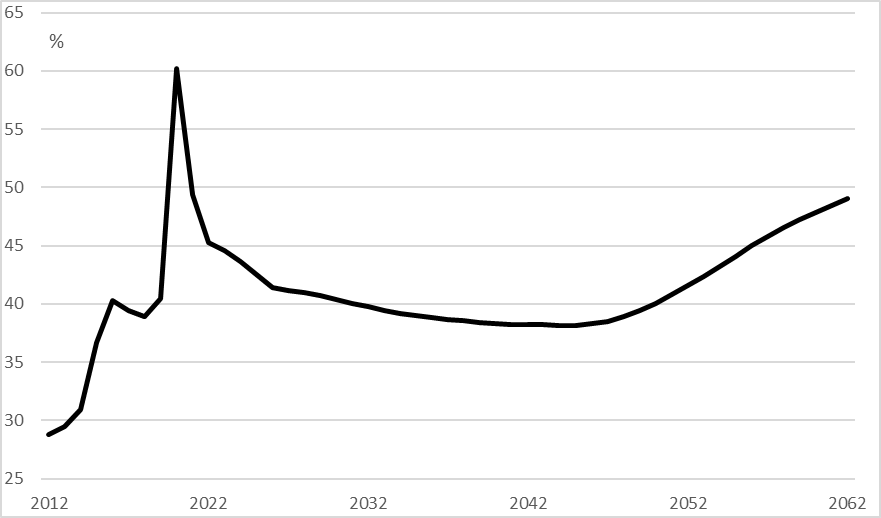
The MTFF assumes that the financing for the fiscal deficit is at a weighted nominal annual interest rate of 4 percent. Over the long term, two factors are likely to exert opposing pressures on the interest rate.

On the one hand, over the long term, the real interest rate should track labour productivity. With productivity growth approaching the OECD rate, and given the constant inflation assumption, the nominal interest rate would be expected to decline. On the other hand, Georgia’s ability to attract concessional loans from multilateral agencies and development partners will cease as the country approaches OECD levels of productivity, which would put upward pressure on the interest rate.

The baseline scenario assumes that the nominal interest rate will decline in line with productivity growth until the late 2040s, and remain constant at 2.8 percent thereafter. This assumption balances the above considerations.

With the assumed nominal GDP growth rate, nominal interest rate, and and the established level of the total balance, it is possible to calculate the trajectory of public debt relative to GDP over time. Figure 2 shows the debt-to-GDP ratio to 2062 in the baseline scenario. In this scenario, the projected decline in the ratio during between 2030 and 2040 reflects the decline in the interest rate. Thereafter, from 2040 debt rises relative to GDP as productivity slows further but the interest rate remains unchanged. In the baseline scenario, the debt-to-GDP ratio remains below the fiscal rule ceiling of 60 percent during the next four decades.

**Figure 2: Debt-to-GDP ratio, Baseline Scenario**



*Source: UN Population Projection; MoF*

## Climate Change Scenarios

Climate change is likely to have global macroeconomic impacts in complex manners that are difficult to forecast. That said, it is likely to have significant fiscal consequences through macroeconomic outcomes such as potential growth, as well as other specific impacts on revenues and expenditures, and reprofiling of specific fiscal risks including those associated with SOEs, PPPs, and PPAs. These issues were discussed qualitatively in the 2021 Fiscal Risk Statement. In this section, quantification of potential fiscal impacts of climate change under four different scenarios are presented.[[6]](#footnote-6)

The four scenarios used for the analysis are:

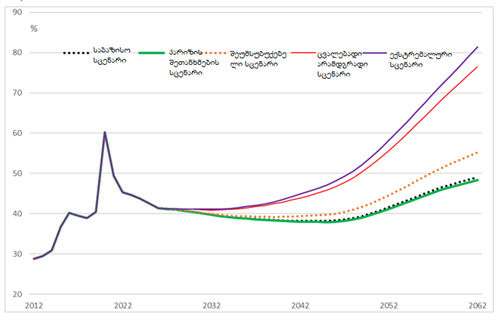
* *The Paris Agreement scenario* – means that the commitments of the 2015 Paris Agreement are met. The United Nations Intergovernmental Panel on Climate Change (IPCC) describes this scenario as RCP2.6[[7]](#footnote-7), *The Paris Agreement scenario* – means that the commitments of the 2015 Paris Agreement are met. The United Nations Intergovernmental Panel on Climate Change (IPCC) describes this scenario as RCP2.6, and its models suggest this is consistent with limiting global warming to well below 2 degrees Celsius above pre-industrial levels. For Georgia, this scenario is a benign one.
* *The unmitigated and worsening climate scenario* - in which the Paris Agreement commitments are not implemented, and greenhouse gas emissions continue to rise in line with global economic output. The IPCC describes this scenario as RCP8.5, and its models suggest this would lead to average global temperature increases around 4 degrees above pre-industrial levels.
* *The volatile scenario* - in which the economic impacts of the increased climate volatility are modelled explicitly in addition to the effects of the rise in average temperatures in line with the unmitigated and worsening climate scenario. That is, the volatile scenario aims to capture the effects of not just a hotter planet, but also the higher volatility of weather patterns (such as unseasonal snowfall) and increased numbers of extreme weather situations (hotter summers and colder winters) that are likely to occur with climate change.
* The extreme scenario, which adds macroeconomic effects of more frequent and severe major floods and droughts to the volatile scenario. Floods are assumed to occur in 2030 and 2050, and droughts are assumed to hit in 2040 and 2060.

Under each scenario, climate change is assumed to affect labour productivity. The empirical estimates of Kahn et al (2021) are used to simulate the effect of climate change under the Paris, unmitigated, and baseline scenarios.[[8]](#footnote-8)

Even in the worst-case scenario, annual slowdown in productivity growth is 0.2 of a percentage point of GDP by the 2060s. That is, on a year-to-year basis, the slowdown in GDP caused by climate change might not be perceptible enough to affect the budget process. Therefore, in each of the climate scenarios, the level of primary expenditure in GEL is assumed to remain unchanged from the baseline, implying a gradual increase in the expenditure-to-GDP ratio. In contrast, the revenue-to-GDP ratio in each scenario is assumed to remain unchanged from the baseline. That is, even a small slowdown in GDP growth is assumed to result in a similar slowdown in revenue. Over time, as GDP is smaller than the baseline in the unmitigated, volatile, and extreme scenarios, there are fewer revenues to meet the unchanged expenditure profiles. As a result, the primary deficit rate worsens.

Since climate change is a gradual process, annual increases in the financing needs are assumed to not affect financing costs. Interest rate and inflation are assumed to remain unchanged. Nonetheless, a combination of slower economic growth and larger primary deficit rate results in a higher debt-to-GDP ratio. This is shown in the Figure:

**Figure 3: Debt-to-GDP ratio, Baseline Scenario**



Extreme

Volatile

Unmitigated

Paris

Baseline

*Source: UN Population Projection; MoF calculations.*

When the effects of increased climate volatility and more frequent and severe natural disasters are explicitly modelled in addition to the effects temperature rises that are likely to occur in the unmitigated and worsening climate change scenario, debt is projected to breach the 60 percent ceiling in the decade from 2050.

There is significant uncertainty around these projections. The channels through which climate change might affect labour productivity include: higher depreciation of the public and private capital stock, reduced hours worked and effort and reduced firm level total factor productivity. On the one hand, more refined assessment of these channels might yield a greater impact of climate change on the economy than that presented above. On the other hand, each of these channels present avenues through which the government can pursue adaptation measures.

Faster adaptation to climate change is likely to require significant public and private investment. International analysis suggests that while adaptation investment may be more costly than traditional public investment, in the longer run it could reduce the fiscal impacts of natural disasters by making the country more resilient.[[9]](#footnote-9)

Further, not all adaptation measures involve public expenditure. For example, changing work hours to avoid times of extreme heat may be achieved through regulations. The 2021 FRS chapter on climate change and natural disasters fiscal risks discussed climate change adaptation in Georgia.

The above projections are based on a strong assumption that spending under the climate scenarios remains at the same levels as the baseline path. This assumption implies that the government does not adjust fiscal settings in response to the climate induced economic slowdown. This likely overstates the effects of climate change on fiscal sustainability as primary expenditure may well be recalibrated as growth slows and revenues decline.

Such fiscal recalibration might be forced by adverse effects on the external and monetary sectors. In addition to the gradual dampening of productivity growth, climate change could make Georgia more vulnerable to imbalances in the external and monetary sector. For example, the risk premium faced by the country may well rise with increased climate volatility, affecting the country’s capital accounts and exchange rates. Another possibility is that supply chain disruptions caused by climate volatility lead to inflation, which would tend to cause a depreciation of the exchange rate.

There might be other longer term effects on the economy. In addition to the channels described above, climate change could well affect the structure of the Georgian economy. For example, in a relatively worse climate scenario, certain industries such as high value-added agriculture or niche tourism are less likely to develop. Further, extreme climate volatility may exacerbate demographic pressures by inducing emigration of highly skilled population.

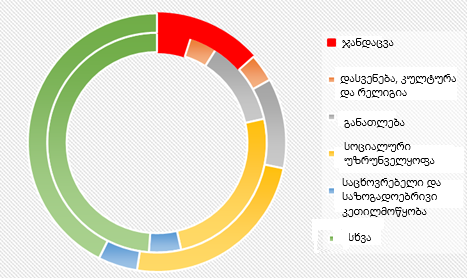
In addition to the above macroeconomic fiscal risks, discrete fiscal risks can arise from direct exposure of government assets and contracts to climate change. There are two general types of discrete fiscal risk related to climate change: (i) direct physical risks to the assets (increasing temperature, reduced precipitation and water flow, and increased natural disasters); and (ii) transition risks (related to changing policy, technology and international commitments) that affect the viability of assets and contracts.

PPPs, SOEs, government guarantees and government projects are all potential channels for these types of climate change-related fiscal risks. Assets and contracts in Georgia are exposed to both of these types of risks, but particularly physical risks given the exposure of key SOEs and PPPs to higher and more volatile temperatures, reduced rainfall, and natural disasters.

## Demographic fiscal risks

Climate change is not the only long-term fiscal risk faced by Georgia. Demographic changes also pose significant fiscal risks over the long term. The macroeconomic effects of demographic change in a particular scenario —decline in the working age population in line with the UN medium variant population —is reflected in the chapter of baseline climate change fiscal risks assessment. However, this baseline assumes that primary expenditure remains unchanged even as the elderly’s share of total population rises over time. This is not a realistic projection as the ageing of the population has already been affecting expenditure profiles. For example, during the period 2002-2019, general government expenditure grew by 16 percent a year, but general government expenditure on health grew by an annual rate of 22 percent. As a result, health’s share of general government total expenditure increased from 5 percent in 2002 to over 13 percent in 2021 (Figure 4).

**Figure 4: Share of General Government Total Expenditure, 2002 vs 2021**



*Source: MoF calculations. The inner rung of the donut represents 2002 shares, and the outer rung is 2021.*

Housing and community amenities

Social protection

Education

Recreation, Culture, Religion

Health

Without policy changes, demographic changes are likely to increase health, aged care, and pension expenditures. These are explored further in what follows.

Other

## Health expenditure

Over time, public expenditure on health reflects government policy decisions, non-demographic factors such as new technology, changing preferences, and rising income, and demographic factors. Typically, long term fiscal assessments are conducted on a ‘no new policy’ assumption. Therefore, any long-term projection of health spending would assume that health sector policy settings will remain unchanged beyond the medium term.

Technological advancement over time makes it possible for Georgians to make use of an array of health services that were hitherto unavailable. Technology can boost the supply of, and demand for, health services. Meanwhile, rising income levels make many such services affordable. Changes in national income are among the largest driver of government spending on health internationally.

