



# SACHSEN-ANHALT

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Federal State of Saxony-Anhalt

€2,000,000,000

Zero Coupon State Treasury Note Programme  
(*Unverzinsliche Landesschatzanweisungen*)

## Arranger

Deutsche Bank Aktiengesellschaft

## Dealers

Barclays

BofA Merrill Lynch

Citibank International plc

Commerzbank Aktiengesellschaft

Deutsche Bank Aktiengesellschaft

ING

Landesbank Baden-Württemberg

The Royal Bank of Scotland

UBS Investment Bank

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This Information Memorandum is prepared for the use of professional investors only.

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## Summary Terms of the Programme

<b>Issuer:</b>	Federal State of Saxony-Anhalt
<b>Arranger:</b>	Deutsche Bank Aktiengesellschaft
<b>Dealers:</b>	Banc of America Securities Limited Barclays Bank PLC Citibank International plc Commerzbank Aktiengesellschaft Deutsche Bank Aktiengesellschaft ING Bank N.V. Landesbank Baden-Württemberg The Royal Bank of Scotland plc UBS Limited
<b>Issuing and Paying Agent:</b>	Deutsche Bank Aktiengesellschaft
<b>Programme Amount:</b>	The aggregate principal amount of Notes outstanding will not exceed €2,000,000,000. The Programme Amount may be increased from time to time in accordance with the Dealer Agreement.
<b>Currencies:</b>	Subject to any applicable legal or regulatory restrictions and requirements of relevant central banks, Notes may be denominated in Euro, U.S. Dollars, Sterling, Japanese Yen or any currency agreed by the State and the relevant Dealer.
<b>Currency Related Restrictions:</b>	Any issue of Notes denominated in a currency in respect of which particular laws, regulations and requirements apply will only be issued in circumstances which comply with such laws, regulations and requirements from time to time.
<b>Term:</b>	The Notes shall have a term of not more than two years minus one day. The term of the Notes shall be calculated from the settlement day (inclusive) until the maturity date (exclusive).
<b>Status of the Notes:</b>	Unsecured and unsubordinated, ranking pari passu without any preference among themselves and at least pari passu with all other unsubordinated obligations of the Issuer, present and future, save for obligations preferred by mandatory provisions of law.
<b>Issue of Notes:</b>	Notes may be issued in series in an aggregate amount of not less than €1,000,000 (or its equivalent in other currencies, rounded up to the next amount customary in the market). Notes comprised in a series shall have identical terms.
<b>Form of Notes:</b>	The Notes may be represented as follows:  by registration with the debt register of the Issuer in book-entry form in favour of the Clearing System or, if necessary, in favour of a depositary for the Clearing System, or  by a global note.  The issuance of definitive Notes and single registrations in book-entry

form are excluded.

**Settlement of Notes:**

The Notes have a value date of at least two bank business days. Delivery of Notes: The Notes will be transferred pursuant to the applicable provisions of Clearstream Banking AG, Frankfurt, and, outside the Federal Republic of Germany, of Euroclear Bank SA/NV or of Clearstream Banking, Luxembourg, société anonyme.

**Ratings:**

Standard & Poor's Ratings Services: A-1 +.

Moody's Investors Service, Inc.: P-1.

Fitch Ratings: F1 + (senior notes having a term of not more than one year) and AAA (senior notes having a term above one year and not more than two years minus one day).

## Summary of Conditions of Issue

- Denomination:** The initial minimum denominations for the Notes are €500,000, U.S.\$500,000, £100,000, or ¥100,000,000, or an integral multiple thereof. The minimum denominations of Notes denominated in other currencies will be in accordance with any applicable legal and regulatory requirements.
- Redemption:** The State shall redeem the Notes at their principal amount on the specified date and in any event at an amount of not less than £100,000 (or its equivalent in an alternative currency) unless permitted by all applicable laws.
- Interest:** The Notes will be issued on a discount basis. There will be no periodic payments of interest.
- Taxation:** All payments on the Notes shall be made after deduction and withholding of all taxes, duties or official charges ("Withholding Taxes") of any kind which the State should be required by applicable law to withhold or deduct from any such payment. The State will account for Withholding Taxes deducted or withheld with the appropriate fiscal authorities. The State is not obliged to pay any additional amounts in order to compensate any Withholding Taxes.
- Clearing System:** Clearing System means Euroclear Bank SA/NV, Clearstream Banking, Luxembourg, société anonyme, Clearstream Banking AG, Frankfurt or any other clearing system agreed between the State, the Issuing Agent and the Paying Agent and the respective Dealer.
- Governing Law:** The Notes shall be governed by German law.

# FEDERAL STATE OF SAXONY-ANHALT

## History and Politics

The Federal State of Saxony-Anhalt (the "State" or "Saxony-Anhalt") is one of the Federal States of the Federal Republic of Germany (the "Federal Republic" or "Germany"). The Federal Republic was founded on 24 May 1949 when its constitution, codified in the *Grundgesetz* (the "Constitution"), took effect. Following its reunification with the former German Democratic Republic (the "GDR") on 3 October 1990, the Federal Republic now consists of 16 Federal States comprising the 11 initial Federal States of the Federal Republic of Germany and the five new Federal States, including Saxony-Anhalt (as well as East Berlin), within the territory of the former GDR.

Saxony-Anhalt was formed in 1946 by combining the former Prussian provinces of Magdeburg and Merseburg-Halle with the Free State of Anhalt. However, in the wake of the administrative reform implemented in the former GDR in 1952, Saxony-Anhalt was divided into the two districts of Magdeburg and Halle. After the German reunification in 1990, this division was abolished and Saxony-Anhalt was created as one of the Federal Republic's 16 Federal States, and as a parliamentary democracy.

Germany has a federal structure. However, the most important areas of legislation are delegated by the Constitution to the Parliament of the Federal Republic. Nevertheless, the legislative, administrative and judicial powers of the Federal States, including Saxony-Anhalt, are considerable.

The Federal States have the authority to legislate in the areas of, for example, education, culture and law enforcement. In addition, they are vested with the authority to execute all state laws and, subject to the supervision of the Federal authorities, most of the Federal laws of Germany.

## Territory and Population

Saxony-Anhalt is located in central Germany. It borders in the north-west on Lower Saxony, in the east on Brandenburg, in the south-west on Thuringia and in the south-east on Saxony. Among the 16 Federal States, Saxony-Anhalt ranks eighth in terms of total area and eleventh in terms of population. Saxony-Anhalt encompasses an area of 20,447 square kilometres and had 2.3 million inhabitants as of 31 July 2012, *i.e.*, a population density of 114 inhabitants per square kilometre.

Magdeburg with a population of 232,660 as of 31 December 2012, is the largest city, the state capital and seat of the State Government. Halle has a population of 231,080 as of 30 September 2012.

## Infrastructure

Due to the opening of the borders between Eastern and Western Europe in 1989, Saxony-Anhalt moved from a peripheral position to the centre of the European nations. All the major European conurbations are situated within a range of 1,000 kilometres of the State. Important traffic connections such as the A2 motorway which runs from east to west and the A9 motorway which runs from north to south run through Saxony-Anhalt. In addition, there is a motorway connection between the two largest cities in Saxony-Anhalt, the A14 from Magdeburg to Halle.

Saxony-Anhalt also has an important inland shipping infrastructure. The river Elbe, crossing Saxony-Anhalt from the south-east to the north-west, is one of the major water routes in Central Europe and the most important connection to the international port of Hamburg. It is linked with the *Mittellandkanal* to the West and through the *Elbe-Havel-Kanal* to the river Havel to the east.

Furthermore, Saxony-Anhalt has an extensive railway system and east of Halle the Leipzig-Halle International Airport.



## **The Economy**

### *General*

The opening of the East German and Eastern European markets to products from western industrialized countries in 1989 had an adverse impact on Saxony-Anhalt's economy. During the Cold War, Saxony-Anhalt accounted for a substantial portion of the former GDR's industrial production. The State served as the principal centre for chemical production and mechanical engineering products for all the Soviet block countries. During that time, these industries were also the State's core industries. With the end of the Cold War, Saxony-Anhalt's industries abruptly lost their traditional core markets in Eastern Europe. At the same time, many of the State's enterprises could not compete effectively with the more advanced industries of the West and had to close or reduce operations, which resulted in heavy job losses. In addition, the chemical industry had created substantial environmental contamination.

