

# State of Saxony-Anhalt

The affirmation of the State of Saxony-Anhalt's ratings reflects Fitch Ratings' unchanged approach for the German Laender, under which the ratings are equalised with those of Germany (Bund; AAA/Stable/F1+).

## Key Rating Drivers

**Rating Derivation Summary:** Saxony-Anhalt's Issuer Default Ratings (IDRs) are linked to the Bund's. We assess its Standalone Credit Profile (SCP) at 'aa'. The SCP results from a 'Stronger' risk profile and a financial profile that Fitch assesses as 'a' under its rating-case scenario. No other factors affect the rating. The equalisation of the Laender's ratings with the Bund's is driven by the stability of the solidarity system underpinning the creditworthiness of all Laender, irrespective of the key risk factors (KRFs) and financial profile assessment.

The solidarity system is enshrined in the German constitution and reflects the institutional framework of the Laender. Under the constitution, all member states of the federal republic are jointly responsible for supporting a Land in financial distress. If a Land experiences "extreme budgetary hardship", it is entitled to financial assistance from all Laender and the Bund. This principle has been reaffirmed by the constitutional courts on more than one occasion, most recently in 2006.

**'Stronger' Risk Profile:** Fitch assesses all of Saxony-Anhalt's KRFs as 'Stronger'. This risk profile also reflects the state's very good access to capital markets, corresponding strong refinancing capacity and appropriate treasury facilities preventing any temporary delays in the provision of liquidity and support.

**Financial Profile at 'a':** In Fitch's rating-case scenario, Saxony-Anhalt's economic liability burden will improve to 71.8% in 2028 from 80.7% in 2023, while its payback ratio will decrease to 11.6x from 19.1x. Debt service coverage (Fitch's synthetic calculation) will increase to 1.1x from 0.7x and the fiscal debt burden will improve to 136.5% from 179.0%. Our rating case is based on conservative GDP growth assumptions to test rating resilience through the economic cycle.

**Neutral Additional Rating Factors:** Saxony-Anhalt's Long-Term IDR is rated on a par with the sovereign, reflecting the specific approach that Fitch applies for the German Laender. Its rating does not consider any other extraordinary support from the Bund. No additional risk factors have been identified.

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on [www.fitchratings.com](http://www.fitchratings.com).

## Ratings

### Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

### Local Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

### Outlooks

Long-Term Foreign-Currency IDR	Stable
Long-Term Local-Currency IDR	Stable

### Debt Ratings

Senior Unsecured Debt - Long-Term Rating	AAA
Senior Unsecured Debt - Short-Term Rating	F1+

## Issuer Profile Summary

Saxony-Anhalt is in eastern Germany. It had a population of 2.2 million inhabitants and contributed almost 2% to Germany's GDP in 2023.

## Financial Data Summary

(EURm)	2023	2028 <sup>rc</sup>
Economic liability burden (%)	80.7	71.8
Payback ratio (x)	19.1	11.6
Synthetic coverage (x)	0.7	1.1
Actual coverage (x)	0.3	1.6
Fiscal debt burden (%)	179.0	136.5
Net adjusted debt	21,846	19,857
Operating balance	1,147	1,708
Operating revenue	12,201	14,547
Debt service	4,581	1,060
Mortgage-style debt annuity	1,656	1,580

rc: Fitch's rating-case scenario  
Source: Fitch Ratings, Fitch Solutions, State of Saxony-Anhalt

## Applicable Criteria

[International Local and Regional Governments Rating Criteria \(August 2024\)](#)

## Related Research

[Fitch Affirms State of Saxony-Anhalt at 'AAA'; Outlook Stable \(September 2024\)](#)

[German Laender - Peer Review 2023 \(October 2023\)](#)

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## Rating Synopsis

### Saxony-Anhalt, State of LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments				Standalone Credit Profile (SCP)	From SCP to LT IDR				
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric		Secondary metrics			Financial Profile Score	Intergovernmental lending	Ad hoc support	Rating floor	LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Economic Liability Burden	Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)						
Stronger	■	■	■	■	■	■	Stronger	aaa	aaa	aaa	aaa	aaa			AAA	AAA	Stable
							High Midrange	aaa	aaa	aaa	aaa	aa+			AA+	AA+	
Midrange							Midrange	aa	aa	aa	aa	a+			AA	AA	
							Low Midrange	a	a	a	a	a			AA-	AA-	
Weaker							Weaker	bbb	bbb	bbb	bbb	bbb+			A+	A+	
							Vulnerable	bbb	bbb	bbb	bbb	bbb			A	A	
								bb	bb	bb	bb	bb			A-	A-	
								b	b	b	b	bb+			BBB+	BBB+	
								b	b	b	b	bbb			BBB	BBB	
								b	b	b	b	bbb-			BBB-	BBB-	
								b	b	b	b	bb+			BB+	BB+	
								b	b	b	b	bb			BB	BB	
								b	b	b	b	bb-			BB-	BB-	
								b	b	b	b	b+			B+	B+	
								b	b	b	b	b			B	B	
								b	b	b	b	b-			B-	B-	
								b	b	b	b	ccc+			CCC+	CCC+	
								b	b	b	b	ccc			CCC	CCC	
								b	b	b	b	ccc-			CCC-	CCC-	
								b	b	b	b	cc			CC	CC	
								b	b	b	b	c			C	C	