That is, health spending may well be increasing over time independent of the ageing of the population. An ageing population will, however, exacerbate that trend. Older people need to use more health services, so as the population ages, health spending rises.

Take chronic conditions, for example. The prevalence of chronic conditions such as arthritis, back pain, cardiovascular disease, diabetes, and mental health conditions tend to develop gradually and become more common with age. As the population ages, chronic conditions become more prevalent, adding to the total health bill. Capital expenditure on hospitals is another example where an ageing population increases health spending.

To project health expenditure in the long term in the presence of an ageing population, two sets of information are required. First, an assessment needs to be made of the extent of public health expenditure for the younger (below 65) population. Health expenditure for the younger population per younger person is an indicator of this. Second, an estimate is needed relating the per person health spending for the older (over 65 years) population to the per person health spending for the younger population. International evidence suggests that per person health spending for older people is about 3.5 times that for the younger people.

Using international estimates and high-level pre-COVID-19 Georgian expenditure data, IMF analysis found that ageing could raise health expenditure between half and one percent of GDP over the coming decades. However, there is room for significant refinement of this estimate, using granular and detailed historical expenditure trends to project long term effects of demography on health expenditure.

## Pension risks

Pension systems are often a source of fiscal risk due to social pressures, which can lead governments to provide additional support to a publicly funded scheme becoming unsustainable or with low pensions (for example, through guarantees, loans which are never recovered or direct annual subsidies). Even when other pillars exist, funded by employers and employees, and sometimes with the participation of some government funding, if pensions become low due to different shocks or negative demographic trends, there is a risk that additional funding from the State will be demanded. This can even happen when pillars with additional voluntary contributions are also affected by reductions in pensions, which can derive not only from the same shocks, but also from political pressures to make it easier to withdraw funds contributed in advance; this can create pressure for further increases in publicly-funded basic schemes. For example, in some Latin American countries, Fully-funded systems which were initially successful, are experiencing a credibility crisis (too many defaulting employers, lower pensions than announced), which has led to the creation of previously non -existent basic pension pillars. Another possibility of fiscal risk materialization derives from deep shocks forcing a bailout of previously funded pillars.

The Pension System in Georgia is based on 3 Pillars:

* A publicly funded Basic Pillar which is providing pensions slightly above the poverty line; with recent reforms, it is possible now to have those pensions indexed, which should at least ensure the preservation of the purchasing power of the pension. It can also create additional unexpected expenditure on this budgetary item in future.
* A fully-funded Second Pillar: a Pension Agency established following the 2018 pension reform started collecting and administering the funds of the participants of the mandatory funded pension scheme on January 1, 2019. The funded pension scheme is based on the 2% + 2% + 2% principle of accumulation. The employer transfers on behalf of the employee 2% of the untaxed amount of employee salary to the employee's individual pension account. The same amount is contributed to the employee’s individual pension account by the employer on their behalf. Based on the amount of the employee's salary (but not more than 2% of the untaxed salary), the contribution for the benefit of the employee is also made by the State. The Pension Agency determines the investment policies. The National Bank regulates and supervises only the investment (and not administrative) part of the Pension Agency’s work.
* A fully-funded Third Pillar, called Supplementary Pension Insurance, also managed by the Pension Agency. A package of legislative changes has been prepared and should be approved in the near future. The fiscal risk arising from the scheme is not significant, the Ministry of Finance continues to work on this in the following reporting periods.

The fiscal risk concerns mainly the Basic Pillar, given the possibility of indexation, and probable unfavourable demographic evolution (a World Bank study considers a decrease of the population towards 2050, and a UNDP study also points to a decrease in population). As said above, even if more remote, fiscal risks from the other Pillars cannot be excluded completely. In any event, Fully-funded schemes remain one of the preferred ways to mitigate fiscal risk from pensions

We assume that under the conditions of the basic growth of the basic economy, the basic pension will not exceed 4.1% of GDP (Figure 5) in any scenario of population growth (UN population growth statistics - High, Medium and Low scenarios). However, it is clear that this figure may change in the event of a GDP shock.

**Figure 5: Pensions Expenditure**

The diagram above shows the current pension indexation scheme, which provides a downward trend as a percentage of GDP.

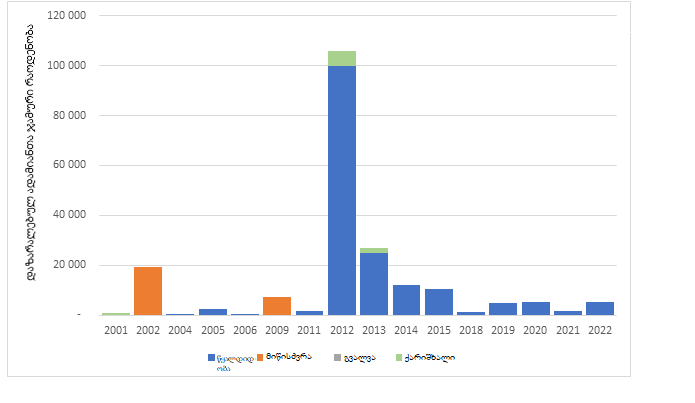
With respect to the Second Pillar, population - related fiscal risks are unlikely to materialize since it is a fully funded defined contribution scheme without any guarantees either during accumulation or payout phases. However, Fiscal risks could materialize as a result of factors, such as significant shocks and/or social pressures.

## Natural Disaster and Climate Change Fiscal Risks

## Natural Disasters in Georgia

Georgia has been affected notably by floods and earthquakes in the past. The 2015 flood [[10]](#footnote-10)  in Tbilisi resulted in GEL 55 million in physical damage and GEL 10 million in financial losses, the largest amount in recent history. The largest earthquake in the past few decades occurred in Tbilisi in 2002, the losses of which have been estimated at up to GEL 703 million.[[11]](#footnote-11) Historical data on the number of people affected from the International Disaster Database (EM-DAT[[12]](#footnote-12)) by different disaster types are shown in Chart 1.

**Chart 1** Number of People Affected by Natural Disasters in Georgia

****

Storm

Drought

Earthquake

Flood

Total number of affected people

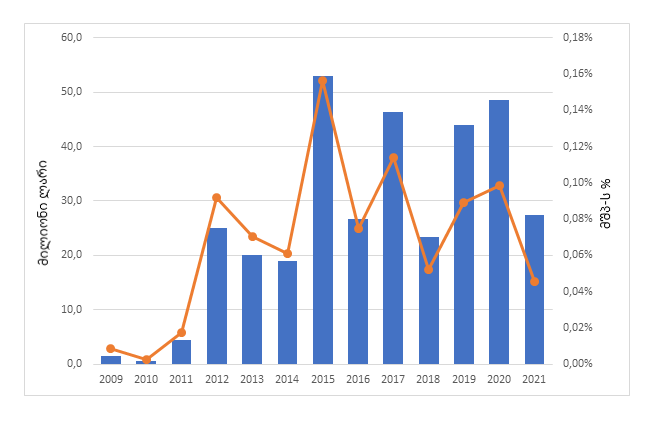
Source: EM-DAT

It can be seen that the most frequent peril that Georgia is exposed to is the risk of flooding and since 2011 there has been at least 1 flood per year impacting the population. Looking purely at historical losses from natural disasters to Georgia does not demonstrate the full possibility of losses that may happen in Georgia. To consider all possibility of losses to Georgia, catastrophe risk models[[13]](#footnote-13), can be considered, these look at individual hazards and provided expected losses and the probability these losses may occur. The analysis in the 2021 Fiscal Risk Statement is shown based on the natural diasasters risk modelling, which assesses the possible damage caused by floods and earthquakes to Georgia.

Government expenditure

The central government records the amount of funds that are allocated from the regional fund for disasters. The Government spent on average 0.08 percent of total expenditure on disasters from 2012 to 2021. This spending mainly included compensation and fiscal transfers. (Chart 2). The amount spent from the budget is not disaggregated by type of disaster and might not correlate with the damages and economic losses caused by these disaster events. The reported expenditures might not have captured all the spending related to disasters, e.g., on the reconstruction of public assets in following years.

**Chart 2** Government of Georgia Disaster Expenditure



% of GDP

GEL Million

While the Government’s disaster-related expenditure has in the past been a small proportion of the GDP, there are a few reasons why the government may face larger contingent liabilities than it was estimated in the 2021 fiscal risk analysis document. This includes: 1) The historical disasters do not include very low frequency events, not seen in the history. As shown in risk models these values can be large and increase the government’s contingent liabilities. 2) The allocations from the regional fund may not capture the full amount spent on disasters as this does not include the amount spent by the different municipalities or line ministries where assistance from the central government is not required. Moreover, amounts from disasters are likely to be exacerbated by climate change.

The Government’s post-disaster financing instruments include the: Reserve Fund of the Government; Fund for Projects Implemented in the Regions of Georgia (RegFund); and the budgets of local government and line ministries. Except for the RegFund, the total post-disaster financing may not exceed 2 percent of the total annual budget allocation unless a budget revision is approved by parliament. (Table 1)

**Table 1.** Available Post-disaster State Budget Financing GEL Thousand

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2021 | | 2022 | |
|  | Budget | Actual | Budget | Actual |
| Reserve Fund of the Government | 900.0 | 900.0 |  |  |
| Regional Fund | 29,325.4 | 27,521.4 | 45,327.9 | 20,561.9 |

## Disaster related impacts at the municipality level

In this subsection, the impact of natural disasters on the level of municipalities is evaluated, in particular, the analysis is based on the information provided by 41 municipalities[[14]](#footnote-14) about the expenses incurred for liquidation of damage caused by natural disasters. Table 2 shows the percentage share of expenses incurred by each municipality to compensate for damage caused by natural disasters in 2017-2022 in relation to the total expenses incurred by all municipalities for this purpose. According to the data presented in the table, the amount of expenses incurred by the first four municipalities is more than 60% of the total expenditure. The data in the table do not include spending from funds allocated from the central government.

**Table 2** Disaster spending by municipality[[15]](#footnote-15)

|  |  |
| --- | --- |
| Municipality | % of total municipality spend on disasters |
| Tbilisi | 27% |
| Lanchkhuti | 18% |
| Kobuleti | 10% |
| Khelvachauri | 10% |
| Sachkhere | 7% |
| ბათუმი | 6% |
| Abasha | 5% |
| Kharagauli | 4% |
| Mestia | 2% |
| Samtredia | 2% |
| Tianeti | 2% |
| Borjomi | 1% |
| Shuakhevi | 1% |
| Ambrolauri | 1% |
| Sagarejo | 1% |
| Other | 3% |
| Total | 100% |

It is also important to understand the correlation between municipality spending on disasters and the amount requested from the central government. For example Lanchkuti has spent over GEL 18 million since 2017 however it has not requested any assistance from the central government. Converse to this Oni has spent GEL 750k over the same period to fund disasters from local budget, however has requested over GEL 25 million for this period. Overall the amount requested from central government as a proportion of the amount spent from the municipality budget on disasters for all municipalities combined, is approximately 100%. However, this varies significantly by municipality as shown in Table 3.

**Table 3** Proportion of requested funds versus amount spent from municipality budget

|  |  |
| --- | --- |
| Municipality | % requested compared to amount spent from municipality budget |
| Tbilisi | 56% |
| Lanchkuti | 0% |
| Kobuleti | 0% |
| Khelvachauri | 0% |
| Sachkhere | 0% |
| Batumi | 0% |
| Abasha | 110% |
| Kharagauli | 0% |
| Mestia | 291% |
| Samtredia | 104% |
| Tianeti | 146% |
| Borjomi | 84% |
| Shuakhevi | 0% |
| Ambrolauri | 0% |
| Sagarejo | 0% |

Table 4 presents data on expenses incurred by 41 municipalities in connection with natural disasters since 2017.