Beginning with the German reunification, Saxony-Anhalt commenced a process of fundamentally restructuring its economy, which has already led to positive results and is continuing. The State Government believes that in the medium and long-term, the fundamental restructuring of the economy should result in further improvement of competitiveness, sustainable growth and reduction of the State's high rate of unemployment.

Initially, a key element in the State's restructuring policy involved successful efforts to preserve an industrial core in the State's traditional industries, particularly in the chemical industry, by providing subsidies for modernizing old production facilities and by promoting the establishment of new enterprises. In recent years, the State's focus has shifted to promoting the establishment and growth of smaller and medium-size enterprises that do not operate in the State's traditional industries, including growth industries such as telecommunications, services and biotechnology. In addition to that, the State still provides subsidies for the clean-up of contaminated industrial areas.

The restructuring of the State's economy has involved substantial capital expenditure by the State to develop a modern infrastructure, including the construction of an international airport near the city of Halle, the modernization of the State's railway system, the on-going construction of an extensive system of motorways and supraregional major roads and the state-of-the-art telecommunications network.

The State's restructuring programme has already improved the competitive position of Saxony-Anhalt's industry in various economic sectors, including service and manufacturing. These sectors are expanding and have contributed significantly to the growth of the State's gross domestic product. In contrast to the favourable development in the manufacturing and service sector, the construction sector has declined significantly since 1998. This is due to the completion of numerous public construction projects and to the expected consolidation in private construction work to a normal level comparable to some western German States after the construction boom (private construction demand such as housing) following reunification.

### *Enterprise Structure*

The structure of private enterprises in Saxony-Anhalt is essentially the result of the special economic history of the new Federal States.

75 % of the companies founded after 1990 were either newly established or founded by management-buy-outs or privatizations of former state-owned companies.

This influenced the size structure as well. Most private enterprises are small and medium sized companies. The share of small companies is higher than in the western Federal States with a share of about 90 %, concerning companies with an annual turnover up to EUR 1 million. About 8 % are medium-sized with a turnover between EUR 1 million and EUR 5 million; just 2 % exceed a turnover of more than EUR 5 million. Like in all eastern Federal States there are few big companies or

enterprise headquarters in Saxony-Anhalt. In general, this structure is also valid for the manufacturing sector with shares of nearly 81 % in small and 14 % in medium sized companies.

#### Gross Domestic Product

In 2011, Saxony-Anhalt generated EUR 51,9 billion, or 2.0 % of Germany's Gross Domestic Product ("GDP") at current prices. The State's GDP (at current prices) per capita in 2011 was EUR 22,336 as compared to EUR 31,459 for Germany as a whole in the same year.

The following table shows the GDP of Saxony-Anhalt and Saxony-Anhalt's share of the GDP of Germany and of the Eastern Federal States at current prices for each of the years indicated.

#### Development of Saxony-Anhalt's GDP

	2006	change in % <sup>(1)</sup>	2007	change in % <sup>(1)</sup>	2008	change in % <sup>(1)</sup>	2009	change in % <sup>(1)</sup>	2010	change in % <sup>(1)</sup>	2011	change in % <sup>(1)</sup>
At current market prices (bn of EUR)	49.3	4.0	51.6	4.8	50.6	-1.9	48.3	-4.5	49.8	3.1	51.9	4.2
Saxony-Anhalt's share of total German GDP (at current market prices)	2.1		2.1		2.0		2.0		2.0		2.0	

(<sup>1</sup>) in comparison to the previous year

Source: Statistisches Landesamt Sachsen-Anhalt (Statistical Office of Saxony-Anhalt).

For the first half of the year 2012 Saxony-Anhalt shows an economic growth rate of 2.1 %, compared to 2.3 % for Germany. The following table shows the GDP per number of employees in Saxony-Anhalt and Germany.

#### GDP(<sup>1</sup>) per Number of Employees in Saxony-Anhalt and Germany

	2006	2007	2008	2009	2010	2011
	(thousands of EUR)					
Saxony-Anhalt	49.5	51.2	49.8	47.8	49.2	51.3
Germany	59.5	61.2	61.3	58.8	61.1	62.6

(<sup>1</sup>) GDP is measured as GDP at current prices.

Source: Statistical Offices of the Federal States of Germany.

GDP per employee increased by 4.4 % in 2011 compared to 2010. But the State's lower rate of productivity compared to the Western Federal States is still caused by several factors mainly related to the specific economic structure as described above. Consequences with a limiting effect on productivity are a lower level of fixed assets available to Saxony-Anhalt's enterprises and strong pricing pressures. Most enterprises are engaged in markets that are mainly based on price competition. A lot of them undertake – voluntarily or in absence of an alternative – low-price strategies to gain or to strengthen a solid market position.

In total, the productivity of Saxony-Anhalt had a strong above average growth since reunification. In the years 1991 to 2011, the productivity of Saxony-Anhalt (GDP at current market prices per employee) increased from 40 % to 82 % of the national average.

#### *Economic Sectors*

The following table sets forth the Gross Value Added (at current prices) by sector of the economy in Saxony-Anhalt and Germany as a whole during each of the years indicated:

#### **Gross Value Added (GVA) in Saxony-Anhalt and in Germany**

	2006	2007	2008	2009	2010	2011
	(%)					
<b>Saxony-Anhalt</b>						
Agriculture, forestry and fishing	1.4	1.9	2.4	1.8	2.2	2.4
Production (without construction)	23.7	25.3	27.0	24.8	26.0	27.2
thereof manufacturing ( <i>verarbeitendes Gewerbe</i> )	19.7	20.9	21.4	18.3	19.7	21.1
Construction	5.5	5.7	6.1	6.7	5.3	6.6
Commerce, tourism and transportation	19.2	18.2	19.0	18.8	18.6	n.a. <sup>(1)</sup>
Financial institutions, real estate and business related services	21.4	21.6	20.1	20.8	20.6	19.9
Public and private services	28.8	27.3	27.1	29.3	28.5	n.a. <sup>(1)</sup>
<b>Germany</b>						
Agriculture, forestry and fishing	0.8	1.0	0.9	0.8	0.8	1.0
Production (without construction)	25.9	26.4	25.9	23.4	24.7	25.6
Construction	3.9	4.0	4.2	4.5	4.3	4.4
Commerce, tourism and transportation	17.6	17.3	17.8	17.5	17.2	n.a. <sup>(1)</sup>
Financial institutions, real estate and business related services	29.3	29.3	27.4	28.3	28.0	27.5
Public and private services	22.5	22.0	22.2	24.1	23.6	n.a. <sup>(1)</sup>

<sup>(1)</sup> not available

*Source: Statistical Offices of the Federal States: Gross Domestic Product, Gross Value Added and personal costs per economic sector from 1991 until 2011.*

The production sector, especially the manufacturing sector, the commerce, tourism and transportation sector and financial institutions, real estate and business related services, regarded as one sector, were the most dynamic sectors of the State's economy since 1995. These sectors are mainly responsible for GDP growth in Saxony-Anhalt.

The construction sector has been consolidated with a total share around 6.2 % GVA between 2006 and 2011. *Manufacturing.* The Gross Value Added of the manufacturing sector increased by 7 % in 2011 compared to 2010. This growth was due to the increased competitiveness of Saxony-Anhalt's

manufacturing enterprises and the increase in exports in the manufacturing sector.

The most important segments of the manufacturing sector within the State are food, chemicals, and metal processing and manufacturing. The **food industry** contributed around 16 % of the total turnover of Saxony-Anhalt's manufacturing sector in the last years more than any other segment of the economy within the State. The significant economic contribution of the food industry is due to the presence of several large businesses in processing agricultural products, as well as a large brewery and a large sparkling wine producer. In this segment the productivity, as measured by revenue per employee, is above the German average.

The **chemical industry** has traditionally been of great importance in Saxony-Anhalt. In the so-called "chemical-triangle" encompassing Halle, Bitterfeld and Merseburg, synthetic fibre was first developed and the first colour film was produced, among many other achievements. After reunification there was a substantial restructuring in the chemical industry and as a part of the State's economic programme new state-of-the-art production sites were built. As a result the chemical industry in Saxony-Anhalt has continued to improve its competitive position. Also, the productivity, as measured by revenue per employee, is above the German average.

The **metal processing and metal manufacturing industry** consists primarily of medium-sized and smaller enterprises engaged in processing metals and manufacturing metal products, such as light metals for the automobile industry. This sector amounted to 9 % of the total turnover of Saxony-Anhalt's manufacturing sector in 2011.

