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MINISTRY OF FINANCE

Pursuant to paragraph (4), Article 21 of the Public Debt Law (“Official Gazette of the Republic of Macedonia”, nos. 62/05, 88/08, 35/11, 139/14 and “Official Gazette of the Republic of North Macedonia”, no. 98/19), Minister of Finance adopted the following

RULEBOOK ON THE MANNER OF PERFORMING ANALYSIS OF DATA SUBMITTED BY THE PUBLIC DEBT ISSUER, THE APPLICATION AND THE VALUATION OF FINANCIAL RATIOS

Article 1

This Rulebook shall regulate the manner of performing analyses of data submitted by the public debt issuer, the application and the valuation of financial ratios.

Article 2

Analysis of data submitted by the public debt issuer shall be performed on the basis of the financial reports of the public enterprises and the companies, the public debt issuers and the budget of the municipalities, the municipalities of the City of Skopje and the City of Skopje for the previous two calendar years, the current year and the projection for the next two calendar years.

Article 3

Liquidity of both the public enterprises and the companies shall be calculated by applying the funds from operations/current liabilities ratio, whereby the result shall be valued from 1 to 5, in line with the table below:

Value	1	2	3	4	5
Funds from operations/current liabilities	>6.5	>5.5	>4.5	>1	<1

Liquidity shall be calculated as an arithmetic mean of the values assigned for all years in the analyzed period.

Article 4

Solvency of both the public enterprises and the companies shall be calculated by applying the total debt/EBITDA ratio and EBITDA/interest expense ratio, whereby the results shall be valued from 1 to 5, in line with the table below.

Value	1	2	3	4	5
Total debt/EBITDA	<2	<3	<4.5	<7.5	>7.5
EBITDA/interest expense	>4	>2.5	>1	>0	<0

Solvency shall be calculated as an arithmetic mean of the values assigned for all years in the analyzed period.

Article 5

Profitability of both the public enterprises and the companies shall be calculated by applying EBITDA/net revenue X 100 and operating profit/net revenue X 100, whereby the results shall be valued from 1 to 5, in line with the table below:

Value	1	2	3	4	5
EBITDA/net revenue X 100	>17	>16	>15	>-5.5	<-5.5
Operating profit/net revenue X 100	>14	>13	>11	>-7.5	<-7.5

Profitability shall be calculated as an arithmetic mean of the values assigned for all years in the analyzed period.

Article 6

Creditworthiness of both the public enterprises and the companies shall be calculated by weighting the values being an arithmetic mean of the values obtained by calculating the financial ratios for liquidity, solvency and profitability, according to their effect on the ability to accumulate debt and its repayment, in line with the table below:

Funds from operations/current liabilities	22.5%
Total debt/EBITDA	25%
EBITDA/interest expense	22.5%
EBITDA/net revenue X 100	15%
Operating profit/net revenue X 100	15%

Public enterprises and companies and public debt issuers shall be creditworthy when being assigned ≤ 3 creditworthiness.

Article 8

Creditworthiness of the municipalities shall be valued by applying the ratio measuring the financial capacity of the municipalities to generate savings in the budget, and it shall be calculated as current-operating expenses/current-operating revenues X 100 ≤ 70%.

When calculating the ratio referred to in paragraph 1 of this Article, following shall be calculated as current operating expenses of the core budget of the municipality for the previous fiscal year: total expenses, except capital expenditures (4 Total expenses - 48 Capital expenditures), while the following shall be calculated as current operating revenues of the core budget of the municipality for the previous fiscal year: sum of tax revenues, non-tax revenues, sale of capital assets, except revenues from sale of capital assets being property of the municipality, sale of land and intangible investments and VAT grants to the municipality (71 Tax revenues + 72 Non-tax revenues + 731 Sale of capital assets - 731120 Revenues from sale of capital assets being property of the municipality + 733 Sale of land and intangible investments + 741115 VAT grants to the municipality).

Article 9

This Rulebook shall enter into force on the following day it is published in the “Official Gazette of the Republic of North Macedonia”.

No. 15-5412/1

23rd July 2020

Skopje

Minister of Finance

Nina Angelovska, Ph.D.

(in her own hand)