

FINANCIAL HEALTH OF STATE-OWNED ENTERPRISES IN UKRAINE –**LIST OF ENTERPRISES SELECTED FOR EVALUATION**

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Project

The project "Promoting transparency and implementation of anti-corruption measures in state-owned enterprises and local governments in Ukraine" is implemented by the Institute for Economic and Social Reforms in Slovakia (INEKO) in partnership with the International Centre for Policy Studies (ICPS). The initiative is financially supported by the Official Development Assistance of the Slovak Republic (SlovakAid). The project aims to improve the efficiency of the state administration, self-government and civil society in the area of creation and oversight of regional policies, administration of state-owned enterprises, and monitoring of budgets and information openness of local authorities in Ukraine.

Background

According to official data from the Ministry of Economic Development and Trade of Ukraine, the TOP-100 largest Ukrainian state companies completed the year 2017 with a net profit of 44.4 billion UAH, which is 38.5% more than in 2016. The total value of the assets of the state-owned company's portfolio amounted to more than 1.509 trillion UAH, which is almost 5% more than the results of 2016.

The most profitable state-owned companies are PJSC Naftogaz Ukraine, Administration of Seaports of Ukraine, PJSC Centrenergo, National Energy Company Ukrenergo and Boryspil International Airport.

Oil and gas industries of the state sector of Ukrainian economy were the most profitable in 2017. This became possible due to the growth of net profit of NJSC Naftogaz of Ukraine to 39.3 billion UAH in 2017 compared to 17.8 billion UAH in 2016. Such financial result of the company is almost equal to 88.5% of the total financial result of the TOP-100 portfolio of state-owned companies.

It should be noted that, unlike non-state owned enterprises, which are "programmed" to ensure the growth of individual capital, state-owned enterprises should work to ensure the growth of total capital of society. This implies that their operation is not necessarily highly profitable.

At present, there are 3444 objects in state ownership. However, the results of state-owned enterprises show a number of problems, among which:

- Lack of external audit;
- Realization of fraud schemes;
- Violation of financial discipline;
- Limited information on the activities of state-owned enterprises.

To ensure the better management, the Ukrainian government plans to gradually reduce the number of state-owned objects and intends to leave only 15 particularly important state-owned enterprises and 363 objects that ensure the state's fulfillment of its functions.

Table 1. Distribution of state-owned objects

Type	Number of state-owned objects, units	Assets, billion UAH	Percentage ratio, %
Strategic objects	15	1175	69
Important objects	363	147	8,6
Objects with control lost	559	45,1	2,6
Inactive objects	1255	132,6	7,8
Concession (airports, forestry, highways)	359	14,5	0,9
Others	893	189,4	11,1
<i>Total</i>	<i>3444</i>	<i>1704</i>	<i>100</i>

Source: According to the Ministry of Economic Development and Trade of Ukraine

Ukrainian legislation on financial data publication

Resolution of Cabinet of Ministers of Ukraine No. 1067 (November 9, 2016) "On Approval of the Procedure for the Publication of Information on the Activities of State Unitary Enterprises and Economic Associations, in the authorized capital of which more than 50 percent of the shares belong to the state, as well as to business entities, 50 percent or more of the shares of which belong to business entities, the state's share in which is 100 percent".

According to it, the enterprise or business entity publishes information about its activities by placing the documents and materials containing such information on its own web page, along with other information about the company (See Table 3 - "Website" column)

In case of absence of the company's own web page, such information is placed on the official web site of the subject of management of objects of state property (See Table 3 - "Managed by" column).

The enterprise also publishes information regarding the use of public funds on a single web-portal on the use of public funds in accordance with the requirements of the Law of Ukraine "On the openness of the use of public funds" (<https://spending.gov.ua/>).

The Commercial Code of Ukraine (Articles 73 and 90).

The following financial information is subject to mandatory disclosure:

- quarterly, annual financial statements of the state unitary enterprise for the last three years;
- audit findings on the annual financial statements of a state unitary enterprise for the last three years if the audit was conducted in accordance with the requirements of the law;
- information about the contracts, which is subject to the publication in accordance with the Law of Ukraine "On the openness of the use of public funds";
- information on transactions and liabilities of the state unitary enterprise with the state and / or local budgets, state and / or local institutions, enterprises and organizations.

Annual financial statements of a state unitary enterprise may be subject to mandatory auditing by an independent auditor. The criteria for assigning state unitary enterprises to those, whose financial statements are subject to mandatory verification by an independent auditor, are determined by the Cabinet of Ministers of Ukraine depending on the book value of the assets of state unitary enterprises.

According to the Commercial Code of Ukraine, the state unitary enterprise publishes the annual financial statements, *together with the auditor's report, if the audit was carried out in accordance with the requirements of the law, or by the decision of the supervisory board of the state unitary enterprise (in case of it was created), or by the decision of the subject of management of state-owned objects that performs management functions of the enterprise*, before April 30 in the year following the reporting period.