*Services.* The private and public services sectors' contribution to the Gross Value Added has decreased continuously since 1995. Since the share of the private service is comparatively low, this decrease is due to the planned staff reduction and the stabilization and decrease in costs of materials in the public sector.

*Financial Institutions, Real Estate and Business Related Services.* In 2011, the sector "financial institutions, real estate and business related services" contributed around 20 % of Saxony-Anhalt's Gross Value Added which is considerably below the average of Germany as a whole (in 2011, the share of this sector in Germany in the Gross Value Added was approximately 28 %). However, since 1990 this sector has taken a leading role in the development of the economic growth within the State. In the first half of the nineties the highest growth rates could be obtained in particular in this sector as well as in the construction sector, mainly due to the real estate sector and business related services. Besides the growth in the real estate sector, the significant growth in business related services reflects the structural change which has taken place in Saxony-Anhalt since 1990. In the second half of the nineties, the financial institutions, together with business related services, contributed mainly to the growth of the GDP of the State. In 2010, this sector slightly decrease in Saxony-Anhalt as well as in Germany as a whole compared to 2010 (-3.4 % resp. -1.8 %).

*Tourism.* Saxony-Anhalt offers a variety of scenic and cultural attractions. The state has extensive nature reserves such as the Saale-Unstrut valley as well as the *Hochharz National Park*, which is appealing for hiking, sightseeing and relaxing and has become increasingly famous. A place of cultural interest is the "Street of Romanesque"; it consists of two round trips starting in Magdeburg and leads to the most important romanesque buildings in the State. Other touristic highlights are the "Martin Luther" memorial sites of Eisleben and Wittenberg, which, together with the Bauhaus in Dessau and the city of Quedlinburg, have been declared world heritage sites by the UNESCO, and the Händel Festival in Halle.

#### *Exports and Imports*

In 2011, Saxony-Anhalt exported goods worth EUR 14.7 billion in total outside of Germany. Exports steadily increased with a growth rate of 23 % in 2010 and with a growth rate of 17 % in 2011.

The following tables provide information concerning the exports and imports of Saxony-Anhalt for each of the years indicated.

### Saxony-Anhalt's Exports and Imports

	2006 <sup>(2)</sup>	2007 <sup>(2)</sup>	2008 <sup>(2)</sup>	2009	2010	2011
	(millions of EUR)					
Total exports	9,904	11,329	12,81	10,277	12,604	14,731
Total imports	9,357	10,811	11,802	9,239	12,183	14,884

(<sup>1</sup>) Preliminary data.

(<sup>2</sup>) Including the product group returned goods and replacements as of the year 2003.

Source: Statistical Office of Saxony-Anhalt.

### Saxony-Anhalt's Exports and Imports by Type of Goods

Type of Goods	Exports	Imports	Exports	Imports	Exports	Imports	Exports	Imports
	2008	2008	2009	2009	2010 ( <sup>1</sup> )	2010 ( <sup>1</sup> )	2011 ( <sup>1</sup> )	2011 ( <sup>1</sup> )
	(in %)							
Finished Goods	70	42	67	42	69	42	69	41
Raw Materials	3	37	3	37	4	38	5	39
Partially Finished Goods	11	10	13	9	12	10	14	10
Food Economy	10	6	13	6	12	6	12	6

(<sup>1</sup>) Preliminary data.

Source: Statistical Office of Saxony-Anhalt.

In 2011, approximately 81 % (2010: 80%) of the State's exports went to member countries of the European Union.

#### Investments

Since 1997, the State has had the highest amount of investment by foreign businesses of all of the Eastern *Federal States*. International companies have invested in the development of the State's chemical industry. Significant investments have also been made in metal-working industry, glass industry, food industry and biotechnology industries. Additional private investment projects, that are expected to improve the State's future economic performance, have recently been completed. An agency, the Investment and Marketing Company Saxony-Anhalt mbH (*Investitions- und Marketinggesellschaft Sachsen-Anhalt mbH*) (IMG), aims to attract other German and foreign investors to Saxony-Anhalt. The State's efforts to promote investments have focused on the following sectors: chemical industry, biotechnology, pharmaceuticals, automotives, food industry and services, including tourism.

#### Wages

Prices in Saxony-Anhalt track the general trend in Germany as a whole. Following initial price increases due to conditions brought about by the reunification of Germany, German inflation has been low. In 2004–2011 the average gross yearly employees' earnings in Saxony-Anhalt were as follows:

## Average Gross Yearly Earnings of Employees

	2004	2005	2006	2007	2008	2009	2010	2011
	(in EUR)							
	21,020	21,247	21,500	21,660	22,340	22,583	23,005	n.a.

Source: Statistical Offices of the Federal States.

### Employment and Labour

As it is the case throughout the Eastern Federal States, unemployment in Saxony-Anhalt is significantly higher compared to the Western Federal States.

### Unemployment<sup>(1)</sup>

	2006	2007	2008	2009	2010	2011	2012
<b>Saxony-Anhalt</b>							
Unemployment (in thousands)	231.9	201.2	174.5	167.6	151.2	139.2	132.4
Unemployment rate (in %)	18.3	15.9	13.9	13.6	12.5	11.6	11.2
<b>Germany</b>							
Unemployment rate (in %)	10.8	9.0	7.8	8.2	7.7	7.1	6.7
<b>Eastern Federal States</b>							
Unemployment rate (in %)	17.3	15.1	13.1	13.0	12.0	11.3	10.3

<sup>(1)</sup> Unemployment figures are calculated as the number of registered unemployed persons as a percentage of the number of the civil wage and salary earners, averaged on a monthly basis.

Source: Federal Labour Agency, Statistical Office of Saxony-Anhalt.

From 2006 to 2012 Saxony-Anhalt reduced the rate of unemployment significantly from 20.2 % to 11.2 %. This is due to the successful process of fundamental restructuring. The rate of unemployment is yet high compared to the average rate of 6.7 % in the Federal Republic.

### Public Finance

#### General

Saxony-Anhalt has an annual State budget separate from the annual budget of the Federal Government. Generally, expenditures by Saxony-Anhalt are permitted only if they are explicitly provided for in the budget or if they relate to one of the special programmes receiving separate funding (*Sondervermögen*) from the State. The fiscal year for the State budget is the calendar year. The State Budgetary Regulation (*Landeshaushaltsordnung*) allows for the State budget to be drafted either each year for the next year or every second year for the two following years (*Doppelhaushalt*). The State budget is drafted by Saxony-Anhalt's Ministry of Finance and submitted to the State Parliament of Saxony-Anhalt for approval. The budget becomes binding law once the State Parliament passes the budget proposal with a simple majority. In the event that the basis for the budget calculation changes significantly during the budget period, the State Ministry of Finance prepares a supplementary budget, which has to be approved by the State Parliament to become binding.

Saxony-Anhalt's Ministry of Finance is also required by law (*Gesetz über die Grundsätze des Haushaltsrechts* and *Gesetz zur Förderung der Stabilität und des Wachstums der Wirtschaft and Landeshaushaltsordnung*) to prepare a Medium-Term Financial Plan for presentation to the State Parliament at the same time the budget is submitted to the State Parliament. Based on forecast figures from the State ministries, the Medium-Term Financial Plan sets forth the projected expenditures for the current and next four fiscal years that the State Government of Saxony-Anhalt anticipates will be necessary. It also contains information on the sources of funds to meet those expenditures, and describes how the projected budgetary development will fit into the projected development of the economy as a whole. The Medium-Term Financial Plan does not require the approval of the State Parliament. The plan is designed to assist the State Government in drafting the annual State budget and any supplementary budget, and the State Parliament in enacting the budget and any supplementary budget proposals. The Medium-Term Financial Plan describes the State Government's fiscal and budgetary policies and priorities. The plan is adjusted periodically as the State's actual revenues and expenditures become available for a given year, changes to the Federal and State tax laws and horizontal and vertical funding programmes are enacted, and the economies of the State and the Federal Republic develop.

The appropriations in the State budget are administered by the State's ministries under the supervision of the Ministry of Finance, with additional review by the General Accounting Office (*Landesrechnungshof*) of Saxony-Anhalt, an agency organized under public law. The General Accounting Office is strictly separated from the State Government and is only responsible to the State Parliament.

As the following table shows, Saxony-Anhalt depends on tax revenues and financial contributions from the other *Federal States* and from the Federal Government to fund its expenditures.