■ Higher Influence KRF    ■ Lower Influence KRF

Source: Fitch Ratings

The six KRFs, combined according to their relative importance, collectively represent the risk profile of a local and regional government (LRG). The risk profile and financial profile assessments, which measure the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in an SCP.

## Rating Sensitivities

### Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

The ratings are the highest level on Fitch's rating scale and, therefore, cannot be upgraded.

### Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade of the sovereign ratings would lead to a downgrade of Saxony-Anhalt. An adverse change to the most important institutional feature, the solidarity principle, which Fitch views as unlikely, could lead to a downgrade.

## Issuer Profile

With a population slightly below 2.2 million inhabitants in an area of 20,459 km<sup>2</sup>, Saxony-Anhalt has the third-lowest population density of the German Laender. Saxony-Anhalt is facing a decline of its population since reunification, caused by a negative birth rate and a net migration loss.

Key sectors of its economy include manufacturing, transport and services, with agriculture also having an above-average role. Saxony-Anhalt has established biotechnology, information and communication technologies, and wind energy and photovoltaic as key pillars of growth for the state.

The state's GDP decreased by 1.4% to EUR78.4 billion in real terms in 2023, below Germany's GDP decline of 0.3%. Fitch anticipates 0.1% real GDP growth for Germany for 2024, 1.1% for 2025 and 1.4% for 2026 (no data are available for the state).

Saxony-Anhalt's GDP per capita was EUR35,911 (Germany: EUR48,750) at end-2023, the second-lowest among the 16 states, but this is mitigated by comparing purchasing power standards.

The unemployment rate in Saxony-Anhalt was 7.5% in 2023 (Germany: 5.7%). Excluding the city-states, this is the second-highest among the Laender. It also explains its shrinking population with people moving outside the state for job opportunities. The state has a shortage of skilled workers (eg in the gastronomy sector, among others), despite a relatively high unemployment rate.

**Socioeconomic Indicators**

	Issuer	Sovereign
Population, 2023 (m)	2.2	84.7
GDP per capita, 2023 (EUR)	35,911	48,750
GRP growth, 2023 (%)	-1.4	-0.3
Inflation, 2023 (%)	6.0	6.0
Unemployment rate, 2023 (%)	7.5	5.7

Source: Fitch Ratings, national statistics, State of Saxony-Anhalt

**Risk Profile Assessment**

**Risk Profile: Stronger**

Fitch assesses Saxony-Anhalt’s risk profile at ‘Stronger’, reflecting the combination of the following assessments:

**Risk Profile Assessment**

Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility	Implied operating environment score	Risk profile
Stronger	Stronger	Stronger	Stronger	Stronger	Stronger	aa	Stronger

Source: Fitch Ratings

The assessment reflects Fitch’s view of a low risk relative to international peers that Saxony-Anhalt’s ability to cover debt service with the operating balance may weaken unexpectedly over the forecast horizon (2024-2028) due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt or debt-service requirements.

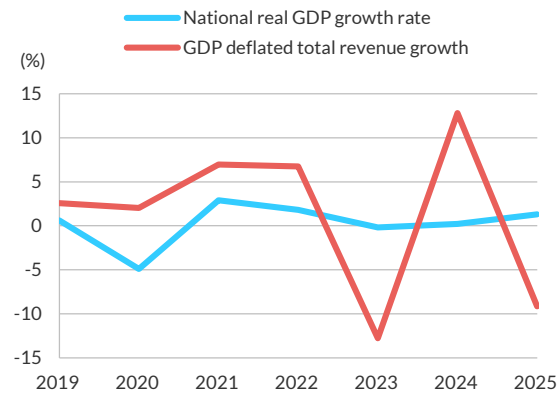
**Revenue Robustness: Stronger**

This assessment is driven by the high share of stable revenue sources due to the strong and diversified tax base and stable transfers from the Bund. Fitch views the Laender as resilient to any potential shocks, mitigating the risk of a shrinking revenue base.