**Table 4** Municipality spend on disasters by year (Lari)

|  |  |
| --- | --- |
| Year | Municipality spend on natural disasters |
| 2017 | 20,142,664 |
| 2018 | 18,190,882 |
| 2019 | 8,025,627 |
| 2020 | 10,043,066 |
| 2021 | 25,281,413 |
| 2022 | 23,827,651 |
| ჯამი | 105,511,303 |
| Average 2017-2022\* | 18,908,976 |
| *\* As of September 2022* | |

This average annual municipality spend is almost GEL 19 million which is in addition to an annual allocation of the regional fund of GEL 32.2 million. This indicates that looking at disaster cost without municipality information would underestimate the spend on natural disasters by more than 50%. The figures above do not include spending on disasters from line ministries.

# Renewable Energy Support

## Previous Fiscal Risks Statements

Previous Fiscal Risks Statements have assessed fiscal costs and risks of power purchase agreements (PPAs). These are contracts signed by the state-owned Electricity System Commercial Operator (ESCO) with private investors to encourage them to invest in new electricity generation facilities, notably hydro power plants (HPPs). The PPAs require ESCO to buy electricity from investors when the PPA prices are above the market price.

In the current regulated market, PPAs coexist with the low-cost generation of the state-owned Enguri and Vardnili HPPs. In practice, there is a cross-subsidization between low-cost generation projects (i.e., Enguri and Vardnili) and high-cost generation projects (PPAs). As a result, even when PPA-determined prices of electricity have been above the prices of imports, electricity consumers in Georgia have paid prices comparable with, or below, import prices. So far, through cross- subsidization the Government has avoided fiscal costs arising from the need to shield electricity consumers from PPAs costs above import prices.

Governments around the world are often under pressure to subsidize electricity prices. However, subsidizing electricity prices is a very inefficient way of supporting vulnerable households and distorts the economy. Indeed, this is seen in the subsidized electricity provided to Svaneti which has artificially increased electricity demand, including from crypto miners who scour the world looking for the cheapest electricity.

Georgia is committed to deregulate its electricity market. This is a requirement for strengthening the relationship with the European Union. International experience suggests that deregulation tends to reduce electricity fiscal risks because consumers accept the market risks as part of their economic decisions, at least when the market is not experiencing high volatility for prolonged periods. Experience shows that there is less pressure on the Government to subsidize electricity prices when it does not influence them.

Against this background, Georgia’s previous Fiscal Risks Statements have assumed that the electricity market would be deregulated in the near future and, on this basis, assessed that the Government’s fiscal exposure would be the difference between the PPA prices and the projected market prices for electricity. In this year Fiscal Risks Statement, estimations include an additional element related to the potential fiscal impact on the new energy support scheme.

## Expected New Structure of Partly Deregulated Electricity Market

Since the 2021 Fiscal Risks Statement, considerable information has been released about the expected structure of the future deregulated electricity market. In fact, it is likely to remain partly regulated and will include, in addition to PPAs, contracts for differences (CfDs) and feed-in premiums (FiPs). CfDs are similar to PPAs except that they are two-way instead of one-way contracts. That is to say, if ESCO is the counterparty investor to the CfDs, it receives revenues when the CfD prices are below the market prices and makes payments when the CfD prices are above the market prices. FIPs are additional amounts paid to the electrivity generators for every 1 KWh produced and sold.

In due course, it is expected that the electricity market will operate only on the basis of FiPs. However, this is likely not feasible until the market has a sufficient track record. In the meantime, it is expected that:

• CfDs will be issued instead of new PPAs;

•existing PPAs that have not yet resulted in investment in new generation will be cancelled or replaced by CfDs;

• existing PPAs relating to existing generation will continue until they expire.

The prices of CfDs will be set by auction. Moreover, it is expected that electricity prices for households in unoccupied Georgia will continue to be regulated, and that electricity will continue to be supplied at zero price to Abkhazia. In this context, ESCO will:

• pay the FiPs;

• make any payments to generators required related to existing PPAs;

• make any payments related to CfDs;

• make payment, and accept receipts, to/from the universal service providers to cover the differences between the market prices and the regulated household prices.

For these purposes, ESCO will manage a new fund, called the Wholesale Public Service Organization (WPSO Fund), as part of the new energy support scheme. The inflows for the WPSO Fund will comprise mainly three sources: 1) inflows related to CfDs contracts (i.e., negative difference between CfD prices and market prices). 2) the differences between the regulated and market prices for the Enguri and Vardnili HPPs; 3) the positive difference between the market price and the regulated prices for universal service providers. The WPSO Fund outflows will also be threefold. First, those related to CfDs contracts (i.e., positive difference between CfDs prices and market prices). Second, the negative difference between the market price and the regulated prices for universal service providers.[[16]](#footnote-16) And third, the cost of electricity purchased by ESCO for consumption in the territory of Abkhazia. To the extent that funds accumulated in the WPSO Fund are insufficient, the state budget is expected to replenish it.

## Management of Fiscal Costs and Risks

While the drivers of the fiscal costs and risks arising from the energy support scheme will remain the same, their management is expected to improve significantly. Key drivers comprise:

• changes in electricity demand and market prices;

• volumes of projects contracted as PPAs, FiPs, and CfDs;

• the prices negotiated for PPAs, FiPs, and CfDs;

• the declining share of Enguri and Vardnili in total generation, available to cross-subsidize household prices, the costs of PPAs, FiPs, and CfDs;

• changes in electricity consumption in the territory of Abkhazia.

The WPSO Fund, to be introduced under the new energy support scheme, will served as a mitigation mechanism, facilitating a more efficient and transparent management of fiscal risks. Compared with the current situation, fiscal transparency would be significantly improved by simply disclosing expected and actual inflows and outflows of the WPSO Fund. Moreover, the management of potential fiscal costs and risks would be strengthened by implementing the WPSO Fund as a budgetary fund, in line with international good practices.[[17]](#footnote-17) As part of the budgetary process, budget allocations for the WPSO Fund would be based on forecasts for the overall energy market (i.e., prices, demand, etc.), while budget appropriation would be needed only if fiscal risks materialize (i.e., if due to market conditions the fund is depleted and state budget support is needed).

## Estimation of Fiscal Costs and Risks of the Support Energy Scheme

The estimation of fiscal costs and risks arising from the support energy scheme includes a baseline scenario with the following assumptions:

• All the electricity generated is consumed;

• Market prices are estimated considering the weighted average of current import electricity prices, adjusted by 2 percent in USD;

• CfDs strike prices are assumed at USD 0.07;[[18]](#footnote-18)

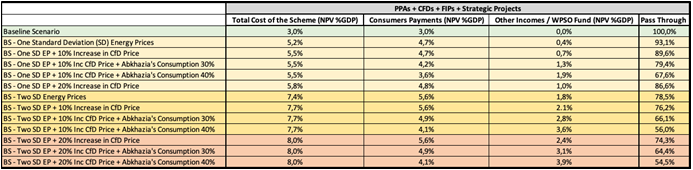
• The WPSO accumulates funds based on the price projections from 2023 onwards.

• Projects included are based on the existing list of PPA, CfDs and FiP projects provided by the MOESD, including strategic projects; [[19]](#footnote-19)

• The regulated price paid by consumers remains stable at 2022 current levels;

• 20 percent of the electricity generated in the new market is consumed by the territory of Abkhazia.

Under this baseline scenario, the cost of energy support scheme would be 3% of GDP in Net Present Value (NPV), considering the PPAs, FiPs and CfDs (Table 1, first row, first column). In this scenario, final consumers16 fully pay the estimated cost of electricity generation (second column), with no impact on the state budget or any expected specific use of funds accumulated in the WPSO Fund (third column). In this scenario, end users[[20]](#footnote-20) pay the estimated cost of electricity generation in full (second column),[[21]](#footnote-21) without any impact on the state budget or expected specific use of funds accumulated in the WPSO (third column).

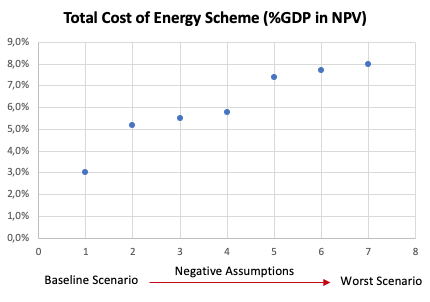
***Table 1.* Alternative scenarios for total costs and fiscal impact of the energy support scheme**

However, under more pessimistic scenarios, the total cost of the energy support scheme could more than double. Alternative pessimistic scenarios would comprise a combination of:

* a drop of the energy market prices (lower prices than the baseline);
* unfavorable strike prices in the CfDs obtained at auctions (higher prices than the baseline);
* higher share demand from the territory of Abkhazia.

For example, if energy prices drop approximately 35 percent (2 standard deviations), and the strike price of the CfDs auctions is 20 percent higher than the baseline, the projected cost of energy support scheme could reach up to 8.0 percent of the GDP in NPV (Table 1, last 3 rows). Therefore, the estimated total cost of the energy support scheme depends on the underpinning assumptions, as it is shown in Figure 1 for some alternative scenarios.

**Figure 1. Total Cost of Energy Support Scheme Under Alternative Scenarios**

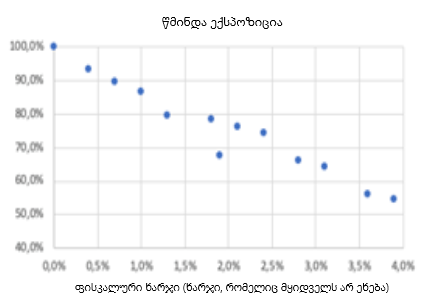


More importantly, under pessimistic scenarios, final consumers may not be able to afford the cost of the electricity arising from the new market conditions. If consumers were expected to pay approximately the same prices of electricity as of today, under the most pessimistic scenario, the pass- through would be about 50%. As a result, the remaining costs from electricity generation would be assumed by the WPSO Fund, or by the state budget, if not sufficient funds were accumulated in the fund. In the case of only 50% pass-through to final consumers, the fiscal impact could reach up to 4.0% of GDP in NPV. Figure 2 shows the potential fiscal impact if the cost of the energy support scheme cannot be assumed by final consumers.

**Figure 2. Fiscal impact of the energy support scheme under alternative scenarios**

Net Exposure

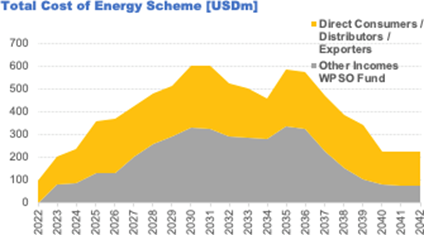
Net Exposure



Fiscal Cost (Cost not assumed by Consumers)

Figure 3 present the same estimations of total costs of the energy support scheme over time under the worst-case scenario, in USD (instead of in NPV).

**Figure 3. Total costs of the energy support scheme, 2022-2042, (Millions USD)**



## Impact of Strategic Projects in Current Estimations

The strategic projects comprise: Namakhvani, Nenskra and Khudon. They are included in the estimations presented above. If we exclude them from the analysis, other things equal, the estimations of the cost of the energy support scheme would change as follows:

In the baseline total cost would be 1.6 percent of GDP in NPV (compared to 3.0)

In the worst-case scenario

1. Total cost would be 5.9 percent of the GDP in NPV (compared to 8.0)
2. And fiscal costs would be 2.2 percent of GDP in NPV (instead of 3.9).

## Key Implications of Assessment

The key implications of the assessment are:

* Caution should be exercised in planning new generation projects, to ensure that Georgia does not bring additional higher-cost generation onstream earlier than necessary;
* Auctions of CfDs should be managed to prevent manipulation or insufficient competition leading to excessive prices; and
* Under current conditions, strategic projects substantially increase fiscal risks.