#### Revenues and Expenditures 2006 – 2011 <sup>(1)</sup>

	2006	Share <sup>(2)</sup>	2007 <sup>(4)</sup>	Share <sup>(2)</sup>	2008 <sup>(4)</sup>	Share <sup>(2)</sup>	2009 <sup>(4)</sup>	Share <sup>(2)</sup>	2010 <sup>(4)</sup>	Share <sup>(2)</sup>	2011 <sup>(4)</sup>	Share <sup>(2)</sup>
<b>Operating Revenues</b>												
Taxes	4,638	53.7%	5,038	55.2%	5,208	56.4%	4,896	55.9%	4,723	55.6%	5,170	56.8%
Non-tax revenue	536	6.2%	321	3.5%	408	4.4%	329	3.8%	332	3.9%	374	4.1%
Transfers <sup>(4)</sup>	3,471	40.1%	3,771	41.3%	3,621	39.2%	3,536	40.4%	3,444	40.5%	3,553	39.1%
Total operating revenues	8,645	100.0%	9,130	100.0%	9,236	100.0%	8,761	100.0%	8,499	100.0%	9,097	100.0%
<b>Operating Expenses</b>												
Personnel	2,311	27.4%	2,215	27.1%	2,212	26.7%	2,287	27.7%	2,395	28.6%	2,424	28.3%
Materials	363	4.3%	370	4.5%	388	4.7%	390	4.7%	895	10.7%	922	10.7%
Interest	907	10.8%	909	11.1%	975	11.8%	831	10.1%	780	9.3%	776	9.0%
Transfers <sup>(4)</sup>	4,497	53.3%	4,675	57.2%	4,707	56.8%	4,734	57.4%	4,842	57.8%	4,996	58.2%
Total operating expenses	8,431	100.0%	8,168	100.0%	8,282	100.0%	8,241	100.0%	8,377	106.4%	8,577	106.3%
Capital revenues	899	8.8%	807	8.1%	647	6.5%	926	9.6%	831	8.9%	782	7.9%
Capital expenditures	1,710	16.7%	1,646	16.6%	1,546	15.6%	1,590	16.4%	1,551	16.6%	1,420	14.4%
Balance before debt retirement	75		122		54		-144		-597		-118	

## Borrowings

Borrowings from capital markets	7,851	76.9%	4,426	44.5%	5,644	57.1%	4,068	42.0%	4,420	47.4%	3,950	40.2%
Redemption of borrowings	7,045	69.0%	4,427	44.5%	5,644	57.1%	4,068	42.0%	3,681	39.5%	3,645	36.9%
Net Borrowing	656		0		0		0		612		209	

(<sup>1</sup>) Figures according to actual budget in millions of euro except for %.

(<sup>2</sup>) With respect to operating revenue items, share of total operating revenues; with respect to borrowings and the capital revenues, share of total revenues; with respect to operating expenses, share of total operating expenses; with respect to the capital expenditures, share of the total expenditures.

(<sup>3</sup>) Figures according to preliminary accounts; net borrowing: expected final accounts.

(<sup>4</sup>) increase from 2006 due to new social legislation ("*Hartz IV*").

Source: Ministry of Finance of the Federal State of Saxony-Anhalt.

## Taxes

Under the German Constitution (the "*Grundgesetz*"), Germany's tax system, including taxation at the level of the Federal States, is governed by federal law. Amendments to the German tax code are passed by the *Bundestag*, the first house of the Federal Parliament. Any changes to the tax system affecting the German Federal States also require the approval of the second house of the Federal Parliament, the *Bundesrat*, which consists of representatives of each of the Federal States' governments, including Saxony-Anhalt's State Government.

Saxony-Anhalt does not have the power to raise any other taxes or to set its own tax rates. Pursuant to the *Grundgesetz*, Saxony-Anhalt receives tax revenues under a system of apportionment set forth in the *Grundgesetz*. Under this system, Saxony-Anhalt is entitled to collect state taxes (*Landessteuern*), such as inheritance tax, property tax and beer tax, directly within its territory. And since September 2006 own tax rates can be fixed with land transfer tax (*Grunderwerbsteuer*). The Federal Government is entitled to collect federal taxes (*Bundessteuern*), such as capital transfer tax, motor vehicle tax (since July 2009) and insurance tax, on an exclusive basis. At the same time, the *Grundgesetz* provides that the revenue generated by the personal income tax, corporate income tax and sales, or value-added tax is allocated between the Federal Government and the German Federal States (joint federal and state taxes, *Gemeinschaftsteuern*).

The revenue generated from the joint federal and state taxes is allocated between the Federal Republic and the individual Federal States and their respective municipalities, as set forth in the *Grundgesetz*. The *Grundgesetz* provides that 50 % of the revenue generated from the personal and corporate income taxes belongs to the Federal Government and the other 50 % to the Federal States. With reference to personal income tax, the Federal Government and the Federal States get the revenue after a deduction of 15 % at source for the municipalities. In addition, the Federal Government and the Federal States are equally entitled to use the revenue arising from the sales tax to cover their necessary expenditures. Consistent with this principle, the sales tax revenue is first allocated vertically between the Federal Government and the Federal States as a whole based on their respective projected expenditures. For 2013, 49.7 % of the sales tax revenue generated during the year has been allocated to the Federal Government, and the remaining 50.3 % to the Federal States.

The Federal Government and the Federal States receive the allocation after deductions of 9.50 % and 2.2 % at source for the Federal Government and the municipalities. In addition, the Federal States have to transfer a fixed amount of approximately EUR 40 million of their share to the Federal Government.

Compared to the year 2012, this amount is changed by equalization payments related to new laws in different areas. Moreover, the Federal Government continues to transfer EUR 807 million per year to the Eastern Federal States (except Berlin). The Eastern Federal States receive this compensation to



reduce costs of unemployment in connection with labour market reforms (*Hartz IV*). At least three-quarters of the Federal State portion of the sales tax revenue is then distributed between the Federal States based upon the size of each Federal State's respective population. The remaining quarter is allocated among the financially weaker Federal States.

As a result, the tax revenues of Saxony-Anhalt include taxes which are solely due to Saxony-Anhalt and Saxony-Anhalt's share of the joint federal and state taxes. The following table sets forth Saxony-Anhalt's tax revenues for the period from 2005 to 2011:

<b>Tax Revenues</b>							
	2006	2007	2008	2009	2010	2011 <sup>(1)</sup>	2012 <sup>(1)</sup>
(millions of EUR, except for %)							
Saxony-Anhalt's share of the revenue from joint federal and state taxes	4,212	4,688	4,871	4,552	4,634	4,935	5,194
Thereof sales tax	3,289	3,482	3,587	3,480	3,513	3,590	3,710
Portion of joint federal and state taxes revenue generated by the sales tax	78.1 %	74.28 %	73.63 %	76.44%	75.81 %	72,73%	71.43%
State taxes	417	416	390	376	363	379	395
<b>Total</b>	<b>4,629</b>	<b>5,104</b>	<b>5,261</b>	<b>4,928</b>	<b>4,996</b>	<b>5,315</b>	<b>5,589</b>

<sup>(1)</sup> Preliminary Data

Source: Ministry of Finance of the Federal State of Saxony-Anhalt, on the basis of 2nd federal ordinance for execution of revenue equalization.

Saxony-Anhalt derives its tax revenues primarily from its share of the joint federal and state taxes. As a result, Saxony-Anhalt's tax revenues depend to a large extent on the performance of the German economy as a whole rather than on the economic performance of the State itself.

Under this tax system, a significant increase in the State's GDP would not necessarily increase the State's tax revenues. Other factors, in particular the size of the State's population, would also affect the amount of the State's tax revenues under this tax system.

On 11 November 1999, Germany's Federal Constitutional Court required further clarification of the tax laws governing the allocation of the sales tax revenue between the Federal Government and the Federal States. At the same time, the court acknowledged that the distribution between the Federal States of three-quarters of the sales tax revenue allocated to the Federal States based upon the size of each Federal State's population was constitutional.

The *Grundgesetz* entitles Saxony-Anhalt to receive additional funding from the other Federal States and the Federal Government if its tax revenues do not cover its necessary expenditures. From 1990 to 1994, a portion of the tax revenues of the Western Federal States was paid directly to the German Unity Fund. Amounts received by Saxony-Anhalt from the German Unity Fund amounted to EUR 3,153 million until 1994. In 1995, Saxony-Anhalt and the other Eastern Federal States ceased to receive support from the German Unity Fund and instead began to receive support through the system of revenue equalization as set forth in the *Grundgesetz*.