In addition, the following documents regulate the financial reporting of state owned companies in Ukraine:

- The Law on Accounting and financial reporting in Ukraine
- National standard of accounting, in particular No. 1 "General Requirements for Financial Reporting"
- Order N 307 (02.28.2017) of the Ministry of Finance of Ukraine on Approval of the Procedure for filling in the forms of financial reporting in the public sector and the Changes to the National Public Sector Accounting Standards - 101 "Submission of Financial Statements"
- For joint-stock companies: Decision No. 2826 (03.12.2013) of the National Commission on Securities and Stock Market of Ukraine on "Approval of the Provision on disclosure of information by issuers of securities" is also in force.

State owned companies in Ukraine generally conduct accounting in accordance with IAS (International accounting standards) and local GAAP (general accepted accounting principles). Local GAAP in recent years is in transition to IAS.

Selection approach

During selection of state owned companies, the following was considered:

- The companies were sorted and selected by the indicator "Total value of assets"
- The state's share is more than 51%.
- The information is collected on the basis of the financial results of the year 2017.
- The final data is compiled according to the statistics provided by the Ministry of Economic Development and Trade of Ukraine and according to the Unified registry of the State Property Fund of Ukraine.
- The companies represent all major sectors of economy.

The data for the financial health rankings will be collected from the following sources:

- Official websites of the selected companies.
- Website of the subject of management of objects of state property.
- Web-portal on the use of public funds.

- Requests for public information.

Examples of companies` financial statements and reports

Table 2. Examples of companies` information according to the methodology

<p>Official website of the company</p>	<p><u>NAFTOGAZ:</u></p> <p>EN: http://www.naftogaz.com/www/3/nakweben.nsf/0/C4775D2495121A4AC2257107003B5C8D?OpenDocument&Expand=1&</p> <p>UA: http://www.naftogaz.com/www/3/nakweb.nsf/0/C4775D2495121A4AC2257AD90051F66D?OpenDocument&Expand=1&</p> <p><u>UKRENERGO:</u></p> <p>EN: https://ua.energy/activity/reporting/financial-and-economic/</p> <p>UA: https://ua.energy/diyalnist/zvitnist/finansova-ta-ekonomichna/</p>
<p>Website of the subject of management</p>	<p><u>MINISTRY OF ENERGY AND COAL INDUSTRY OF UKRAINE</u></p> <p>UA: http://mpe.kmu.gov.ua/minugol/control/uk/publish/article?art_id=245272950&cat_id=245194014</p> <p><u>MINISTRY OF HEALTH OF UKRAINE</u></p> <p>UA: http://moz.gov.ua/article/economics-and-finance/finansova-zvitnist</p>

Table 3. The list of 50 biggest state owned companies

#	Name	EDRPOU	Industry	Region of registration	Share of the government, %	Managed by	Legal form of ownership	Website	Access remarks	Additional remarks	Average number of staff members, persons	Total value of assets, thousand hryvnia
1	PJSC National Joint-Stock Company Naftogaz Ukraine	20077720	Oil and gas	Kyiv	100	CABINET OF MINISTERS OF UKRAINE (SECRETARIAT OF THE CABINET OF MINISTERS OF UKRAINE)	Joint stock company	http://www.naftogaz.com/www/3/na_kweb.nsf?Open			608	638 946 642
2	PJSC "Ukrzaliznytsya"	40075815	Transport	Kyiv	100	CABINET OF MINISTERS OF UKRAINE (SECRETARIAT OF THE CABINET OF MINISTERS OF UKRAINE)	Joint stock company	http://www.uz.gov.ua/			276 119	264 444 663
3	SE "National Atomic Energy Generating Company "Energoatom"	24584661	Energy sector	Kyiv		Ministry of Energy and Coal Industry of Ukraine	State company	http://www.energoatom.kiev.ua/ua/		bankruptcy proceedings stopped	34 033	210 186 435
4	SE "Energorynok"	21515381	Energy sector	Kyiv		CABINET OF MINISTERS OF UKRAINE (SECRETARIAT OF THE CABINET OF MINISTERS OF UKRAINE)	State company	http://www.er.gov.ua/			222	43 740 478
5	State Specialized Enterprise "Chornobyl"	14310862	Energy sector	Kyiv region		THE STATE AGENCY OF UKRAINE ON THE MANAGEMENT OF THE EXCLUSION AREA	State company	https://chnpp.gov.ua/ua/			2 335	38 312 311