The Laender’s main revenue sources consist of common tax revenue – corporate income tax (CIT), VAT and personal income tax (PIT) – between the Bund, the Laender and, to a lesser extent, the municipalities. By law, the Laender receive 50.0% of CIT and 42.5% of PIT. The shares of VAT have a more complex allocation process and vary marginally. In 2023, the share was 49.7% for the Laender, 47.5% for the Bund and 2.8% for the municipalities.

In 2023, tax revenue was 65.3% of Saxony-Anhalt’s total revenue, with PIT and VAT the largest contributors, at 15.1% and 43.4%, respectively. These taxes have shown stable growth in the past.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, State of Saxony-Anhalt

Revenue Breakdown, 2023

	Operating revenue (%)	Total revenue (%)
PIT	16.2	15.1
VAT	46.7	43.4
Other taxes	7.3	6.8
Transfers	27.9	25.9
Other operating revenue	1.9	1.7
<b>Operating revenue</b>	<b>100.0</b>	<b>92.9</b>
Interest revenue	-	0.4
Capital revenue	-	6.7
<b>Total revenue</b>	<b>-</b>	<b>100.0</b>

Source: Fitch Ratings, Fitch Solutions, State of Saxony-Anhalt

Revenue Adjustability: Stronger

This assessment is supported by a strong record of revenue equalisation, an essential part of Fitch’s rating approach, which links the Laender’s ratings to the Bund’s. An extensive equalisation system and a broad-based solidarity pact compensate for financial disparity. This equalisation framework requires the financially stronger Laender to transfer part of their above-average tax proceeds to financially weaker members. The framework partly offsets the differences among the Laender’s tax revenue base and their financial strength.

The most recent reform of the financial equalisation system (Bund-Laender-Finanzbeziehungen) confirms the stability of revenue equalisation. This is likely to increase transfers from the Bund to the financially weaker Laender and lower the burden of net donor states among the Laender. Fitch views this as credit positive.

Saxony-Anhalt is a net receiver within the financial equalisation system and received EUR1.8 billion in 2023 (EUR 2.0 billion in 2022) based on preliminary figures, or about 14% of its total revenue.

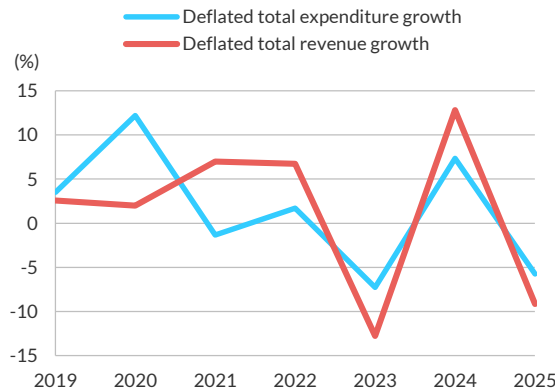
Expenditure Sustainability: Stronger

The Laender have a prudent record of control of operating expenditure (opex). The main spending items are related to education, science, security and infrastructure, which are counter-cyclical. In times of economic stress, anti-cyclical measures are carried out by the Bund.

The Laender have been applying cost-consolidation measures since 2010 to comply with the debt-brake rule starting in 2020. They have shown strong spending restraint since 2010 to keep opex growth below that of operating revenue. Cost-consolidation measures are subject to the supervision and control of the German Stability Board.

Saxony-Anhalt, in line with all Laender, has a close relationship with the Bund in time of crisis, most recently shown during the pandemic and with the refugee crisis. Additional burdens stemming from these issues have been largely covered by the Bund. As the supervisory bodies for their municipalities, the Laender received specific grants from the Bund, which they largely passed through to the municipalities as they are closest to the population. This means that even if expenditure increases due to such sudden needs, the additional burden is usually met by an adequate revenue stream.

**Real Total Expenditure and Revenue Growth**



Source: Fitch Ratings, State of Saxony-Anhalt

**Expenditure Breakdown, 2023**

	Operating expenditure (%)	Total expenditure (%)
Staff costs	27.4	22.9
Goods and services	11.5	9.6
Operating subsidies	60.7	50.7
Other operating expenditure	0.4	0.3
<b>Operating expenditure</b>	<b>100.0</b>	<b>83.5</b>
Interest expenditure	-	2.9
Capital expenditure	-	13.6
<b>Total expenditure</b>	<b>-</b>	<b>100.0</b>

Source: Fitch Ratings, Fitch Solutions, State of Saxony-Anhalt

**Expenditure Adjustability: Stronger**

The Laender have been legally obliged to run their budgets without taking on new net debt since 2020, which Fitch views as positive for expenditure adjustability. However, since the pandemic was declared as an extraordinary emergency situation (außergewöhnliche Notsituation) beyond the government's control, the additional debt load the Laender faced during 2020 and 2021 was not a breach of the debt brake rules.