## Assessment of PPP commitments

PPP liabilities as of January 1, 2022 amount to GEL 384,576,908 (including Nenskra - 297 102 908, Tbilisi Airport - 87 474 000). The data will be substantially clarified in the near future, after the completion of the ongoing audit in Nenskra.

# Pandemic Fiscal Risks

The COVID-19 pandemic has raised awareness of not just the increased likelihood of pandemics, but also the fiscal costs of public health and other measures to manage and mitigate pandemics. Health sector costs of treating the sick and measures to reduce the pandemic’s spread can add to public expenditure. In addition, restrictions on economic activity to reduce the spread of a pandemic can lead to decline in GDP and government revenue.

Reflecting this increased awareness, a chapter on pandemic fiscal risks was published in the 2021 Fiscal Risk Statement. With the advent of vaccines and the mutation of the virus, it is hoped that the worst of the COVID-19 pandemic is behind us. However, further mutations of the virus into a vaccine-resistance strain cannot be ruled out. Further, climate change might make Georgians susceptible to diseases that are novel to the country. This makes it important to publish another assessment of pandemic fiscal risks.

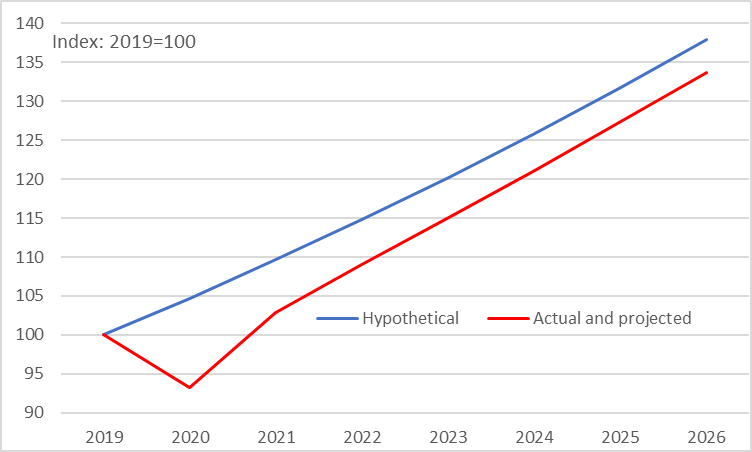
The 2021 FRS analysis of pandemic fiscal risks applied the International Monetary Fund’s Pandemic and Natural Disaster Assessment Tool (PANDA-T) to the Georgian historical (pre-pandemic) national accounts and fiscal indicators. The 2022 FRS extends this analysis.   
The results suggest that should a future pandemic require prolonged lockdowns, public debt might rise by up to 25 percent of GDP.

Before the final results are described, Georgia’s macroeconomic and fiscal experiences during the COVID-19 pandemic are summarized.

## Georgia’s macro-fiscal experience during the COVID-19 pandemic

Between 2010 and 2019, the Georgian economy grew by an average rate of 4.7 percent a year. The economy declined by 6.8 percent in 2020 but rebounded to grow by 10.4 percent in 2021. The economy is forecast to grow by over 5 percent a year until 2026 according to the Medium Term Fiscal Framework. However, as shown in Figure 1, even if the MTFF forecasts were realised, the Georgian economy would still be smaller in 2026 than would have been the case in a hypothetical non- pandemic scenario of 4.7 percent annual growth.

**Figure 1: Real GDP in Georgia, 2019-2026**



Source: MTFF. Hypothetical scenario assumes GDP growth of 4.7 percent.

The strong rebound notwithstanding, the pandemic has left a medium-term scar on the Georgian economy. Consistent with the output loss, government revenue has also been reduced. Meanwhile, expenditures rose sharply during the pandemic. Thus, there were considerable direct negative effects on public finances.

In 2020 and 2021, health expenditure increased by 2.6 percent of GDP to pay for healthcare goods and services, testing and treatment, purchase of vaccines, and purchase of COVID-19 related health equipment. In addition, additional pandemic related non-health care expenditures — compensation for private sector employees who lost employment, direct transfers to vulnerable families and people with severe disabilities, direct transfers to families with children, university tuition fee subsidies, subsidies to households for utilities (electricity and water) bills and tariff increases, subsidies for food producers, interest rate subsidies and other financial support to targeted sectors, microgrants and forgone revenues, income and property tax exemptions for businesses. All the above mentioned amounted to 4.5 percent of GDP.

A combination of the economic contraction and the worsening net borrowing requirement caused the debt-to-GDP ratio to increase by 20 percentage points to 60.2 percent in 2020. The MTFF projects debt to decline to 41.4 percent of GDP in 2026, close to the pre-pandemic level. Of course, had there been no pandemic, Georgia would have had considerably more fiscal space. For example, had the nominal GDP growth, interest rates, and net primary borrowing remained at their 2010s averages, the debt-to-GDP ratio would have declined by as much as 15 percentage points of GDP between 2019 and 2026.

Thus, it can be concluded that Georgia’s fiscal space has been affected considerably by the pandemic.

## Updating the PANDA-T module with Georgian data

The Pandemic and Natural Disaster Assessment Tool (PANDA-T) developed by the IMF uses parameter values that link deviations of outputs at industry sector level from their trend under different limiting circumstances. In the 2021 analysis, the module’s default parameter values —reflecting IMF research on cross-country experiences before the COVID-19 pandemic —were used. These parameter values were updated with the Georgian industry level outputs from 2020 and 2021.

Simulating the PANDA-T module with the updated parameter values suggests that, should there be another pandemic-induced lockdown similar to that which was experienced in 2020, real GDP could decline by 8.6 percent (Year 1), before returning to the pre-lockdown baseline scenario (Year 3 before the start of the pandemic lockdowns). That is, the module simulation is qualitatively similar to the actual experience, albeit the economic impact is sharper and the recovery is stronger quantitatively.

The module also generates a fiscal response from the lockdowns that is quantitatively stronger than that which has been experienced. In the simulated scenario, the debt-to-GDP ratio increases by 25 percentage points, compared with the 20 percentage points increase experienced in 2020.

Pandemics are an important challenge and fiscal risk for both Georgia and the rest of the world.