	Nuclear Power Plant"											
6	PJSC "State Food and Grain Corporation of Ukraine"	37243279	Food grade and agricultural products	Kyiv	100	Ministry of Agrarian Policy and Food of Ukraine	Joint stock company	http://www.pzcu.gov.ua/ua			4 983	37 782 552
7	SE "National Energy Company "Ukrenergo"	00100227	Energy sector	Kyiv		Ministry of Energy and Coal Industry of Ukraine	State company	https://ua.energy/			11 484	27 283 884
8	PJSC "Ukrhydroenergo"	20588716	Energy sector	Kyiv region	100	Ministry of Energy and Coal Industry of Ukraine	Joint stock company	https://uhe.gov.ua/			2 966	26 676 074
9	SE "Administration of Seaports of Ukraine"	38727770	Transport	Kyiv		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	http://www.uspa.gov.ua/			7 768	21 517 831
10	SE "Financing of Infrastructure Projects"	37264503	other	Kyiv		STATE AGENCY OF INFRASTRUCTURAL PROJECTS OF UKRAINE	State company	-	no website		10	13 744 571
11	SE "Regional Electric Networks"	32402870	Energy sector	Kyiv		Ministry of Energy and Coal Industry of Ukraine	State company	http://meregi.com/			1 011	10 939 766
12	PJSC "CENTRENERGO"	22927045	Energy sector	Kyiv	78	STATE PROPERTY FUND OF UKRAINE	Joint stock company	http://www.centrenergo.com/		bankruptcy case instituted property management procedure introduced	6 832	10 073 652

13	SE "Boryspil International Airport"	20572069	Transport	Kyiv region		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	https://kbp.aero/			3 921	8 959 924
14	PJSC "Ukrposhta"	21560045	Transport	Kyiv				https://ukrposhta.ua/			72 340	7 829 891
15	PJSC "TURBOATOM"	05762269	Machine-building	Kharkiv	75	STATE PROPERTY FUND OF UKRAINE	Joint stock company	http://www.turboatom.com.ua/			3 501	7 226 171
16	PJSC "Agrarian Fund"	38926880	Food grade and agricultural products	Kyiv	100	Ministry of Agrarian Policy and Food of Ukraine	Joint stock company	http://agrofond.gov.ua/			230	6 999 158
17	SE "Design Bureau" South "named after MK Yangel"	14308304	Machine-building	Dnipropetrovsk		STATE SPACE AGENCY OF UKRAINE	State company	https://www.yuzhnoye.com/			5 190	6 732 137
18	SE "National Sports Complex" Olimpiyskiy "	14297707	other	Kyiv		MINISTRY OF YOUTH AND SPORTS OF UKRAINE	State company	http://nsc-olimpiyskiy.com.ua/			147	6 477 383
19	SE "UkSATSE"	19477064	Transport	Kyiv region		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	http://uksatse.ua/			4 240	6 112 754
20	PJSC State Joint Stock Company "Motor Roads of Ukraine"	31899285	Transport	Kyiv	100	STATE AGENCY OF AUTOMOBILE DEPARTMENTS OF UKRAINE	Joint stock company	http://ukravtodor.gov.ua/			19 371	5 583 320
21	JSC "KHARKIVOBLEN ERGO"	00131954	Energy sector	Kharkiv	65	STATE PROPERTY FUND OF UKRAINE	Joint stock company	https://www.oblenergo.kharkov.ua/			6 460	5 570 320
22	PJSC "Odessa Portside Plant"	00206539	Chemical industry	Odessa	100	STATE PROPERTY FUND OF UKRAINE	Joint stock company	http://www.opz.odessa.net/			3 236	5 423 858

23	State Mortgage Institution	33304730	other	Kyiv		CABINET OF MINISTERS OF UKRAINE (SECRETARIAT OF THE CABINET OF MINISTERS OF UKRAINE)	Public organization (institution, institution)	https://www.ipoteka.gov.ua/			82	5 032 322
24	SE "Production Association" Southern Machine-Building Plant named after A. M. Makarov "	14308368	Machine-building	Dnipropetrovsk		STATE SPACE AGENCY OF UKRAINE	State company	http://www.yuzhmash.com/			6 482	5 001 889
25	SE "Eastern Mining and Processing Plant"	14309787	other	Dnipropetrovsk		Ministry of Energy and Coal Industry of Ukraine	State company	http://vostgok.com.ua/			6 488	3 672 600
26	PJSC "KRYVORIZHKA TEPLOTSENTRAL"	00130850	Energy sector	Dnipropetrovsk	100	STATE PROPERTY FUND OF UKRAINE	Joint stock company	http://www.tec.dp.ua/	bankruptcy case instituted property management procedure introduced		1 190	3 292 298
27	Southern ICC	04704790	Transport	Odessa		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	http://www.port-yuzhny.com.ua/			2 643	3 235 060
28	PJSC "UNIONED MINING-CHEMICAL COMPANY"	36716128	other	Kyiv				https://umcc.com.ua/			5 507	3 064 555