The Laender have effective budget rules and have shown strong ability to limit expenditure growth ahead of the debt brake. They have a moderate share of inflexible spending items. Saxony-Anhalt has a good record of cost consolidation, despite its limited capex flexibility.

Personnel costs and transfers were 88.1% of opex in 2023, while capex was a low 13.6% of total spending. Operating revenue growth usually outpaces the growth of opex. For 2019-2023, operating revenue grew 3.2% on average, while opex rose 4%, but this was driven by the pandemic.

**Liabilities and Liquidity Robustness: Stronger**

The German Laender operate in a solid national framework for debt and liquidity management and show strict market discipline, which Fitch views as credit positive. As one of the largest subnational and frequent issuers, the Laender enjoy strong access to international capital markets, which allows the issuance of bonds in benchmark size.

In general, the German Laender also face large contingent liabilities in the form of debt guarantees on behalf of their development banks and former Landesbanken, and their largely unfunded pension liabilities. The risk stemming from the Laender's commitments to banks is mitigated by adequate assets and the conservative business profiles of their development banks. We do not consider Saxony-Anhalt as exposed to Landesbank debt, as it is only a minority shareholder (6.25%) of Norddeutsche Landesbank Girozentrale (A+/Stable/F1+).

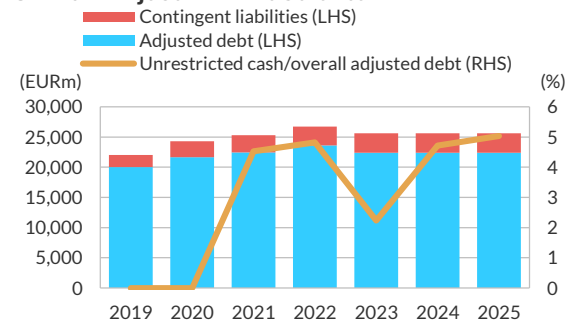
Saxony-Anhalt's total direct debt outstanding of EUR22.4 billion at end-2023 consisted of EUR22.2 billion of capital-market debt and EUR0.2 billion of Intergovernmental debt. In total, Saxony-Anhalt repaid about EUR1 billion of its direct debt in 2023. Due to the still relatively high interest rates from the ECB, the interest burden of the Laender is likely to rise, in contrast with the previous long period of reductions. This risk has been mitigated by the Laender extending their maturity profiles in most recent years.

Saxony-Anhalt's annual refinancing needs of about 10% of its debt reflect that the state frequently taps the capital market. The state's refinancing needs between 2024 and 2028 average about EUR1.8 billion, which makes its maturity profile fairly even. End-2023, 60% of its debt consisted of bonds, 40% of loans and no commercial paper notes were outstanding under the state's EUR2 billion CP programme. In 2023, the state issued its first Social Bond amounting to EUR500 million and with a maturity of 10 years.

The largest share of Saxony-Anhalt's debt is in euros, but there is also an established record of US dollar, sterling bond and Norwegian krone issues. Its foreign-currency issues are fully hedged and its floating-rate issues are hedged to a large extent. About 93% of Saxony-Anhalt's debt is not exposed to interest-rate risk.

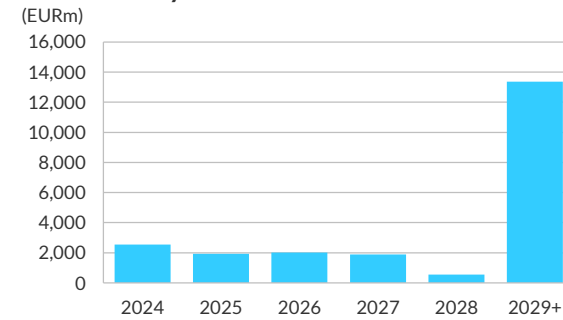
Saxony-Anhalt also has an EUR8 billion EMTN programme with issues outstanding between one and 30 years

Overall Adjusted Debt Structure



Source: Fitch Ratings, State of Saxony-Anhalt

Debt Maturity Profile



Source: Fitch Ratings, State of Saxony-Anhalt

Liabilities and Liquidity Flexibility: Stronger

The Laender operate in a strong framework for emergency liquidity support provided by the Bund with counterparty risk of 'AAA'. This established and active liquidity management system, together with the Laender's strong access to capital markets and corresponding strong refinancing capacity and appropriate treasury facilities, should prevent delays in the provision of liquidity and support.