# Annexes

Annex 1

State-Owned Enterprises

|  | SOE Name | **State share%** | **Founder** | **PC/GG** | **Economic activity** | **Turnover 2021 (Thousand GEL)** |
| --- | --- | --- | --- | --- | --- | --- |
| 1 | JSC Elmavalmshenebeli | 13 | Ministry of Economy and Sustainable Development of Georgia | სხვა | Manufacturing | 2 083 |
| 2 | LTD Rose Revolution Park | 100 | Tbilisi Municipality | PC | Communal, social and personal services | 50 |
| 3 | JSC Remsheni | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | 13 |
| 4 | LTD Geoexpertise | 100 | Georgian Chamber of Commerce and Industry | GG | Real Estate transactions, leasing and customer service | 140 |
| 5 | LTD Tbilisi N3 Medical Prophylactic Center | 100 | Tbilisi Municipality | GG | Human health and social work activities | 205 |
| 6 | JSC Builder | 51 | Ministry of Economy and Sustainable Development of Georgia | GG | Construction | - |
| 7 | JSC Boris Paichadze National Stadium | 92 | Tbilisi Municipality | GG | Communal, social and personal services | 543 |
| 8 | LTD V. Sanikidze War Veterans Clinical Hospital | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 81 |
| 9 | LTD Social Rehabilitation Center for Persons with Disabilities | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Manufacturing | 107 |
| 10 | LTD Adult and Pediatric Pathology Scientific-Practical Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 11 | LTD Wine Laboratory | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Real Estate transactions, leasing and customer service | 2 069 |
| 12 | JSC Georgian Railway | 100 | JSC Partnership Fund | PC | Transport and communication | 499 078 |
| 13 | LTD Tbilisi Transport Company | 100 | Tbilisi Municipality | PC | Transport and communication | 145 736 |
| 14 | JSC N. Makhviladze Scientific Research Institute of Occupational Medicine and Ecology | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 15 | LTD City Blood Transfusion Station | 100 | Tbilisi Municipality | GG | Human health and social work activities | 17 |
| 16 | LTD Hermes | 100 | Tbilisi Municipality | PC | Communal, social and personal services | 5 373 |
| 17 | LTD Georgian Bazaar | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | - |
| 18 | LTD Georgian TV and Radio Center | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Transport and communication | 5 018 |
| 19 | LTD Georgian Post | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Transport and communication | 93 919 |
| 20 | JSC Sakpressa | 15 | Ministry of Economy and Sustainable Development of Georgia | სხვა | Trade; Repair of automobiles, household goods and personal items | - |
| 21 | JSC Georgian Tungo and Essential Oil | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | - |
| 22 | LTD Gurjistan Newspaper | 51 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | - |
| 23 | JSC Kakheti Energy Distribution | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Electricity, gas and water production and distribution | - |
| 24 | LTD Marabda-Kartsakhi Railway | 100 | Ministry of Economy and Sustainable Development of Georgia | other | Construction | 3 780 |
| 25 | LTD Georgian Land Reclamation | 100 | Ministry of Environmental Protection and Agriculture of Georgia | GG | Agriculture, hunting and forestry | 7 824 |
| 26 | LTD Service- 7 | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Communal, social and personal services | 1 624 |
| 27 | LTD Royal District Theater | 49 | Tbilisi Municipality | other | Real Estate transactions, | 114 |
| 28 | LTD Tsinandali Estates | 33 | JSC Partnership Fund/LTD Tsinandali Savane(54.49%) | other | Hotels and Restaurants | 17 943 |
| 29 | LTD Georgian Lottery Company | 70 | Ministry of Economy and Sustainable Development of Georgia | PC | Communal, social and personal services | - |
| 30 | LTD Newspaper Vrastani | 51 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | - |
| 31 | LTD Tskneti Medical Outpatient Clinic | 100 | Tbilisi Municipality | GG | Human health and social work activities | 38 |
| 32 | JSC Energotekkomplekti | 25 | Ministry of Economy and Sustainable Development of Georgia | other | Construction | 3 |
| 33 | LTD Sportmshenservice | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | 3 262 |
| 34 | JSC Saktransgazmretsvi | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Electricity, gas and water production and distribution | - |
| 35 | LTD GCCI Service | 100 | Georgian Chamber of Commerce and Industry | GG | Real Estate transactions, leasing and customer service | 199 |
| 36 | LTD Logos | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and | - |
| 37 | JSC Georgian State Electrosystem | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Electricity, gas and water production and distribution | 298 604 |
| 38 | LTD Medula - Chemotherapy and Immunotherapy Clinic | 15 | Ministry of Education and Science of Georgia | other | Human health and social work activities | - |
| 39 | LTD Mushtaidi Culture and Recreation Park | 100 | Tbilisi Municipality | PC | Communal, social and personal services | 770 |
| 40 | LTD State Construction Company | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Construction | 102 |
| 41 | JSC Electricity System Commercial Operator | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Electricity, gas and water production and distribution | 723 029 |
| 42 | LTD Abkhazia Psychoneurological Dispensary | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | - |
| 43 | LTD EXPRESS | 70 | Ministry of Economy and Sustainable Development of Georgia | PC | Real Estate transactions, leasing and customer service | 254 |
| 44 | LTDTbilisi №4 Family Medicine Center | 100 | Tbilisi Municipality | GG | Human health and social work activities | 569 |
| 45 | LTD Rehabilitation | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Real Estate transactions, leasing and customer service | 162 |
| 46 | LTD Georgian Gas Transportation Company | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Transport and communication | 149 242 |
| 47 | LTD Tbilaviamsheni | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Trade; Repair of automobiles, household goods and personal items | 1 |
| 48 | LTD Sakgeoservice | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | - |
| 49 | JSC Georgian Oil and Gas Corporation | 100 | JSC Partnership Fund | PC | Electricity, gas and water production and distribution | 736 724 |
| 50 | LTD Tbilservice Group | 100 | Tbilisi Municipality | GG | Communal, social and personal services | 114 669 |
| 51 | LTD Diomedi Medical Centre | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 241 |
| 52 | LTD Medical dispensary Ponichala | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 19 |
| 53 | LTD Agricultural Logistics and Services Company | 100 | NNLE Agriculture Projects Management Agency | GG | Agriculture, hunting and forestry | 13 184 |
| 54 | LTD Sakaeronavigatsia | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Trade; Repair of automobiles, household goods and personal items | 76 741 |
| 55 | LTD Adult Polyclinic N25, Tbilisi | 100 | Tbilisi Municipality | GG | Human health and social work activities | 91 |
| 56 | JSC Fermentation | 49 | Ministry of Economy and Sustainable Development of Georgia | other | Manufacturing | - |
| 57 | LTD Lilo Medical Center | 100 | Tbilisi Municipality | GG | Human health and social work activities | 12 |
| 58 | LTD Tbilisi Mental Health Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 13 |
| 59 | JSC United Energy System Sakrusenergo | 50 | Ministry of Economy and Sustainable Development of Georgia | PC | Electricity, gas and water production and distribution | 40 834 |
| 60 | LTD Specialized Epidemiological Surveillance Center for Disinfection, Disinsection and Sterilization | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | - |
| 61 | LTD Outpatient Medical Rehabilitation Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 7 |
| 62 | JSC Business Center Agromontation | 59 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | - |
| 63 | LTD Sports Palace | 100 | Tbilisi Municipality | PC | Real Estate transactions, leasing and customer service | 1 423 |
| 64 | JSC Scientific-Practical Center for AIDS and Clinical Immunology of Infectious Pathology | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 708 |
| 65 | LTD Kutaisi N4 Mixed Polyclinic | 100 | Kutaisi Municipality | GG | Human health and social work activities | 395 |
| 66 | LTD Kutaisi Regional Blood Bank | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 129 |
| 67 | LTD Kutaisi Press House | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | - |
| 68 | LTD Kutaisi Elevator | 100 | Kutaisi Municipality | GG | Communal, social and personal services | - |
| 69 | LTD Kutaisi Adult Polyclinic N5 | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 53 |
| 70 | LTD B. Gabashvili Culture and Recreation Park | 100 | Kutaisi Municipality | GG | Communal, social and personal services | 301 |
| 71 | LTD LJ & Company - Center for Tuberculosis and Infectious Diseases of Western Georgia | 5 | Ministry of Economy and Sustainable Development of Georgia | other | Human health and social work activities | 12 347 |
| 72 | LTD Kutaisi d. Nazarishvili Family Medicine and Family Medicine Training Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 466 |
| 73 | LTD IGS | 50 | Ministry of Economy and Sustainable Development of Georgia | GG | Manufacturing | 16 |
| 74 | LTD Shans Oil | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Trade; Repair of automobiles, household goods and personal items | - |
| 75 | LTD Company Imeretmsheni- 2000 | 5 | Ministry of Economy and Sustainable Development of Georgia | other | Construction | - |
| 76 | LTD IDP Family Medicine Center - Bichvinta | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 23 |
| 77 | LTD Building Materials | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Construction | - |
| 78 | LTD Vardisubani | 70 | Ministry of Economy and Sustainable Development of Georgia | GG | Hotels and Restaurants | - |
| 79 | LTD Mountain Resorts Development Company | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Transport and communication | 4 485 |
| 80 | LTD Football Club Kolkheti 1913 | 100 | Poti Municipality | GG | Communal, social and personal services | - |
| 81 | LTD Poti Polyclinic for Internally Displaced Persons from Abkhazia | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 9 |
| 82 | LTD Laboratory Research Center | 100 | Poti Municipality | GG | Human health and social work activities | - |
| 83 | LTD Poti Free Industrial Zone | 10 | Ministry of Economy and Sustainable Development of Georgia | other | Real Estate transactions, leasing and customer service | 3 591 |
| 84 | LTD Football Club Chiatura | 100 | Chiatura Municipality | GG | Communal, social and personal services | - |
| 85 | LTD Kvemo Kartli Regional Blood Transfusion Station | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 86 | LTD Rustavi Mental Health Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 13 |
| 87 | LTD Rustavi Skin and Venereal Diseases Dispensary | 100 | Rustavi Municipality | GG | Human health and social work activities | 111 |
| 88 | LTD Architect | 100 | Rustavi Municipality | GG | Real Estate transactions, leasing and customer service | 46 |
| 89 | LTD Gema | 100 | Rustavi Municipality | GG | Communal, social and personal services | 197 |
| 90 | LTD Basketball Club - Rustavi 1991 | 100 | Rustavi Municipality | GG | Communal, social and personal services | - |
| 91 | LTD Rustavi Municipal Road Transport Enterprise | 100 | Rustavi Municipality | GG | Transport and communication | 154 |
| 92 | LTD Gori Dental Polyclinic | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 93 | LTD Kurta Hospital | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 94 | LTD Nikozis Ambulatoria | 100 | Gori Municipality | GG | Human health and social work activities | 33 |
| 95 | LTD Football Club “Meshakhte” (Miner) | 100 | Tkhibuli Municipality | GG | Communal, social and | - |
| 96 | JSC Tsekavshiri Zugdidi Food Factory | 51 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | 98 |
| 97 | LTD Zugdidi Pharmacy | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Trade; Repair of automobiles, household goods and personal items | - |
| 98 | LTD Zugdidi Polyclinic for Internally Displaced Persons from Abkhazia | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 155 |
| 99 | LTD Zugdidi Municipal Transport | 100 | Zugdidi Municipality | GG | Transport and communication | - |