#### *Revenue Equalization*

Under the constitutional principle of revenue equalization (*Länderfinanzausgleich*), financially weaker Federal States are entitled to receive additional funds from financially stronger Federal States. This constitutional principle is intended to effect an appropriate financial equalization between financially

weaker and stronger Federal States.

The Federal Act concerning Revenue Finance Equalization between the Federal Government and the Federal States of 23 June 1993 (the "Revenue Equalization Implementation Act"), as amended, implemented the constitutional principle of revenue equalization. Under revenue equalization, Federal States with tax revenues in excess of their respective average financial requirements, taking into account such factors as the size of its population and population density, are obliged to transfer a portion of their revenues to those Federal States whose tax revenues do not meet their respective average financial requirements. These transfers, together with their own tax revenues, have typically enabled the financially weaker Federal States to meet 95 % of their average financial requirements in recent years.

In 1993, the Act for the Implementation of the Federal Consolidation Programme provided for the admission of the Eastern Federal States, including Saxony-Anhalt, to this system of horizontal financial support beginning in 1995. This resulted in a sharp increase in the funds received by the Eastern Federal States from the Western Federal States in 1995 and subsequent years. As one of the Eastern Federal States, Saxony-Anhalt regularly receives equalization payments. The following table shows Saxony-Anhalt's receipts from horizontal revenue equalization for each of the years indicated:

#### Horizontal Revenue Equalization

	2006	2007	2008	2009	2010	2011 <sup>(2)</sup>	2011 <sup>(2)</sup>
	(millions of EUR, except for %)						
Total amount of payments received by all of the financially weaker Federal States <sup>(1)</sup>	7,322	7,916	8,263	6,848	7,039	7,308	7,925
Payments received by Saxony- Anhalt	590	627	627	514	497	540	547
Saxony-Anhalt's share of total (in %)	8.06	7.92	7.60	7.51	7.06	7.38	6.90

<sup>(1)</sup> The following Federal States received equalization payments during the years indicated: Berlin, Bremen, Brandenburg, Lower Saxony, Mecklenburg-Western Pomerania, Rhineland-Palatinate, Saarland, Saxony, Saxony-Anhalt, Schleswig-Holstein and Thuringia.

<sup>(2)</sup> Preliminary data.

Source: Ministry of Finance of the Federal State of Saxony-Anhalt, on the basis of 2nd federal ordinance for execution of revenue equalization.

Horizontal revenue equalization ensures that the financial condition of an individual Federal State, and thus its credit standing, does not to any material extent fall below that of the other Federal States.

On 11 November 1999, Germany's Federal Constitutional Court invalidated the Revenue Equalization Implementation Act on the ground that the Act did not properly implement the constitutional principle of horizontal revenue equalization. The court ruled that the Revenue Equalization Implementation Act would continue to remain in effect for an interim period ending 31 December 2004, provided the Federal Government enacted new legislation that would implement the equalization principle without violating the *Grundgesetz* by 31 December 2002.

In 2001, the Federal Government and the Federal States agreed on the new legislation for the implementation of the equalization principle ("*Maßstäbengesetz*") and the law of financial equalization ("*Solidarpaktfortführungsgesetz*"), and both were passed the same year. Although the *Maßstäbengesetz* and the *Solidarpaktfortführungsgesetz* have changed the financial equalization system commencing in 2005, Germany's revenue equalization system continues to comprise three stages, *i.e.* redistribution of VAT (redistribution of VAT among the Federal States due to the number

of inhabitants (min. 75 %) and financial strength (max. 25 %)), horizontal equalization and vertical supplemental funding.

The most important changes for the horizontal equalization are the consideration of 64 % of the financial strength of the municipalities compared to 50 % previously and the exemption of 12 % of the above-average per capita revenue growth from income and State taxes compared to the previous year. Additionally, the new equalization system will cap the contribution of contributing States at 72.5 % of the above average financial strength.

Reduced payments by the contributing Federal States to the recipient Federal States will be compensated by payments from the Federal Government by vertical supplemental funding.

#### *Vertical Supplemental Funding*

In addition to the system of horizontal revenue equalization, the *Grundgesetz* provides for vertical supplemental funding by the Federal Government (*Bundesergänzungszuweisungen*) to financially weak Federal States. The Federal Government will transfer additional funds to financially weak Federal States if the horizontal equalization payments from the other Federal States do not enable them to meet all of their respective average financial requirements. The Federal Government's vertical supplemental funding increased in recent years the total revenues of financially weaker Federal States to 99.5 % of the national average to enable them to meet their financial requirements. Since 2005 the percent-rate is approximately 98 %.

In addition, the Federal Government currently provides supplemental funding to the Federal States to cover the above-average administrative costs that are typically incurred by the smaller Federal States, including Saxony-Anhalt, liabilities and costs resulting from the German division during the Cold War and the costs incurred by the Western Federal States in supporting the Eastern Federal States until 1995 through the German Unity Fund.

The following table shows Saxony-Anhalt's vertical supplemental funding receipts for each of the years indicated.

#### **Vertical Supplemental Funding**

	2007	2008	2009	2010	2011 <sup>(2)</sup>	2011 <sup>(2)</sup>
	(millions of EUR, except for %)					
Federal supplemental payments to increase Saxony-Anhalt's total revenues	243	245	207	202	219	224
Federal supplemental payments to cover additional administrative costs	53	53	53	53	53	53
Federal supplemental payments to cover special expenditures resulting from the division of Germany and the expenses of addressing a disproportionately weak financial condition of municipalities	1,633	1,609	1,496	1,376	1,263	1,142
Total Federal supplemental payments received by Saxony-Anhalt (incl. SoBEZ of EUR 187 millions till 2010)	2,116	2,094	1,943	1,818	1,721	1,552
Total amount of Federal supplemental payments received by all Federal States <sup>(1)</sup>	14,823	14,806	13,554	12,884	12,170	11,373
Saxony-Anhalt's share of total Federal supplemental payments (in %)	14.28	14.14	14.33	14.11	14.14	13.64

<sup>(1)</sup> The following Federal States received vertical supplement funding during the years indicated: Berlin, Bremen, Brandenburg, Lower Saxony, Mecklenburg-Western Pomerania, Rhineland-Palatinate, Saarland, Saxony, Saxony-Anhalt,

Schleswig-Holstein and Thuringia. Pursuant to the constitutional principle of Federal solidarity, Bremen and Saarland also received Federal supplemental funding to remedy their extreme budget emergencies up to 2004.

(<sup>2</sup>) Preliminary data.

Source: Ministry of Finance of the Federal State of Saxony-Anhalt, on the basis of 2nd federal ordinance for execution of revenue equalization.

In 2001, the Federal Government and the Eastern Federal States agreed to a new solidarity pact ("*Solidarpakt II*") to cover special expenditures resulting from the division of Germany. Under the new solidarity pact the Federal Government will pay a total of approximately EUR 156 billion (*Korb I* and *Korb II*) to the Eastern Federal States in yearly declining amounts from 2005 to 2019.

*Korb I* with EUR 105 billion in total will be paid as follows:

Year	2005	2006	2007	2008	2009	2010	2011	2012
(millions of EUR)								
Eastern Federal States	10,533	10,481	10,379	10,226	9,510	8,743	8,027	7,260
Saxony-Anhalt	1,657	1,649	1,633	1,609	1,496	1,376	1,263	1,142
Year	2013	2014	2015	2016	2017	2018	2019	Total
(millions of EUR)								
Eastern Federal States	6,545	5,778	5,062	4,295	3,579	2,812	2,096	105,000
Saxony-Anhalt	1,030	909	796	676	563	442	330	16,571

*Korb II* with EUR 51 billion in total will be paid as follows (Amounts for the future are prospective and the share of Saxony-Anhalt is calculated according to *Korb I*):

Year	2005	2006	2007	2008	2009	2010	2011	2012
(millions of EUR)								
Eastern Federal States	5,803	5,092	4,651	4,542	4,506	4,507	4,150	3,798
Saxony-Anhalt	928	815	744	727	721	721	664	608
Year	2013	2014	2015	2016	2017	2018	2019	Total
(millions of EUR)								
Eastern Federal States	3,728	1,881	1,851	1,741	1,731	1,701	1,671	51,35
Saxony-Anhalt	596	301	296	279	277	272	267	8,216

Source: Ministry of Finance of the Federal State of Saxony-Anhalt.