The liquidity risk of a single Land is avoided through bilateral and mutual agreements linking all Laender and the Bund to support one another. Liquidity would only fail to be forthcoming for any given Land in the event of a complete federal breakdown, in which neither the Laender nor the Bund itself could provide liquidity.

All these liquidity provision facilities underline the strong financial support mechanism anchored in the German financial constitution, which requires the Bund and the Laender to support any single state in financial distress. This sub-factor is core to Fitch's rating approach for the Laender.

Debt Analysis

	2023
Fixed rate (% of direct debt)	92.5
Debt in foreign currency (% of direct debt)	4
Apparent cost of debt (%)	1.7
Weighted average life of debt (years)	10

Source: Fitch Ratings, State of Saxony-Anhalt

Liquidity

	2023
Total cash, liquid deposits and sinking funds	573
Restricted cash	0
Cash available for debt service	573
Undrawn committed credit lines	0

Source: Fitch Ratings, State of Saxony-Anhalt

Financial Profile Assessment

Financial Profile: 'a' Category

Financial Profile Score Summary

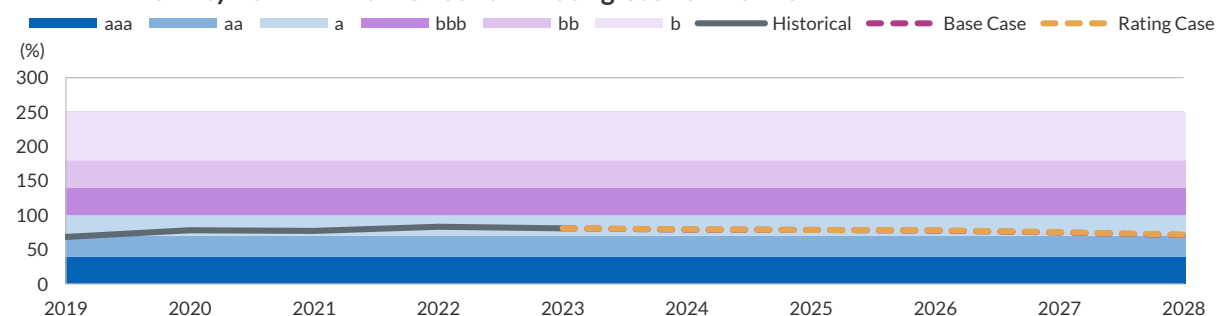
	Primary metric		Secondary metrics	
	Economic liability burden (%)	Payback ratio (x)	Coverage (x)	Fiscal debt burden (%)
aaa	X ≤ 40	X ≤ 5	X ≥ 4	X ≤ 50
aa	40 < X ≤ 70	5 < X ≤ 9	2 ≤ X < 4	50 < X ≤ 100
<b>a</b>	<b>70 &lt; X ≤ 100</b>	<b>9 &lt; X ≤ 13</b>	<b>1.5 ≤ X &lt; 2</b>	<b>100 &lt; X ≤ 150</b>
bbb	100 < X ≤ 140	13 < X ≤ 18	1.2 ≤ X < 1.5	150 < X ≤ 200
bb	140 < X ≤ 180	18 < X ≤ 25	<b>1 ≤ X &lt; 1.2</b>	200 < X ≤ 250
b	X > 180	X > 25	X < 1	X > 250

Note: Yellow highlights show metric ranges applicable to the issuer.  
Source: Fitch Ratings

Fitch classifies the German Laender as 'Type A' LRGs as the state has the ability to incur structural deficits and the Laender share some key attributes of sovereignty with the central government.

According to our rating case for 2028, Saxony-Anhalt’s economic liability burden (primary metric) is assessed at 71.8% (2023: 80.7%), which corresponds to the ‘a’ category, the debt payback ratio is assessed at 11.6x (‘a’ category), the synthetic debt service coverage at 1.1x (‘bb’) and the fiscal debt burden at 136.5% (‘a’). Overall, we assess Saxony-Anhalt’s financial profile in the ‘a’ category.

### Economic Liability Burden - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, State of Saxony-Anhalt

Fitch’s base-case scenario considers the assumptions that are primarily derived from economic data, including Fitch’s *Global Economic Outlook* and the *Germany* rating report as well as the issuer’s forecast. Fitch’s assumptions for cash flow in 2024-2028 are primarily based on economic data, in particular national nominal GDP growth and inflation forecasts.

Our rating-case is a “through-the cycle” scenario, which incorporates revenue stresses. It is based on 2019-2023 actual figures and 2024-2028 projected ratios. The rating case ends in 2028 and relies on the assumptions in the table below.