| 100 | JSC Sanatorium Gelati | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 101 | JSC Sanatorium Imereti | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 102 | JSC Sanatorium Friendship | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 103 | LTD Geguti Polyclinic | 100 | Tskaltubo Municipality | GG | Human health and social work activities | 65 |
| 104 | LTD Tskaltubo Polyclinic for Internally Displaced Persons from Abkhazia | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 57 |
| 105 | LTD Ambrolauri Service Center | 100 | Ambrolauri Municipality | GG | Communal, social and | 298 |
| 106 | LTD New Transport | 100 | Ambrolauri Municipality | GG | Transport and communication | - |
| 107 | LTD Largvisi Medical Outpatient | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 108 | LTD Akhalgori District Polyclinic | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 109 | LTD Akhalgori local Hospital | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 110 | LTD Tsinagris Medical Dispensary | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 111 | LTD Restaurant Baghdati | 51 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | 1 |
| 112 | LTD Des-Effect | 100 | Bolnisi Municipality | GG | Communal, social and personal services | - |
| 113 | LTD Hospital-Polyclinic Association | 100 | Bolnisi Municipality | GG | Human health and social work activities | 16 |
| 114 | LTD Kveshi Medical Dispensary | 100 | Bolnisi Municipality | GG | Human health and social work activities | 3 |
| 115 | LTD Communal Services | 100 | Bolnisi Municipality | GG | Communal, social and personal services | - |
| 116 | LTD Newspaper Bolnisi | 100 | Bolnisi Municipality | GG | Communal, social and personal services | - |
| 117 | LTD Bolnisi Culture and Recreation Park | 100 | Bolnisi Municipality | GG | Communal, social and personal services | 5 |
| 118 | LTD Football Club Sioni Ltd | 100 | Bolnisi Municipality | GG | Communal, social and personal services | 951 |
| 119 | LTD Bolnisi-2000 | 70 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | - |
| 120 | JSC Wagon | 33 | Ministry of Economy and Sustainable Development of Georgia | other | Real Estate transactions, leasing and customer service | 2 992 |
| 121 | LTD Kojori Medical Dispensary | 100 | Tbilisi Municipality | GG | Human health and social work activities | 10 |
| 122 | JSC Tbilsresmsheni | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Construction | - |
| 123 | LTD Kumisi Dispensary | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 0 |
| 124 | LTD Axali Samgoris Dispensary | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 125 | LTD Gardabanproject | 100 | Garabani Municipality | GG | Real Estate transactions, | - |
| 126 | LTD Chateau Zegaani | 3 | Ministry of Economy and Sustainable Development of Georgia | other | Manufacturing | 967 |
| 127 | JSC Resort Akhtala | 99 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 343 |
| 128 | LTD Shida Kartli Primary Health Care Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 1 |
| 129 | LTD Shirak | 100 | Dedoplistqaro Municipality | GG | Communal, social and personal services | - |
| 130 | LTD Dusheti Disinfection Service | 100 | Dusheti Municipality | GG | Communal, social and personal services | - |
| 131 | LTD Barisakhos Dispensary | 100 | Dusheti Municipality | GG | Human health and social work activities | - |
| 132 | LTD Shatili Medical Dispensary | 100 | Dusheti Municipality | GG | Human health and social work activities | - |
| 133 | LTD Automotive Enterprise - 2006 | 100 | Dusheti Municipality | GG | Transport and communication | 195 |
| 134 | JSC Grace | 43 | Ministry of Economy and Sustainable Development of Georgia | other | Real Estate transactions, leasing and customer service | - |
| 135 | LTD Kvirila | 100 | Zestafoni Municipality | GG | Real Estate transactions, | 53 |
| 136 | LTD Manglisi Hospital Polyclinic | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 137 | LTD Tetritskaro Service Group | 100 | Tetritskaro Municipality | GG | Communal, social and personal services | 2 317 |
| 138 | JSC Alazani | 50 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | - |
| 139 | JSC Akura | 99 | Ministry of Environmental Protection and Agriculture of Georgia | PC | Manufacturing | 14 985 |
| 140 | Deo-Clack | 20 | Ministry of Economy and Sustainable Development of Georgia | other | Manufacturing | - |
| 141 | LTD Telavi Psychoneurological Dispensary | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 50 |
| 142 | LTD Child Health Center | 100 | Telavi Municipality | GG | Human health and social work activities | 76 |
| 143 | LTD Terjola | 100 | Terjola Municipality | GG | Trade; Repair of automobiles, household goods and personal items | - |
| 144 | LTD New Gantiadi | 100 | Kaspi Municipality | GG | Communal, social and | 0 |
| 145 | LTD Xurotmodzgvari | 100 | Lagodekhi Municipality | GG | Real Estate transactions, leasing and customer service | - |
| 146 | LTD Grigol Ormotsadze Center Neuron | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 0 |
| 147 | LTD Lanchkhuti | 100 | Lanchkhuti Municipality | GG | Trade; Repair of automobiles, household goods and personal items | - |
| 148 | LTD Guria Medical Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 149 | LTD Autopark of Marneuli Municipality | 100 | Marneuli Municipality | GG | Transport and communication | 320 |
| 150 | LTD Mestia Municipal Transport | 100 | Mestia Municipality | GG | Transport and communication | 447 |
| 151 | LTD Autozaz | 5 | Ministry of Economy and Sustainable Development of Georgia | other | Real Estate transactions, leasing and customer service | 10 |
| 152 | JSC Glass | 0,1 | Ministry of Economy and Sustainable Development of Georgia | other | Manufacturing | 82 203 |
| 153 | LTD Dastakari | 100 | Tbilisi Municipality | GG | Human health and social work activities | 1 |
| 154 | LTD Uniormsheni | 60 | Ministry of Economy and Sustainable Development of Georgia | GG | Construction | - |
| 155 | LTD Devebi | 1 | Ministry of Economy and Sustainable Development of Georgia | other | Hotels and Restaurants | - |
| 156 | LTD Adam Beridze Soil and Food Diagnostic Center "Anaseuli" | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Agriculture, hunting and forestry | 331 |
| 157 | LTD Ozurgeti Municipality Board Enterprise - Municipal Transport | 100 | Ozurgeti Municipality | GG | Transport and communication | - |
| 158 | JSC Samtredia 2002 | 90 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | - |
| 159 | LTD Samtredia Herald | 100 | Samtredia Municipality | GG | Communal, social and personal services | - |
| 160 | LTD Sports Complex - Samtredia | 100 | Samtredia Municipality | GG | Real Estate transactions, leasing and customer service | - |
| 161 | LTD Sachkhere Water Supply | 100 | Sachkhere Municipality | GG | Electricity, gas and water production and distribution | 964 |
| 162 | JSC Sachkhere Production Combine | 75 | Ministry of Economy and Sustainable Development of Georgia | GG | Mining | - |
| 163 | LTD Forming Sands | 49 | Ministry of Economy and Sustainable Development of Georgia | other | Mining | 602 |
| 164 | JSC Sachkheregaz | 100 | Sachkhere Municipality | PC | Electricity, gas and water production and distribution | 6 416 |
| 165 | JSC Sachkhere District Hospital- Polyclinic Association | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 1 676 |
| 166 | LTD Senaki Hospital-Polyclinic Association | 100 | Senaki Municipality | GG | Human health and social work activities | 113 |
| 167 | LTD Information Center | 100 | Senaki Municipality | GG | Communal, social and personal services | - |
| 168 | LTD Senaki Children's Hospital | 100 | Senaki Municipality | GG | Human health and social work activities | 26 |
| 169 | LTD Dispensary-polyclinic association | 100 | Senaki Municipality | GG | Human health and social work activities | 34 |
| 170 | LTD Senaki Maternity Hospital | 100 | Senaki Municipality | GG | Human health and social work activities | 13 |
| 171 | LTD Senaki Mental Health Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 172 | LTD Senaki IDP Polyclinic | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 9 |
| 173 | LTD Panacea | 100 | Kazbegi Municipality | GG | Trade; Repair of automobiles, household goods and personal items | 154 |
| 174 | LTD Media Center | 100 | Kvareli Municipality | GG | Communal, social and personal services | 5 |
| 175 | LTD Kevri | 72 | Ministry of Economy and Sustainable Development of Georgia | GG | Agriculture, hunting and forestry | - |
| 176 | LTD Tsageri Auto-Tractor Park | 100 | Tsageri Municipality | GG | Construction | - |
| 177 | LTD IDPs from Abkhazia Dispensary | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 48 |
| 178 | LTD East Georgia Mental Health Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | 0 |
| 179 | LTD Tsalka Municipality AutoService | 100 | Tsalka Municipality | GG | Transport and communication | - |
| 180 | JSC Autotrans | 36 | Ministry of Economy and Sustainable Development of Georgia | other | Transport and communication | 3 |
| 181 | JSC Khashuri glass container | 23 | Ministry of Economy and Sustainable Development of Georgia | other | Manufacturing | 107 |
| 182 | LTD Mzia Nikolaishvili Surami Polyclinic | 100 | Khashuri Municipality | GG | Human health and social work activities | 23 |
| 183 | LTD Khashuri Disinfection, Disinsection, Deratization and Sterilization Service | 100 | Khashuri Municipality | GG | Communal, social and personal services | - |
| 184 | JSC Khobi Petroleum Product | 51 | Ministry of Economy and Sustainable Development of Georgia | GG | Trade; Repair of automobiles, household goods and personal items | - |
| 185 | LTD Khobi Polyclinic for IDPs from Abkhazia | 100 | State body Autonomous Republic of Abkhazia | GG | Human health and social work activities | 2 |
| 186 | LTD Khobi Cleaning and Lighting | 100 | Khobi Municipality | GG | Communal, social and personal services | 27 |
| 187 | LTD Abkhazia | 100 | Khobi Municipality | GG | Communal, social and personal services | - |
| 188 | LTD Acad. B. Naneishvili National Center for Mental Health | 5 | Ministry of Economy and Sustainable Development of Georgia | other | Human health and social work activities | 13 464 |
| 189 | LTD Batumi Seaport | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Trade; Repair of automobiles, household goods and personal items | 59 635 |
| 190 | LTD Adjara Asset Management Company | 100 | Batumi Municipality | GG | Real Estate transactions, leasing and customer service | - |
| 191 | LTD Batumi Oil Refinery | 100 | Batumi Municipality | PC | Real Estate transactions, leasing and customer service | 533 |
| 192 | JSC Batumi Autostation | 30 | Batumi Municipality | other | Real Estate transactions, leasing and customer service | 303 |
| 193 | LTD Batumi Regional Center for Infectious Diseases, AIDS and Tuberculosis | 100 | Batumi Municipality | GG | Human health and social work activities | 1 002 |
| 194 | LTD Adjara Technical Specialists Training Center | 100 | Batumi Municipality | GG | Human health and social work activities | 28 |
| 195 | LTD Batumi №1 Policlinic | 100 | Batumi Municipality | GG | Human health and social work activities | 462 |
| 196 | LTD Newspaper Adjara and Adjara | 100 | Batumi Municipality | GG | Communal, social and personal services | - |
| 197 | LTD Batumi Republican Clinical Hospital | 100 | Batumi Municipality | GG | Human health and social work activities | 1 122 |
| 198 | LTD Batumi Autotransport | 100 | Batumi Municipality | GG | Transport and communication | 14 267 |
| 199 | LTD Sanitation | 100 | Batumi Municipality | GG | Communal, social and personal services | 11 610 |
| 200 | LTD Batumi Water | 100 | Batumi Municipality | PC | Manufacturing | 16 129 |
| 201 | LTD Dinamo Batumi | 100 | Batumi Municipality | PC | Communal, social and personal services | 847 |
| 202 | LTD Black Sea Flora and Fauna Research Center | 100 | Batumi Municipality | PC | Real Estate transactions, leasing and customer service | 2 180 |
| 203 | LTD Adjara Waste Management Company | 100 | Batumi Municipality | GG | Real Estate transactions, | 18 |
| 204 | LTD Shopping Center 2009 | 100 | Batumi Municipality | PC | Real Estate transactions, leasing and customer service | 2 855 |
| 205 | LTD Goderdzi Resorts | 100 | Batumi Municipality | GG | Hotels and Restaurants | 6 |
| 206 | LTD Keda AutoTransport Enterprise | 100 | Keda Municipality | GG | Transport and communication | - |
| 207 | LTD Keda Communal Service | 100 | Keda Municipality | GG | Communal, social and personal services | 858 |
| 208 | LTD Kobuleti Transregulation | 100 | Kobuleti Municipality | GG | Transport and communication | 519 |
| 209 | JSC Kobuleti Resort Polyclinic | 98 | Kobuleti Municipality | GG | Human health and social work activities | 207 |