29	Odesskii ICC	01125666	Transport	Odessa		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	http://www.port.odessa.ua/ua/			1 001	2 991 958
30	Mariupol ICC	01125755	Transport	Donetsk		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	https://www.marport.net/			3 386	2 963 078
31	SE "Ukrkosmos"	24381357	Transport	Kyiv		STATE SPACE AGENCY OF UKRAINE	State company	http://www.ukrkosmos.com/			58	2 883 685
32	PJSC "National Public Broadcasting Company of Ukraine"	23152907	other	Kyiv				https://suspilne.media/			660	2 550 896
33	PJSC "KHMELNYTSKO BLENERGO"	22767506	Energy sector	Khmelnyskyi	70	STATE PROPERTY FUND OF UKRAINE	Joint stock company	https://www.hoe.com.ua/			3 472	2 396 565
34	SE "NATIONAL CULTURAL AND MUSICAL COMPLEX" MYSTETSKY ARSENAL"	33403498	other	Kyiv		STATE MANAGEMENT IN CASES	State company	https://artarsenal.in.ua/			65	2 273 329
35	PJSC "ZAPORIZHIAOBLENERGO"	00130926	Energy sector	Zaporizhzhia	60	STATE PROPERTY FUND OF UKRAINE	Joint stock company	http://www.zoe.com.ua/			5 464	2 233 658
36	ICC "Chornomorsk"	01125672	Transport	Odessa		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	https://seaport.com.ua/			4 026	2 177 537
37	SE "Lviv International Airport"	33073442	Transport	Lviv		MINISTRY OF INFRASTRUCTURE OF UKRAINE	State company	http://lwo.aero/			944	2 023 197

38	DP "Scientific-Production Association "Pavlograd Chemical Plant"	14310112	Chemical industry	Dnipropetrovsk		MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF UKRAINE	State company	http://www.ric-phz.com.ua/			1 387	2 012 076
39	SE "Coal Company "Krasnolimanska ya"	31599557	Coal industry	Donetsk		Ministry of Energy and Coal Industry of Ukraine	State company	http://krasnolimanskaya.com.ua/	non-accessible		3 860	1 955 565
40	LLC "ZAPORIZHIAN TITANO-MAGNEVIUM KOMBINAT"	38983006	other	Zaporizhzhia	51	STATE PROPERTY FUND OF UKRAINE	Limited Liability Company	http://zmmc.zp.ua/ru/			3 434	1 882 600
41	PJSC "National Joint Stock Company "Nadra Ukrainy"	31169745	Oil and gas	Kyiv	100	PUBLIC SERVICE OF GEOLOGY AND NADR OF UKRAINE	Joint stock company	http://nadraukrayny.com.ua/			740	1 841 407
42	SE "Selidivugillia"	33426253	Coal industry	Donetsk		Ministry of Energy and Coal Industry of Ukraine	State company	-	no website		8 561	1 665 365
43	SE "Plant "Electrotyazhماش"	00213121	Machine-building	Kharkiv		MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF UKRAINE	State company	http://spetm.com.ua/index.php/ua/		bankruptcy proceedings stopped	4 296	1 567 791
44	SE Polygraphic Combine "Ukraine" for the production of securities"	16286441	other	Kyiv		MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF UKRAINE	State company	https://pk-ukraina.gov.ua/			979	1 511 266
45	SE "Directorate for the construction of objects"	00179737	other	Lviv		Ministry of Energy and Coal Industry of Ukraine	State company	-	no website		0	1 508 458

46	SE "Directorate of Kryvy Rih Mining and Processing Plant for Oxidized Ores"	04853709	other	Kirovohrad		MINISTRY OF ECONOMIC DEVELOPMENT AND TRADE OF UKRAINE	State company	http://gokor.com.ua/		bankruptcy case instituted sanitation procedure introduced	516	1 507 041
47	NATIONAL COMPLEX "EXPOCENTER OF UKRAINE"	21710384	other	Kyiv		STATE MANAGEMENT IN CASES	Public organization (institution, institution)	https://vdng.ua/			102	1 435 743
48	SE "Ukrmedproekt Bud"	37700171	other	Kyiv		MINISTRY OF HEALTH PROTECTION OF UKRAINE	State company	-	no website		26	1 356 246
49	SE "Myrnorradvugilya"	32087941	Coal industry	Donetsk		Ministry of Energy and Coal Industry of Ukraine	State company	-	no website		5 387	1 343 383
50	State Joint-Stock Company "Khib Ukrainy"	20047943	Food grade and agricultural products	Kyiv	100	Ministry of Agrarian Policy and Food of Ukraine	Open Joint Stock Company	http://www.khlib.com.ua/	non-accessible		180	1 333 948