### Scenario Assumptions Summary

Assumptions	5-year historical average	2024 - 2028 average	
		Base case	Rating case
Operating revenue growth (%)	3.2	3.7	3.6
Tax revenue growth (%)	4.0	4.2	4.0
Current transfers received growth (%)	1.1	2.6	2.6
Operating expenditure growth (%)	4.0	3.0	3.0
Net capital expenditure (average per year; m)	-861	-669	-669
Apparent cost of debt (%)	1.5	2.0	2.0

Outcomes	2023	2028	
		Base case	Rating case
Economic liability burden (%)	80.7	71.2	71.8
Payback ratio (x)	19.1	10.7	11.6
Overall payback ratio (x)	21.9	12.5	13.5
Actual coverage ratio (x)	0.3	1.7	1.6
Synthetic coverage ratio (x)	0.7	1.2	1.1
Fiscal debt burden (%)	179.0	132.2	136.5

Source: Fitch Ratings, State of Saxony-Anhalt

Fitch’s net adjusted debt at end-2023 of EUR21.8 billion reflects Saxony-Anhalt’s direct debt less unrestricted cash. Saxony-Anhalt’s net adjusted debt considers its short- and long-term debt (EUR 22.2 billion), its intergovernmental debt (EUR 0.2 billion) and its unrestricted cash available (EUR0.6 billion).

In 2021, Saxony-Anhalt’s parliament had approved a special fund in relation to the pandemic, which amounted to about EUR 2 billion. However, following a ruling of the German constitutional court in November 2023 at the national level regarding the debt brake, multi-year debt allowances for special funds are not permitted. Therefore, Saxony-Anhalt’s parliament declared an ‘emergency situation’ for 2023 and 2024 due to inflation, the energy crisis and the Ukraine war, which allowed further drawdowns under the special fund, and repayments under this fund were delayed.

Saxony-Anhalt's net overall debt of EUR25.1 billion also includes the state's issued guarantees (2023: EUR3.2 billion), the debt of its majority-owned government-related entities and other contingent liabilities (EUR44 million). Fitch sees low risk stemming from Saxony-Anhalt's contingent liabilities.

## SCP Positioning and Peer Comparison

### Analytical Outcome Guidance

Risk Profile	Financial profile					
	aaa or aa	a	bbb	bb	b	
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
<b>Suggested analytical outcome (SCP)</b>	<b>aaa</b>	<b>aa</b>	<b>a</b>	<b>bbb</b>	<b>bb</b>	<b>b</b>

Source: Fitch Ratings

Fitch publicly rates 11 German states, of which one has an SCP at 'aaa', five have SCPs at 'aa+', three at 'aa', one at 'aa-' and one at 'a'.

Saxony-Anhalt's closest peers are the States of Berlin and Schleswig-Holstein, whose economic liability burdens (at 68.9% and 69.0%, respectively) are close to Saxony-Anhalt's (71.8%). They also have SCPs of 'aa'.

	Risk Profile	Financial Profile Score	SCP	Rating floor	LT IDR
State of Saxony-Anhalt	Stronger	a	aa	AAA	AAA/Stable
State of Schleswig-Holstein	Stronger	a	aa	AAA	AAA/Stable
State of Berlin	Stronger	a	aa	AAA	AAA/Stable
State of Hamburg	Stronger	aa	aaa	AAA	AAA/Stable
State of North Rhine-Westphalia	Stronger	a	aa+	AAA	AAA/Stable
State of Saarland	Stronger	a	aa-	AAA	AAA/Stable
State of Bremen	Stronger	bbb	a	AAA	AAA/Stable

Source: Fitch Ratings

## Long Term Rating Derivation

### From SCP to LT IDR: Factors Beyond the SCP

SCP	Sovereign LT FC IDR	Support			Rating Cap	Leeway above Sovereign (notches)	LT FC IDR
		Intergovern. Financing	Ad hoc Support	Floor			
aa	AAA	-	-	AAA	-	-	AAA

Source: Fitch Ratings, State of Saxony-Anhalt

The German Laender's 'AAA' IDRs are linked to the rating of the Bund. The SCP of Saxony-Anhalt is assessed at 'aa'. This reflects a combination of a 'Stronger' risk profile and a financial profile of 'a'.

Saxony-Anhalt's IDRs are driven by the stability of the solidarity system that underpins its creditworthiness, irrespective of the KRFs and financial profile assessment.

The solidarity system is enshrined in the German constitution and reflects the institutional framework of the Laender. According to the German constitution, all member states of the federal republic are jointly responsible for supporting a Land in financial distress. If a Land experiences 'extreme budgetary hardship', it is entitled to financial assistance from all other Laender and the Bund. This principle has been reaffirmed by the constitutional courts on more than one occasion in the past, most recently in 2006.