| 210 | LTD Kobuleti Preventive Disinfection Station | 100 | Kobuleti Municipality | GG | Communal, social and personal services | - |
| 211 | LTD Kobuleti Water | 100 | Kobuleti Municipality | GG | Manufacturing | 691 |
| 212 | LTD Engurhesi | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Electricity, gas and water production and distribution | 95 512 |
| 213 | LTD Autoparking 2011 | 100 | Tbilisi Municipality | GG | Real Estate  transactions, leasing and | 620 |
| 214 | JSC Georgian Film Development Center | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | - |
| 215 | LTD Georgian Food Company | 100 | Ministry of Defense of Georgia | GG | Hotels and Restaurants | - |
| 216 | LTD Delta International | 100 | Ministry of Defense of Georgia | PC | Trade; Repair of automobiles, household goods and personal items | 439 |
| 217 | LTD Construction Company - Builder 2011 | 100 | Ministry of Defense of Georgia | GG | Construction | 78 656 |
| 218 | LTD Chkhorotsku Samegrelo | 100 | Chkhorotsku Municipality | GG | Communal, social and personal services | - |
| 219 | LTD Infrastructure Development Partner Company | 100 | JSC Partnership Fund | GG | Financial activities | - |
| 220 | NNLE Georgian Medical Holding | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 221 | LTD Tolia 2020 | 100 | Ministry of Justice of Georgia | GG | Communal, social and personal services | 2 |
| 222 | LTD Delta Textile | 100 | Ministry of Defense of Georgia | GG | Manufacturing | 13 179 |
| 223 | LTD Regional Hospital | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Human health and social work activities | - |
| 224 | LTD Imereti Greener | 100 | JSC Partnership Fund/ შპს "Georgian Fresh Holding B.V." | GG | Agriculture, hunting and forestry | 1 225 |
| 225 | LTD Georgian Airports Association | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Trade; Repair of automobiles, household goods and personal items | 56 224 |
| 226 | JSC Georgian Energy Development Fund | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | 12 157 |
| 227 | LTD Ilia Garden | 100 | Tbilisi Municipality | PC | Real Estate transactions, leasing and customer service | 279 |
| 228 | JSC Partnership Fund | 100 | State Body | GG | Financial activities | 679 |
| 229 | JSC Borjomi Likani International | 100 | JSC Partnership Fund | GG | Hotels and Restaurants | 13 105 |
| 230 | LTD Borjomi Likani | 100 | JSC Partnership Fund | GG | Hotels and Restaurants | - |
| 231 | LTD New Technology Impex | 10 | JSC Partnership Fund | other | Manufacturing | 1 172 |
| 232 | LTD Thermal Waters | 100 | Ministry of Economy and Sustainable Development of Georgia | PC | Manufacturing | 173 |
| 233 | LTD Lagodekhi Trade Center | 100 | JSC Partnership Fund | GG | Construction | - |
| 234 | LTD Georgian Black Sea Port | 100 | JSC Partnership Fund | GG | Real Estate  transactions, leasing and | - |
| 235 | LTD Anaklia Development Consortium | 0,01 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | 0 |
| 236 | LTD State Food Provision | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Hotels and Restaurants | 46 570 |
| 237 | LTD Rukhi Shopping Center | 100 | JSC Partnership Fund | GG | Real Estate transactions, leasing and customer service | 511 |
| 238 | JSC Aerostructure Technologies | 33 | JSC Partnership Fund/LTD Project (33%), Elbit Systems Cyclone (34%) | other | Manufacturing | 15 846 |
| 239 | LTD Startup Georgia | 100 | JSC Partnership Fund | GG | Financial activities | 0 |
| 240 | LTD Ecoservice Group | 100 | Tbilisi Municipality | GG | Real Estate transactions, leasing and customer service | 739 |
| 241 | NNLE Peace Fund for a better future | 100 | JSC Partnership Fund | GG | Financial activities | - |
| 242 | LTD Tbilisi Logistics Center | 100 | JSC Partnership Fund | GG | Real Estate transactions, leasing and customer service | - |
| 243 | LTD Perspective | 100 | Ministry of Justice of Georgia | GG | Real Estate  transactions, leasing and | 66 |
| 244 | LTD Food Production Company | 63 | Ministry of Economy and Sustainable Development of Georgia | GG | Manufacturing | 127 |
| 245 | LTD Georgian Solid Waste Management Company | 100 | Ministry of Regional Development and Infrastructure of Georgia | GG | Communal, social and personal services | 4 474 |
| 246 | LTD Asset Management and Development Company | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Real Estate transactions, leasing and customer service | 8 751 |
| 247 | JSC Nenskra Hydro | 8 | JSC Partnership Fund/K Water (Korea) 90% | other | Construction | 628 |
| 248 | LTD Black Sea Arena Georgia | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Communal, social and personal services | 218 |
| 249 | LTD Global Brand | 100 | JSC Partnership Fund | GG | Manufacturing | 9 |
| 250 | LTD Georgian Sectoral and Regional Development Company | 100 | JSC Partnership Fund | PC | Financial activities | 42 |
| 251 | LTD Likani Residence | 100 | JSC Partnership Fund | GG | Hotels and Restaurants | - |
| 252 | KSH Caucasian Sus Heritage | 50 | JSC Partnership Fund/ LTD Native Georgia (49.90%) | GG | Agriculture, hunting and forestry | 134 |
| 253 | LTD East West Bridge | 100 | JSC Partnership Fund | GG | Financial activities | - |
| 254 | LTD Partnership Fund-Green Development | 100 | JSC Partnership Fund | GG | Hotels and Restaurants | 8 |
| 255 | LTD Crop Management Company | 100 | Ministry of Economy and Sustainable Development of Georgia | GG | Agriculture, hunting and forestry | 6 773 |
| 256 | LTD United Water Supply Company of Georgia | 100 | Ministry of Regional Development and Infrastructure of Georgia | GG | Electricity, gas and water production and distribution | 51 651 |
| 257 | LTD Basketball Club Kutaisi-2010 | 100 | Kutaisi Municipality | GG | Communal, social and personal services | - |
| 258 | LTD Georgian Traditions 2011 | 100 | Tbilisi Municipality | GG | Communal, social and personal services | - |
| 259 | LTD Parking Service | 100 | Kutaisi Municipality | GG | Transport and communication | 478 |
| 260 | LTD Football Club Kutaisi Management | 100 | Kutaisi Municipality | GG | Communal, social and personal services | - |
| 261 | LTD Ramaz Shengelia Stadium | 100 | Kutaisi Municipality | GG | Communal, social and personal services | - |
| 262 | LTD Kutaisi Transport Company | 100 | Kutaisi Municipality | GG | Transport and communication | 1 527 |
| 263 | LTD Poti Transport Company | 100 | Poti Municipality | GG | Transport and communication | - |
| 264 | LTD Chiatura Transport Company | 100 | Chiatura Municipality | GG | Transport and communication | 134 |
| 265 | LTD Chiatura Water | 100 | Chiatura Municipality | GG | Electricity, gas and water production and distribution | - |
| 266 | LTD Football Club Rustavi | 100 | Rustavi Municipality | GG | Trade; Repair of automobiles, household goods and personal items | - |
| 267 | LTD ANAKLIA-GANMUKHURI RESORTS | 100 | Zugdidi Municipality | GG | Construction | 177 |
| 268 | LTD Akhalkalaki Agrarian Market | 100 | Akhalkalaki Municipality | GG | Real Estate transactions, leasing and customer service | 24 |
| 269 | LTD Improvement | 100 | Akhaltsikhe Municipality | GG | Communal, social and personal services | 147 |
| 270 | LTD Bolnisi Municipal Transport Service | 100 | Bolnisi Municipality | GG | Transport and communication | 696 |
| 271 | LTD Ritual Service Agency | 100 | Bolnisi Municipality | GG | Real Estate transactions, leasing and customer service | - |
| 272 | LTD Bolnisi Agro Center | 100 | Bolnisi Municipality | GG | Manufacturing | 5 |
| 273 | LTD Dusheti Agro Market | 100 | Dusheti Municipality | GG | Real Estate transactions, leasing and customer service | 34 |
| 274 | LTD Municipalmsheni | 100 | Dusheti Municipality | GG | Construction | 78 |
| 275 | LTD Telavi Municipality Service Improvement | 100 | Telavi Municipality | GG | Communal, social and personal services | 1 641 |
| 276 | LTD Rural Water | 100 | Kaspi Municipality | GG | Construction | - |
| 277 | LTD Women's Football Club Lanchkhuti Lanchkhuti | 100 | Lanchkhuti Municipality | GG | Communal, social and personal services | - |
| 278 | LTD Marneuli Soptskali | 100 | Marneuli Municipality | GG | Manufacturing | 1 520 |
| 279 | LTD Marneuli Organic Waste Processing Enterprise | 100 | Marneuli Municipality | GG | Manufacturing | 13 |
| 280 | LTD Martvili Central Group | 80 | Martvili Municipality | GG | Communal, social and personal services | - |
| 281 | LTD Chuberi-Ushguli Specialized Dispansery Service | 100 | Mestia Municipality | GG | Human health and social work activities | - |
| 282 | LTD Mestia Hospital-Dispansery Association | 100 | Mestia Municipality | GG | Human health and social work activities | 257 |
| 283 | LTD Mtskheta Soptskali | 100 | Mtskheta Municipality | GG | Construction | - |
| 284 | LTD Mukhrani Agrocultural market | 100 | Mtskheta Municipality | GG | Real Estate transactions, leasing and customer service | 27 |
| 285 | LTD Satisi | 100 | Ozurgeti Municipality | GG | Manufacturing | - |
| 286 | LTD Ozurgeti Municipality Football Club “Mertskhali” (Swallow) | 100 | Ozurgeti Municipality | GG | Real Estate transactions, leasing and customer service | - |
| 287 | LTD Oni Service Group | 100 | Oni Municipality | GG | Real Estate transactions, leasing and customer service | 638 |
| 288 | LTD Sagarejo Municipality Information Newspaper Gareji Matsne | 100 | Sagarejo Municipality | GG | Communal, social and personal services | - |
| 289 | LTD Sagarejo | 100 | Sagarejo Municipality | GG | Communal, social and personal services | - |
| 290 | LTD Football Club Sagarejo Gareji | 40 | Sagarejo Municipality | other | Communal, social and personal services | 666 |
| 291 | LTD Clean Municipality 2018 | 100 | Sagarejo Municipality | GG | Communal, social and personal services | - |
| 292 | LTD Chokhatauri Agro Market | 100 | Chokhatauri Municipality | GG | Real Estate transactions, leasing and customer service | 29 |
| 293 | LTD Khobi Municipality Water Supply | 100 | Khobi Municipality | GG | Manufacturing | - |
| 294 | LTD Handball Club Batumi | 100 | Batumi Municipality | GG | Communal, social and personal services | - |
| 295 | LTD Basketball Club Batumi - 2010 | 100 | Batumi Municipality | GG | Communal, social and personal services | - |
| 296 | LTD International Arbitration Under Chamber of Commerce- Industry of Ajara A.R | 100 | Batumi Municipality | GG | Real Estate transactions, leasing and customer service | - |
| 297 | LTD Volleyball Club Batumi | 100 | Batumi Municipality | GG | Communal, social and personal services | - |
| 298 | LTD Rugby Club Batumi | 100 | Batumi Municipality | GG | Communal, social and personal services | - |
| 299 | LTD Water Polo Club Batumi | 100 | Batumi Municipality | GG | Communal, social and personal services | - |
| 300 | LTD Adjara Project Management Company | 100 | Batumi Municipality | GG | Construction | 1 258 |
| 301 | JSC Adjara Water Alliance | 26 | Batumi Municipality | other | Electricity, gas and water production and distribution | - |
| 302 | LTD Football Club Bethlehem | 100 | Keda Municipality | GG | Communal, social and personal services | - |
| 303 | LTD Kedi Water Channel | 100 | Keda Municipality | GG | Manufacturing | - |
| 304 | LTD Rugby Club Firals | 100 | Keda Municipality | GG | Communal, social and personal services | - |
| 305 | LTD Keda Tourism Development Support Center | 100 | Keda Municipality | GG | Hotels and Restaurants | 31 |
| 306 | LTD Football Club Shukura | 100 | Kobuleti Municipality | GG | Communal, social and personal services | - |
| 307 | LTD Rugby Club Ponto | 100 | Kobuleti Municipality | GG | Communal, social and personal services | - |
| 308 | LTD Khelvachauri Water Canal | 100 | Khelvachauri Municipality | GG | Manufacturing | - |
| 309 | LTD Machakhela Football Club | 100 | Khelvachauri Municipality | GG | Communal, social and personal services | - |
| 310 | LLC Georgian Natural Products | 100 | JSC Partnership Fund | GG | Trade; Repair of automobiles, household goods and personal items | - |
| 311 | LLP Caucasus Clean Energy I | 10 | JSC Partnership Fund/other international shareholders (90%) | other | Financial activities | - |
| 312 | Gazelle Fund LP | 29 | JSC Partnership Fund/other international shareholders (70.90%) | other | Financial activities | - |
| 313 | LTD Imereti Agro Zone | 100 | Ministry of Environmental Protection and Agriculture of Georgia | GG | Agriculture, hunting and forestry | - |
| 314 | LTD Delta CAA | 25 | Ministry of Defense of Georgia | other | Manufacturing | - |
| 315 | LDT Delta+ | 50 | Ministry of Defense of Georgia | GG | Manufacturing | - |
| 316 | LTD Batumi Republican Clinical Hospital | 100 | Batumi Municipality | GG | Human health and social work activities | 325 |