### Federal Solidarity

Federal States experiencing extreme financial hardship to the extent that they cannot finance their expenditures, even after receiving horizontal equalization payments from the other Federal States and Federal supplemental funding, are entitled to additional support from the Federal Government and the other Federal States pursuant to the constitutional principle of Federal solidarity. According to the Federal Constitutional Court's decision dated 19 October 2006, the Federal solidarity remains in existence.

On the basis of these principles, a German Federal State cannot fail to fulfil its financial obligations

assuming that the Federal Government and the other Federal States are financially able to provide the required support to the Federal State.

### Medium-Term Planning

Saxony-Anhalt's indebtedness grew steadily over the years and reached EUR 19.8 billion in 2006. The first year in Saxony-Anhalt's history with no new net borrowing was 2007. The following two years a balanced budget was reached.

As a consequence of the worldwide financial and economic crisis a new net borrowing for 2010 of EUR 739 million, for 2011 EUR 540 million and for 2012 EUR 250 million is expected. Starting from 2013 the state's government calculates in its Medium-Term-Financial Plan no further new net borrowing. In the following years the government projects that the state's public debt will decrease in the medium term because of an annual redemption.

The coalition agreement (*Koalitionsvereinbarung*) of the state's government contains a commitment to budgetary discipline and consolidation. The budget results for the years 2007, 2008 and 2009 show that Saxony-Anhalt's government is staying true to its course of consolidating the state's finances.

The following table summarizes the 2010/2011 state budget and the 2012–2014 Medium-Term Financial Plan.

### Budget Overview 2008 – 2016

	Budget 2009	Actual 2009	Budget 2010	Actual 2010	Budget 2011	Actual 2011	Budget 2012	Budget 2013	Budget 2014 <sup>(1)</sup>	Budget 2015 <sup>(1)</sup>	Budget 2016 <sup>(1)</sup>
	(millions of Euro)										
<b>Operating Revenue</b>											
Taxes	5.099	4.896	4.516	4.723	5.140	5.170	5.375	5.505	5.773	5.915	6.087
Non tax revenue	303	329	328	332	266	374	344	328	292	286	281
Transfers	3.460	3.536	3.355	3.444	3.449	3.553	3.369	3.313	3.222	3.005	2.937
<b>Total</b>	<b>8.862</b>	<b>8.761</b>	<b>8.200</b>	<b>8.499</b>	<b>8.854</b>	<b>9.097</b>	<b>9.088</b>	<b>9.147</b>	<b>9.286</b>	<b>9.206</b>	<b>9.305</b>
<b>Operating expenditure</b>											
Personnel	2.337	2.287	2.407	2.395	2.437	2.424	2.456	2.490	2.582	2.673	2.758
Materials	431	390	378	360	384	381	349	344	326	317	334
Interest	889	831	826	780	812	776	712	638	794	806	868
Transfers	4.687	4.734	4.765	4.842	4.912	4.996	4.983	5.059	5.015	4.928	4.971
<b>Total</b>	<b>8.344</b>	<b>8.241</b>	<b>8.375</b>	<b>8.377</b>	<b>8.544</b>	<b>8.577</b>	<b>8.499</b>	<b>8.531</b>	<b>8.716</b>	<b>8.723</b>	<b>8.932</b>
Operating Balance	519	520	-175	122	310	520	588	615	570	483	374
As % of operating revenue	5,85%	5,93%	-2,14%	1,44%	3,50%	5,72%	6,48%	6,73%	6,14%	5,24%	4,02%
<b>Capital revenue</b>	<b>1.258</b>	<b>926</b>	<b>894</b>	<b>831</b>	<b>895</b>	<b>782</b>	<b>841</b>	<b>862</b>	<b>529</b>	<b>485</b>	<b>473</b>
<b>Capital expenditures</b>	<b>1.902</b>	<b>1.590</b>	<b>1.658</b>	<b>1.551</b>	<b>1.446</b>	<b>1.420</b>	<b>1.410</b>	<b>1.362</b>	<b>1.069</b>	<b>998</b>	<b>877</b>
Balance before debt retirement	0	-144	-717	-597	-231	-118	20	115	177	251	265
As % of total revenues	-0,55%	-0,87%	-10,61%	-6,72%	-2,71%	-1,41%	-0,05%	0,92%	0,09%	-0,51%	-0,49%
Net borrowing	0	0	739	612	305	209	0	-25	-50	-100	-150
Direct debt (year-end)	19.829	19.829	20.568	20.441	20.746	20.955	20.746	20.721	20.671	20.571	20.421

<sup>(1)</sup> Figures according to preliminary accounts.

<sup>(2)</sup> medium-term planning from September 2011.

<sup>(3)</sup> without globally reduced expenditures from EUR 184 million in 2011 and EUR 100 million from 2012 to 2014.

Source: Ministry of Finance of the Federal State of Saxony-Anhalt

## Public Debt

### General

Saxony-Anhalt's direct debt only includes indebtedness incurred directly by the State and does not include indebtedness incurred by state-owned financial institutions and other state-owned enterprises. The State's direct debt does not include debt incurred under special programmes which are funded through special funds (*Sondervermögen*). As of 31 December 2011, Saxony-Anhalt's total outstanding direct debt amounted to EUR 20.6 billion.

The following table sets forth a comparison of the aggregate principal amounts of direct debt and new borrowings (net) of Saxony-Anhalt and all Federal States outstanding at 31 December of each of the years indicated in absolute terms and as a percentage of the State's GDP and all Federal States' GDP in such year.

	2004	2005	2006	2007	2008	2009	2010	2011
	(millions of EUR, except for %)							
Saxony-Anhalt								
New borrowings (net)	1,345	1,085	230	779	- 273	3	730	122
% of GDP	2.9	2.3	0.5	1.5	- 0.5	0.005	1.40	0.40
Total direct debt	18,006	19,223	19,303	20,081	19,808	19,811	20,542	20,665
% of GDP	38.3	40.6	39.6	39.4	36.9	39.22	39.43	39.79
All Federal States								
New borrowings (net)	22,992	11,368	11,288	2,253	- 2,418	25,025	23,133	23,170
% of GDP	1.0	0.5	0.5	0.1	- 0.1	1.04	0.9	0.9
Total direct debt	442,971	468,274	479,562	481,696	480,466	503,563	524,423	530,738
% of GDP	20.0	20.9	20.7	19.8	19.3	20.9	20.9	20.6

(<sup>1</sup>) Figures according to preliminary accounts.

Source: Ministry of Finance of the Federal State Saxony-Anhalt.

Based on its 2011 Medium-Term Financial Plan, the State Government intend to decrease the State's total direct debt from the year 2014.

While the State Government is obligated to prepare each annual budget during this time period on the basis of this plan, the 2011 Medium-Term Financial Plan is not binding on the State Parliament, which has to approve each year's budget.

### Special Assets (*Sondervermögen*)

In addition to its regular annual budget, Saxony-Anhalt finances a number of special spending programmes through special assets (*Sondervermögen*). The three most important funds aim for the redevelopment of Saxony-Anhalt's polluted areas (*Sondervermögen "Altlastensanierung"*), for funding the pensions of Saxony-Anhalt's civil servants (*Sondervermögen "Pensionsfonds"* and "Versorgungsrücklage") and for a balancing of the fluctuating tax revenues (*Sondervermögen*

"*Steuerschwankungsreserve*"). The funds are going to be invested in different assets. The total volume of these funds is approximately 1.2 billion €.

#### *Capital Market Strategy*

Saxony-Anhalt's direct debt consists of domestic and external indebtedness. For purposes of this Simplified Prospectus "domestic indebtedness" means borrowings from sources inside Germany and "external indebtedness" means borrowings from international sources.

Saxony-Anhalt raises funds through the issuance of multi-currency debt securities in the German and international capital markets. The State pursues a capital market strategy which focuses on developing a presence on the international capital markets. It is currently the only Federal State to maintain a commercial paper programme and was the first Federal State to establish a debt issuance programme. The State was also the first among the Federal States to issue securities in foreign currencies. The State has currently issued securities in euro and other liquid currencies (e.g. U.S. and Australian Dollars, Swiss Francs, Japanese Yens, British Pounds sterling) under the CP Programme and under the Debt Issuance Programme. In addition to its international capital market activities, the State issues *Schuldscheindarlehen*. *Schuldscheindarlehen* are assignable loans that are commonly used financial instruments in the German capital market.