## Short Term Rating Derivation

Saxony-Anhalt's Short-Term IDRs of 'F1+' are consistent with the state's Long-Term IDRs of 'AAA'.

## National Ratings

Not applicable.

## Transaction and Securities

Saxony-Anhalt's long- and short-term senior unsecured ratings of 'AAA' and 'F1+' are in line with its Long- and Short-Term IDRs, respectively.

## ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## Appendix A: Financial Data

### State of Saxony-Anhalt

(EURm)	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
<b>Fiscal Performance</b>										
Taxes	7,281	7,014	7,730	8,885	8,571	8,948	9,139	9,634	10,060	10,422
Transfers received	3,217	3,267	3,399	3,795	3,405	5,090	3,652	3,749	3,769	3,869
Fees, fines and other operating revenues	155	534	594	475	226	216	461	259	156	256
Operating revenue	10,653	10,816	11,722	13,155	12,201	14,254	13,251	13,642	13,985	14,547
Operating expenditure	-9,083	-10,465	-10,573	-11,403	-11,055	-11,892	-12,153	-12,459	-12,770	-12,839
Operating balance	1,571	351	1,150	1,752	1,147	2,362	1,098	1,183	1,214	1,708
Interest revenue	-2	0	0	0	56	6	6	6	6	6
Interest expenditure	-356	-327	-333	-273	-380	-404	-404	-448	-493	-516
Current balance	1,213	24	816	1,479	823	1,965	701	741	728	1,199
Capital revenue	662	639	808	970	882	1,083	996	905	886	888
Capital expenditure	-1,650	-1,559	-1,553	-1,706	-1,797	-2,410	-1,616	-1,512	-1,382	-1,182
Capital balance	-989	-920	-745	-736	-915	-1,327	-620	-607	-496	-294
Total revenue	11,314	11,455	12,531	14,125	13,139	15,343	14,254	14,553	14,877	15,441
Total expenditure	-11,089	-12,351	-12,459	-13,382	-13,231	-14,705	-14,173	-14,419	-14,646	-14,536
Surplus (deficit) before net financing	224	-896	71	743	-93	638	81	134	232	905
New borrowing	3,242	4,726	6,493	1,256	3,261	2,545	1,936	2,023	1,896	545
Debt repayment	-3,324	-4,209	-4,397	-2,032	-4,202	-2,545	-1,936	-2,023	-1,896	-545
Net direct debt movement	-82	517	2,097	-776	-941	0	0	0	0	0
Overall results	142	-379	2,168	-33	-1,034	638	81	134	232	905
<b>Debt and Liquidity</b>										
Short-term debt	0	798	186	1,172	0	1,936	2,023	1,896	545	1,935
Long-term debt	19,963	20,438	21,897	22,097	22,190	20,254	20,167	20,294	21,645	20,255
Intergovernmental debt	0	252	218	214	229	229	229	229	229	229
Direct debt	19,963	21,488	22,302	23,483	22,419	22,419	22,419	22,419	22,419	22,419
Other fitch-classified debt	78	155	142	142	0	0	0	0	0	0
Adjusted debt	20,041	21,642	22,444	23,625	22,419	22,419	22,419	22,419	22,419	22,419
Guarantees issued (excluding adjusted debt portion)	1,885	2,571	2,770	2,997	3,172	3,172	3,172	3,172	3,172	3,172
Majority-owned GRE debt and other contingent liabilities	115	115	115	115	44	44	44	44	44	44
Overall adjusted debt	22,042	24,328	25,328	26,737	25,635	25,635	25,635	25,635	25,635	25,635
Total cash, liquid deposits, and sinking funds	0	0	1,146	1,291	573	1,211	1,291	1,426	1,657	2,562
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	0	0	1,146	1,291	573	1,211	1,291	1,426	1,657	2,562
Net adjusted debt	20,041	21,642	21,298	22,334	21,846	21,208	21,128	20,993	20,762	19,857
Net overall debt	22,042	24,328	24,182	25,446	25,062	24,424	24,344	24,209	23,978	23,073
Enhanced net adjusted debt	20,041	21,390	21,080	22,120	21,617	20,979	20,899	20,764	20,533	19,628
Enhanced net overall debt	22,042	24,076	23,964	25,232	24,833	24,195	24,115	23,980	23,749	22,844