Annex 2

Subsidiaries of SOEs

|  | **SOE Name** | **State share %** | **Founder** | **Sector PC/GG and other** |
| --- | --- | --- | --- | --- |
| 1 | JSC Agroinvest | 100 | LTD Rehabilitation | GG |
| 2 | LTD Saknavtprodukti | 100 | LTD Rehabilitation | GG |
| 3 | LTD Tbilisi N2 Lung Diseases Outpatient Clinic | 100 | JSC National Center for Tuberculosis and Lung Diseases | GG |
| 4 | JSC Georgian Film | 100 | JSC Georgian Film Development Center | GG |
| 5 | JSC Georgian film-real estate | 100 | JSC Georgian Film | GG |
| 6 | LTD NATIONAL CENTER FOR TUBERCULOSIS AND LUNG DISEASE | 100 | NNLE Georgian Medical Holding | GG |
| 7 | LTD GR Property Management | 100 | JSC Georgian Railway | PC |
| 8 | LTD GR Logistics and Terminals | 100 | JSC Georgian Railway | PC |
| 9 | LTD GeoBook | 100 | LTD Rehabilitation | GG |
| 10 | LTD Tbilisi State Concert Hall | 100 | LTD Asset Management and Development Company | GG |
| 11 | LTD Sakcoopservice | 100 | LTD Rehabilitation | GG |
| 12 | JSC Energoremmsheni | 9 | LTD Rehabilitation | სხვა |
| 13 | JSC Georgian Railway Construction | 100 | JSC Georgian Railway | GG |
| 14 | LTD National High Technology Center of Georgia | 100 | LTD Asset Management and Development Company | PC |
| 15 | LTD Tbilisi Children's Infectional Clinical Hospital | 100 | NNLE Georgian Medical Holding | PC |
| 16 | JSC Givi Zaldastanishvili American Academy in Tbilisi | 0,1 | LTD Tbilaviamsheni | სხვა |
| 17 | LTD Special Cap Service | 100 | LTD Asset Management and Development Company | GG |
| 18 | LTD GR Georgia Transit | 100 | JSC Georgian Railway | PC |
| 19 | LTD Sakspectransi | 100 | LTD Asset Management and Development Company | GG |
| 20 | LTD Academician Nikoloz Kipshidze Central University Clinic | 100 | NNLE Georgian Medical Holding | PC |
| 21 | LTD Demetre 96 | 100 | LTD Asset Management and Development Company | GG |
| 22 | LTD Tbilisi N1 Lung Diseases Outpatient Clinic | 100 | JSC National Center for Tuberculosis and Lung Diseases | GG |
| 23 | LTD Scientific-Practical Center of Clinical Pathology | 100 | LTD Rehabilitation | GG |
| 24 | LTD Technical Specialists Training Center | 100 | LTD Rehabilitation | GG |
| 25 | LTD Tam-Valley | 100 | LTD Tbilaviamsheni | GG |
| 26 | LTD Tam-Energy | 100 | LTD Tbilaviamsheni | GG |
| 27 | LTD Tam-Kera | 100 | LTD Tbilaviamsheni | GG |
| 28 | LTD Tam-Polymer | 100 | LTD Tbilaviamsheni | GG |
| 29 | LTD Samtomashveli | 100 | LTD Asset Management and Development Company | PC |
| 30 | LTD Fashion Lyceum | 100 | LTD Demetre 96 | GG |
| 31 | LTD National Product Sales Service | 100 | LTD Demetre 96 | GG |
| 32 | JSC building-structures builder | 8 | LTD Rehabilitation | სხვა |
| 33 | JSC "Tam" Tbilaviamsheni | 94 | LTD Tbilaviamsheni | PC |
| 34 | LTD MshentTechnician | 63 | LTD Rehabilitation | GG |
| 35 | LTD Vakhtang Bochorishvili Anti-Sepsis Center | 100 | LTD Rehabilitation | GG |
| 36 | LTD Kutaisi Regional Narcology Center | 100 | LTD Mental Health and Drug Prevention Center | GG |
| 37 | JSC Rioni | 62 | LTD Rehabilitation | GG |
| 38 | JSC Tkibuli Oil Product | 76 | LTD Rehabilitation | GG |
| 39 | LTD Samegrelo-Zemo Svaneti TV and radio company Samegrelo | 64 | LTD Rehabilitation | GG |
| 40 | LTD Infrastructure Development Company | 100 | LTD Rehabilitation | GG |
| 41 | JSC Sanatorium Railway | 100 | LTD Rehabilitation | GG |
| 42 | LTD Abastumani Lung Center | 100 | JSC National Center for Tuberculosis and Lung Diseases | GG |
| 43 | LTD Bolnisi Agrobazar | 100 | LTD Rehabilitation | GG |
| 44 | JSC Marble | 56 | LTD Rehabilitation | GG |
| 45 | LTD Regional Health Center | 100 | NNLE Georgian Medical Holding | GG |
| 46 | LTD Energy maintenance | 46 | LTD Rehabilitation | სხვა |
| 47 | LTD Ninotsminda Ubon | 56 | LTD Rehabilitation | GG |
| 48 | JSC Resort Menji | 100 | LTD Asset Management and Development Company | GG |
| 49 | LTD Tskaltubo Thermal Waters | 100 | LTD Asset Management and Development Company | GG |
| 50 | LTD Georgian Traditions | 100 | LTD Rehabilitation | GG |
| 51 | LTD Senaki District Hospital | 100 | LTD Rehabilitation | GG |
| 52 | LTD Tsalenjikha Agrarian Market | 100 | LTD Georgian Bazaar | GG |
| 53 | LTD Tskaltubo Resort Development Company | 100 | LTD Rehabilitation | GG |
| 54 | LTD Georgia, Maritime Navigation | 100 | LTD Asset Management and Development Company | PC |
| 55 | LTD Batumi Airport | 100 | LTD Georgian Airports Association | PC |
| 56 | LTD Vardnil HPP Cascade | 100 | LTD Engurhesi | PC |
| 57 | LTD Sakpressa + | 100 | JSC Sakpressa | GG |
| 58 | Ltd Gino Green City Corporation | 49 | LTD PF Green Development | სხვა |
| 59 | LTD GR Trans-Shipment | 100 | JSC Georgian Railway | PC |
| 60 | LTD GR Transit | 100 | JSC Georgian Railway | PC |
| 61 | LTD Maganahydro | 49 | JSC Georgian Energy Development Fund | სხვა |
| 62 | LTD Georgian Kargo | 100 | LTD Georgian Post | GG |
| 63 | LTD Jeo-em-teks | 49 | LTD Delta Tekstil | სხვა |
| 64 | LTD Gardabani Power Plant | 49 | JSC Partnership Fund / JSC Georgian Oil and Gas Corporation | PC |
| 65 | LTD GR Transit Line | 100 | JSC Georgian Railway | PC |
| 66 | JSC Chalik Georgia Wind | 15 | JSC Georgian Energy Development Fund | სხვა |
| 67 | LTD Georgian Solar Company | 10 | JSC Georgian Energy Development Fund | სხვა |
| 68 | LTD Enguri Tourist Center | 100 | JSC Georgian Energy Development Fund | GG |
| 69 | LTD Anaklia Magazine | 100 | LTD Anaklia Development Consortium | GG |
| 70 | LTD Borjomhesi | 100 | JSC Georgian Energy Development Fund | GG |
| 71 | JSC Georgian Energy Exchange | 50 | JSC Georgian State Electrosystem, JSC Electricity System Commercial Operator | GG |
| 72 | Georgia-Belarus trade and economic agency | 10 | LTD Rehabilitation | სხვა |
| 73 | LTD Center for Mental Health and Prevention of Addiction | 100 | NNLE Georgian Medical Holding | GG |
| 74 | LTD Georgian Fruit and Vegetable Export Company | 100 | LTD Tbilisi Logistics Center | GG |
| 75 | LTD Akhalsopelihesi | 100 | JSC Georgian Energy Development Fund | GG |
| 76 | LTD Georgian Product | 100 | LTD Tbilisi Logistics Center | GG |
| 77 | JSC Universal Medical Center | 100 | NNLE Georgian Medical Holding | GG |
| 78 | LTD Kvirilahesi | 20 | JSC Georgian Energy Development Fund | სხვა |
| 79 | LTD Chordulahesi | 45 | JSC Georgian Energy Development Fund | სხვა |
| 80 | LTD Enguri Hydro-Accumulating Power Plant | 40 | JSC Georgian Energy Development Fund/ JSC Georgian Oil and Gas Corporation/LTD Engurhesi | სხვა |
| 81 | JSC Namakhvani | 100 | JSC Georgian Energy Development Fund | GG |
| 82 | LTD Inter Glass-Georgia | 40 | LTD Georgian Gas Transportation Company | სხვა |
| 83 | LTD Georgian Gas Storage Company | 100 | JSC Georgian Oil and Gas Corporation | GG |
| 84 | LTD Poti Fiz Ltd Communal Management TZK | 100 | LTD Poti Free Industrial Zone | GG |
| 85 | LTD GR Borjomi-Bakuriani | 100 | LTD GR Property Management | GG |
| 86 | LTD Gardabani Power Plant 2 | 100 | JSC Georgian Oil and Gas Corporation | PC |
| 87 | LTD Kutaisi Davit Agmashenebeli International Airport | 100 | LTD United Airports of Georgia | GG |
| 88 | LTD Biomass Energy | 100 | JSC Georgian Energy Development Fund | GG |
| 89 | JSC Karchal Energy | 100 | JSC Georgian State Electrosystem | GG |
| 90 | Georgian Post (Greece)I.K.E | 100 | LTD Georgian Post | GG |
| 91 | GOGC Trading S.A. | 100 | JSC Georgian Oil and Gas Corporation | GG |
| 92 | LTD Georgian Post (Czech) | 100 | LTD Georgian Post | GG |
| 93 | LTD Gardabani Power Plant 3 | 100 | JSC Georgian Oil and Gas Corporation | GG |
| 94 | LLC Owner of Natural Gas Transmission Network of Georgia | 100 | JSC Georgian Oil and Gas Corporation | GG |
| 95 | LTD Agroservice Centre | 100 | LTD Agricultural Logistics and Services Company | GG |
| 96 | JSC Gurjaani Oil Products | 100 | LTD Rehabilitation | GG |

1. A state enterprise is an enterprise that sells goods and services at an economically significant price, has the ability to bring profit or other financial benefits to the owner, and is independent in making decisions.

   According to the order N96 of the Minister of Finance of Georgia dated as of April 24, 2020, "On Approval of the List of Sectorization of State Enterprises", 52 enterprises were considered as state enterprises. [↑](#footnote-ref-1)
2. The activity of the Marabda-Kartsakhi railway does not involve profit generation, and the mentioned company is not included in the state corporations or government sector. Therefore, we consider it appropriate to discuss the total financial results of state enterprises without the Marabda-Kartsakhi railway. However, for the sake of transparency, we include both versions. [↑](#footnote-ref-2)
3. Based on 2021 financial ratios, JSC Georgian Oil and Gas Corporation is medium risk, although it has been assigned a high risk status due to its large volume of quasi-fiscal risks. In particular, during the last period, the financial burden related to the maintenance of natural gas consumer tariffs in the household sector by the corporation is increasing sharply. [↑](#footnote-ref-3)
4. Based on 2021 financial ratios, JSC Electric Power System Commercial Operator (ESCO) is medium risk, although it has been assigned a very high risk status because Esco is obligated to purchase guaranteed power (PPA) from newly built power plants, regardless of whether it receives payment from consumers for the power sold, which is a risk for the company. [↑](#footnote-ref-4)
5. The data presented in the table do not take into account the 11 million US dollars (30.8 million GEL) paid in 2021 for the lost case in international arbitration. As part of this dispute, the state will have to pay 6.7 million USD (18.8 million GEL) until February 2023. [↑](#footnote-ref-5)
6. The methodology developed by the technical support of the International Monetary Fund is used for the analysis: Harris J et al (2022), Updating the Balance Sheet and Quantifying Fiscal Risks from Climate Change in Georgia: <https://www.imf.org/-/media/Files/Publications/CR/2022/English/1GEOEA2022001.ashx> [↑](#footnote-ref-6)
7. RCP - Representative Concentration Pathway [↑](#footnote-ref-7)
8. Kahn, M., Mohaddes, K., Ng, R., Pesaran, M., Raissi, M., & Yang, J. (2021). Long-term macroeconomic effects of climate change: A cross-country analysis. *Energy Economics, 104*(105624), 105624-105624. <https://doi.org/10.1016/j.eneco.2021.105624> [↑](#footnote-ref-8)
9. *Duenwald et* al, 2022, *Feeling the Heat: Adapting to Climate Change in the Middle East and Central Asia*, IMF Departmental Paper, DP/2022/08. [↑](#footnote-ref-9)
10. Tbilisi needs assessment, 2015 [↑](#footnote-ref-10)
11. <https://www.preventionweb.net/files/54533_drrstrategy2017annex1eng.pdf> [↑](#footnote-ref-11)
12. International Database of Natural Events: EM-DAT includes data on the occurrence and impact of more than 22,000 mass natural events worldwide from 1900 to the present day. The database is compiled from various sources, including data from UN agencies, non-governmental organizations, insurance companies, research institutes and press agencies. [↑](#footnote-ref-12)
13. Different catastrophe risk models can produce very different expectations of loss. This can be due to a variety of factors including differences in exposure information, assumptions hazard (floods, earthquakes etc.) modelling or assumed vulnerability functions. [↑](#footnote-ref-13)
14. The largest municipalities in terms of population, damage caused by natural disasters and the amount of spending. [↑](#footnote-ref-14)
15. As of September 2022 [↑](#footnote-ref-15)
16. The output of Enguri and Vardnili HPPs will be sold at market prices. But the Georgian National Energy and Water Supply Regulatory Commission (GNERC) will regulate the prices that these HPPs will actually receive from consumers. [↑](#footnote-ref-16)
17. The decision how to implement the WPSO Fund is still pending. [↑](#footnote-ref-17)
18. A report of the Georgia 2020 Energy Policy Review, IEA (2020) noted that the cap of US$ 0,06 was unattractive for investors. [↑](#footnote-ref-18)
19. As of September 2022 [↑](#footnote-ref-19)
20. Final consumers comprise: (i) direct consumer, which are large consumers that pay market prices; (ii) distribution companies, which are medium to small consumers that pay regulated prices; and (iii) the territory of Abkhazia that is exempted of payment. [↑](#footnote-ref-20)
21. In Table 1, last column, 100% pass-through means that under the current structure of the market, payments from final consumers are sufficient to fully fund the electricity generation costs. [↑](#footnote-ref-21)