The following table shows Saxony-Anhalt's debt instrument profile compared with that of all the Federal States as of 31 December 2012:

#### **Saxony-Anhalt's Debt Note Profile**

	Distribution as at 31 December 2012	
	Saxony- Anhalt	Federal States <sup>(1)</sup>
State Treasury Notes	51.5%	53.73%
Schuldscheindarlehen (Promissory Loans)	48.5%	46.27%

<sup>(1)</sup> Distribution as at 31 December 2011

Source: Ministry of Finance of the Federal State of Saxony-Anhalt.

#### *Guaranteed Debt*

In addition to its own direct debt obligations, Saxony-Anhalt has guaranteed the payment of the principal amount and interest on certain obligations of various public and private enterprises. The following table sets forth the aggregate principal amount of such debt guaranteed by Saxony-Anhalt outstanding at 31 December of each of the years indicated:

<b>Guaranteed Debt <sup>(1)</sup></b>						
2005	2006	2007	2008	2009	2010	2011
(millions of EUR)						
1,871	1,83	1,739	1,86	2,074	2,159	2,282

<sup>(1)</sup> Does not include debt supported by Saxony-Anhalt under its maintenance obligations (*Anstaltslast*) pursuant to administrative law and its guarantee obligations (*Gewährträgerhaftung*) pursuant to specific statutes with respect to liabilities of various State-owned entities or entities organized under public law.

Source: Ministry of Finance of the Federal State of Saxony-Anhalt.

Since the formation of Saxony-Anhalt in 1990, the annual rate of default of the primary obligors on guaranteed debt has not exceeded 7.0 %. The average annual default rate on guaranteed debt for the period 2003 to 2009 was 1.5 %. The following table sets forth the aggregate amount of guaranteed debt defaulted by the primary obligor for which the State became liable during each of the years indicated.

#### **Guaranteed Debt Defaulted**

2005	2006	2007	2008	2009	2010	2011
(millions of EUR)						
55.5	8.1	14.3	3.9	9.5	20.0	19.0

*Source: Ministry of Finance of the Federal State of Saxony-Anhalt.*

#### **Debt Record**

Since its formation in 1990 as part of German unification, Saxony-Anhalt has always paid the full amount due on its public debt, and has never defaulted in the payment of any principal amount, premium on or interest on its public debt. Saxony-Anhalt's predecessors, the districts of Magdeburg and Halle of the former GDR, did not incur any public indebtedness that required repayment.



## Selling Restrictions

### 1. General

(1) Each Dealer has represented and agreed that it will comply (to the best of its knowledge and belief) with all applicable securities laws and regulations in force in any jurisdiction in or from which it purchases, offers, sells or delivers State Treasury Notes or possesses or distributes the Information Memorandum and it will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of State Treasury Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any other Dealer shall have responsibility therefore.

(2) Neither the Issuer nor any of the Dealers has represented and agreed that State Treasury Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or has assumed any responsibility for facilitating such sale.

(3) Each Dealer further has represented and agreed that it is not authorised to make any representation in connection with the Programme regarding the Issuer other than those contained in the Information Memorandum or the information approved in writing and provided by the Issuer or information already in the public domain.

(4) With regard to each Series of State Treasury Notes, the respective Dealer shall be required to comply with such other additional restrictions as agreed upon between the Issuer and such Dealer and set out in the respective Confirmation Facsimile.

### 2. Germany

The State Treasury Notes shall be offered and sold in the Federal Republic of Germany only in accordance with the Securities Sales Prospectus Act (*Verkaufprospektgesetz*), as amended, and any other rules or regulations of the Federal Republic of Germany applicable to the issuance, offer and sale of securities.

### 3. United States of America

The State Treasury Notes issued under this Programme have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and may not be offered or sold within the United States of America (the "**United States**") except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each Dealer has represented and agreed that neither it nor any persons acting on its behalf has offered or sold, or will offer or sell, any State Treasury Note constituting part of such Dealer's allotment within the United States except in accordance with Rule 903 of Regulation S under the Securities Act. Accordingly, each Dealer has represented and agreed that neither it, its affiliates nor any persons acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to the State Treasury Notes. Terms used in this paragraph have the meaning given to them by Regulation S.

Each Dealer has represented and agreed that at or prior to the confirmation of sale of any State Treasury Notes it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases State Treasury Notes from it a confirmation or notice to substantially the following effect:

"The State Treasury Notes have not been registered under the U.S. Securities Act of 1933 and may not be offered or sold within the United States except in accordance with Rule 903 of

Regulation S under the Securities Act. Terms used in this paragraph have the meaning given to them by Regulation S."

State Treasury Notes with a maturity at original issue of more than one year will be issued in accordance with the provisions of United States Treasury Regulations Section 1.163-5(c)(2)(i)(C) (the "**C Rules**") or any successor rules in substantially the same form. Under the C Rules, State Treasury Notes in bearer form must be issued and delivered outside the United States and any of its possessions in connection with their original issuance. Each Dealer has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver, directly or indirectly, State Treasury Notes in bearer form within the United States or any of its possessions in connection with their original issuance. Further, each Dealer has represented and agreed that, in connection with the original issuance of State Treasury Notes in bearer form, it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Dealer or such prospective purchaser is within the United States or any of its possessions, and has not and will not otherwise involve any of its offices located in the United States or any of its possessions in the offer or sale of State Treasury Notes in bearer form. Terms used in this paragraph are used within the meaning of the applicable provisions of the Internal Revenue Code of the United States and the Treasury Regulations promulgated thereunder, including the C Rules.

4. United Kingdom

Each Dealer has represented and agreed that:

(a) in relation to any State Treasury Notes which have a maturity of 365 days or more, it has not offered or sold and, prior to the expiry of the period of six months from the Settlement Date of such State Treasury Notes, will not offer or sell any such State Treasury Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995;

(b) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") with respect to anything done by it in relation to the State Treasury Notes in, from or otherwise involving the United Kingdom;

(c) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any State Treasury Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and

(d) in relation to any State Treasury Notes which must be redeemed before the first anniversary of the date of their issue, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any State Treasury Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the State Treasury Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

As used herein, "**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland.

5. Japan

Each Dealer has acknowledged that the State Treasury Notes have not been and will not be registered under the Financial Instrument and Exchange Act of Japan (Act no. 25 of 1948, as amended) (the "**Financial Instrument and Exchange Act**") and each Dealer has represented and agreed that it will not offer or sell any State Treasury Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan, or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instrument and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan.

In connection with the issue of Yen-denominated State Treasury Notes, the Issuer shall be required to comply with all applicable laws, regulations and guidelines, as amended from time to time, of the Japanese governmental and regulatory authorities.

6. Switzerland

Each Dealer has represented and agreed that any issue of State Treasury Notes denominated in Swiss Francs will be in compliance with the guidelines of the Swiss National Bank regarding issues of Swiss Franc denominated debt securities.

## Taxation in the Federal Republic of Germany

The following section contains a short summary of certain German tax principles that may be or may become relevant with respect to the Notes. This section does not purport to be a comprehensive description of all the German tax considerations that may be relevant to the investors. The summary is based on German domestic tax laws as in force and as applied on the date of this Information Memorandum and on typical tax treaties currently in force between Germany and other countries. In both areas provisions may change possibly with retroactive or retrospective effect.

***Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of the Notes, including the effect of any state or local taxes, under the tax laws of Germany and each country of which they are residents.***

### Income tax

#### *Notes held by tax residents as private assets*

##### – Taxation of interest

Payments of interest on the Notes to Holders who are tax residents of the Federal Republic of Germany (*i. e.*, persons whose residence or habitual abode is located in the Federal Republic of Germany) are subject to German income tax. In each case where German income tax arises, a solidarity surcharge (*Solidaritätszuschlag*) is levied in addition. Furthermore, church tax may be levied, where applicable. If coupons or interest claims are disposed of separately (*i.e.* without the Notes), the proceeds from the disposition are subject to income tax. The same applies to proceeds from the redemption of coupons or interest claims if the Note is disposed of separately.

On payments of interest on the Notes to individual tax residents of the Federal Republic of Germany income tax is generally levied as a flat income tax at a rate of 25% (plus solidarity surcharge in an amount of 5.5% of such tax, resulting in a total tax charge of 26.375%, plus, if applicable, church tax). The total investment income of an individual will only be decreased by a lump sum deduction (*Sparer-Pauschbetrag*) of €801 (€1,602 for married couples filing jointly), not by a deduction of expenses actually incurred.