rc - rating case

Source: Fitch Ratings, Fitch Solutions, State of Saxony-Anhalt

## Appendix B: Financial Ratios

### State of Saxony-Anhalt

	2019	2020	2021	2022	2023	2024rc	2025rc	2026rc	2027rc	2028rc
<b>Fiscal Performance Ratios</b>										
Operating balance/operating revenue (%)	14.7	3.3	9.8	13.3	9.4	16.6	8.3	8.7	8.7	11.7
Current balance/current revenue (%)	11.4	0.2	7.0	11.2	6.7	13.8	5.3	5.4	5.2	8.2
Operating revenue growth (annual % change)	2.3	1.5	8.4	12.2	-7.3	16.8	-7.0	3.0	2.5	4.0
Operating expenditure growth (annual % change)	0.1	15.2	1.0	7.9	-3.1	7.6	2.2	2.5	2.5	0.5
Surplus (deficit) before net financing/total revenue (%)	2.0	-7.8	0.6	5.3	-0.7	4.2	0.6	0.9	1.6	5.9
Surplus (deficit) before net financing/GDP (%)	0.4	-1.4	0.1	1.0	-0.1	0.8	0.1	0.2	0.3	1.0
Total revenue growth (annual % change)	2.6	1.3	9.4	12.7	-7.0	16.8	-7.1	2.1	2.2	3.8
Total expenditure growth (annual % change)	3.5	11.4	0.9	7.4	-1.1	11.1	-3.6	1.7	1.6	-0.8
<b>Debt Ratios</b>										
<b>Primary Metrics</b>										
Economic liability burden (%) - Not relevant for type B LRGs	68.6	78.0	77.4	83.3	80.7	79.4	78.7	78.3	75.3	71.8
Enhanced economic liability burden (%)	68.6	77.6	77.1	83.0	80.5	79.1	78.5	78.1	75.1	71.5
<b>Secondary Metrics</b>										
Payback ratio (x) (Net adjusted debt to operating balance)	12.8	61.7	18.5	12.7	19.1	9.0	19.2	17.7	17.1	11.6
Overall payback ratio (x)	14.0	69.3	21.0	14.5	21.9	10.3	22.2	20.5	19.7	13.5
Fiscal debt burden (%) (Net Debt-to-operating revenue)	188.1	200.1	181.7	169.8	179.0	148.8	159.4	153.9	148.5	136.5
Synthetic debt service coverage ratio (x)	1.0	0.2	0.7	1.1	0.7	1.5	0.7	0.7	0.7	1.1
Actual debt service coverage ratio (x)	0.4	0.1	0.2	0.8	0.3	0.8	0.5	0.5	0.5	1.6
<b>Other Debt Ratios</b>										
Liquidity coverage ratio (x)	0.4	0.1	0.2	1.3	0.5	1.0	1.0	1.0	1.1	3.2
Direct debt maturing in one year/total direct debt (%)	-	10.4	5.3	5.0	11.4	8.6	9.0	8.5	2.4	8.6
Direct debt (annual % change)	-0.5	7.6	3.8	5.3	-4.5	0.0	0.0	0.0	0.0	0.0
Apparent cost of direct debt (interest paid/direct debt) (%)	1.8	1.6	1.5	1.2	1.7	1.8	1.8	2.0	2.2	2.3
<b>Revenue Ratios</b>										
Tax revenue/total revenue (%)	64.4	61.2	61.7	62.9	65.2	58.3	64.1	66.2	67.6	67.5
Current transfers received/total revenue (%)	28.4	28.5	27.1	26.9	25.9	33.2	25.6	25.8	25.3	25.1
Interest revenue/total revenue (%)	0.0	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0
Capital revenue/total revenue (%)	5.9	5.6	6.5	6.9	6.7	7.1	7.0	6.2	6.0	5.8
<b>Expenditure Ratios</b>										
Staff expenditure/total expenditure (%)	23.8	22.2	22.3	21.5	22.9	-	-	-	-	-
Current transfers made/total expenditure (%)	48.1	53.3	58.5	49.9	50.7	-	-	-	-	-
Interest expenditure/total expenditure (%)	3.2	2.7	2.7	2.0	2.9	2.7	2.9	3.1	3.4	3.6
Capital expenditure/total expenditure (%)	14.9	12.6	12.5	12.8	13.6	16.4	11.4	10.5	9.4	8.1

rc - rating case

Source: Fitch Ratings, Fitch Solutions, State of Saxony-Anhalt

## **Appendix C: Data Adjustments**

### **Net Adjusted Debt Calculations**

Saxony-Anhalt's net adjusted debt considers its short- and long-term debt, its intergovernmental as well as its unrestricted cash available.

### **Synthetic Coverage Calculation**

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess the debt sustainability of the German states' LRGs.

### **Specific Adjustments**

None.

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