If the Notes are held in a custodial account which the Holder maintains with a German branch of a German or non-German bank or financial services institution or with a securities trading business or bank in the Federal Republic of Germany (the "**Disbursing Agent**") the flat income tax will be levied by way of withholding at the aforementioned rate from the gross interest payment to be made by the Disbursing Agent.

If the Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition of Coupons are paid or credited upon delivery of the Coupons to the holder of the Coupons (other than a non-German bank or financial services institution), withholding tax at the aforementioned rate must also be levied by the Disbursing Agent upon the gross amount of the interest or the proceeds.

In general, no withholding tax will be levied if the Holder is an individual (i) whose Note does not form part of the property of a trade or business and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the Holder has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office.

If no Disbursing Agent (as defined above) is involved in the payment process the Holder will have to include its income on the Notes in its tax return and the flat income tax of 25% plus solidarity surcharge and, if applicable, church tax will be collected by way of assessment.

Payment of the flat income tax will generally satisfy any income tax liability (including solidarity surcharge and, if applicable, church tax) of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25%.

– Taxation of capital gains

From 1 January 2009, also capital gains realised by individual tax residents of the Federal Republic of Germany from the disposition or redemption of the Notes acquired after 31 December 2008 will be subject to the flat income tax on investment income at a rate of 25% (plus solidarity surcharge in an amount of 5.5% of such tax, resulting in a total tax charge of 26.375%, plus, if applicable, church tax), irrespective of any holding period. This will also apply to Notes on which the principal is effectively repaid in whole or in part although the repayment was not guaranteed.

If the Notes are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above) the flat income tax will be levied by way of withholding from the difference between the redemption amount (or the proceeds from the disposition) and the issue price (or the purchase price) of the Notes. If the Notes have been transferred into the custodial account of the Disbursing Agent only after their acquisition, and no evidence on the acquisition data has been provided to the new Disbursing Agent by the Disbursing Agent which previously kept the Notes in its custodial account, withholding tax will be levied on 30% of the proceeds from the disposition or redemption of the Notes.

If the Notes are not kept in a custodial account with a Disbursing Agent and proceeds from the disposition or redemption of the Notes are paid or credited upon delivery of the Notes to the holder of such Notes (other than a non-German bank or financial services institution), withholding tax at the aforementioned rate must also be levied by the Disbursing Agent upon 30% of the gross amount of the proceeds.

If no Disbursing Agent is involved in the payment process the Holder will have to include capital gains from the disposition or redemption of the Notes in its tax return and the flat income tax of 25% plus solidarity surcharge and, if applicable, church tax will be collected by way of assessment.

Payment of the flat income tax will generally satisfy any income tax liability (including solidarity surcharge and, if applicable, church tax) of the Holder in respect of such investment income. Holders may apply for a tax assessment on the basis of general rules applicable to them if the resulting income tax burden is lower than 25%.

*Notes held by tax residents as business assets*

Payments of interest on Notes and capital gains from the disposition or redemption of Notes held as business assets by German tax resident individuals or corporations (including via a partnership, as the case may be), are generally subject to German income tax or corporate income tax (in each case plus solidarity surcharge and, if applicable, church tax). The interest and capital gain will also be subject to trade tax if the Notes form part of the property of a German trade or business.

If the Notes are held in a custodial account which the Holder maintains with a Disbursing Agent (as defined above) tax at a rate of 25% (plus a solidarity surcharge of 5.5% of such tax and, if applicable, church tax) will also be withheld from interest payments on Notes and (since 1 January 2009) generally also from capital gains from the disposition or redemption of Notes held as business assets. In these cases the withholding tax does not satisfy the income tax liability of the Holder, as in the case of the flat income tax, but will be credited as advance payment against the personal income or corporate income tax liability and the solidarity surcharge (and, if applicable, against the church tax) of the Holder.

With regard to capital gains no withholding will generally be required in the case of Notes held by corporations resident in Germany, provided that in the case of corporations of certain legal forms the status of corporation has been evidenced by a certificate of the competent tax office, and upon

application in the case of Notes held by individuals or partnerships as business assets.

#### *Notes held by non-residents*

Interest and capital gains are not subject to German taxation in the case of non-residents, *i.e.* persons having neither their residence nor their habitual abode nor legal domicile nor place of effective management in the Federal Republic of Germany, unless the Notes form part of the business property of a permanent establishment maintained in the Federal Republic of Germany. Interest may, however, also be subject to German income tax if it otherwise constitutes income taxable in Germany, such as income from the letting and leasing of certain German-situs property or income from certain capital investments directly or indirectly secured by German situs real estate.

Non-residents of the Federal Republic of Germany are in general exempt from German withholding tax on interest and capital gains and from solidarity surcharge thereon. However, where the interest or capital gain are subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent (as defined above), withholding tax will be levied as explained above at "Notes" held by tax residents as business assets" or at "Notes" held by tax residents as private assets", respectively.

If the Notes are not kept in a custodial account with a Disbursing Agent and interest or proceeds from the disposition of Coupons or proceeds from the disposition or redemption of the Notes are paid or credited by a Disbursing Agent to a non-resident of Germany (other than a non-German bank or financial services institution) upon delivery of the Coupons or the Notes, respectively, such payments will also be subject to withholding tax to the extent and at a rate as explained above at "Notes" held by tax residents as private assets".

#### *Inheritance and Gift Tax*

No inheritance or gift taxes with respect to any Note will generally arise under the laws of the Federal Republic of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of the Federal Republic of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in the Federal Republic of Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in the Federal Republic of Germany.

#### *Other Taxes*

No stamp, issue, registration or similar taxes or duties will be payable in the Federal Republic of Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in the Federal Republic of Germany.

#### *EU Savings Tax Directive*

On 3 June 2003, the EU Council of Economic and Finance Ministers adopted the EU Council Directive 2003/48/EC on the taxation of savings income effective from 1 July 2005 (the "**EU Savings Directive**"). Under the EU Savings Directive, each Member State is required to provide: to the tax authorities of another Member State details of payment of interest. Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**EU Savings Tax Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State. However, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at a rate of 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Since 1 January 2010, Belgium applies the regime of

exchange of information described above.

A number of non-EU countries, and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident or certain limited types of entity established in one of those territories.

The European Commission has proposed certain amendments to the EU Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described. Purchasers, who are in any doubt as to their position should consult their professional advisers.

If a payment were to be made or collected through a Member State which has opted for a withholding system or through any non-EU countries or certain dependent or associated territories of certain Member States which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any paying agent nor any other person would be obliged to pay additional amounts with respect to any Notes as a result of the imposition of such withholding tax.

# **Emissionsbedingungen für in das Landesschuldbuch eingetragene Landesschatzanweisungen**

## **§ 1 Verbriefung und Übertragung**

(1) Der Gesamtnennbetrag dieser Serie von Landesschatzanweisungen wird für die gesamte Laufzeit als Sammelschuldbuchforderung zugunsten des Clearing Systems (Absatz (3)) im Schuldbuch des Landes Sachsen-Anhalt (das "**Land**") eingetragen.

(2) Die Ausgabe von effektiven Stücken und die Eintragung von Einzelschuldbuchforderungen ist für die gesamte Laufzeit der Landesschatzanweisungen ausgeschlossen. Die Landesschatzanweisungen lauten auf den Inhaber und werden entsprechend den anwendbaren Regeln der Clearstream Banking AG, Frankfurt und nach den anwendbaren Regeln der Euroclear Bank SA/NV oder der Clearstream Banking, Luxembourg, société anonyme, übertragen.

(3) "**Clearing System**" bezeichnet Euroclear Bank SA/NV, Clearstream Banking, Luxembourg, société anonyme, Clearstream Banking AG, Frankfurt oder jedes andere anerkannte und zwischen dem Land, der Zahlstelle und dem jeweiligen Plazeur vereinbarte Clearing System.

## **§ 2 Status**

Die Landesschatzanweisungen stellen unter sich gleichberechtigte, unmittelbare, unbedingte und unbesicherte Verbindlichkeiten des Landes dar und haben mindestens den gleichen Rang wie alle anderen gegenwärtigen oder künftigen, nicht nachrangigen Verbindlichkeiten des Landes, jedoch unbeschadet etwaiger aufgrund Gesetzes bevorzugter Verbindlichkeiten.

## **§ 3 Fälligkeit und Verzinsung**

Das Land verpflichtet sich, die Landesschatzanweisungen an dem festgelegten Datum zum Nennbetrag zurückzuzahlen. Periodische Zinszahlungen werden auf die Landesschatzanweisungen nicht geleistet.

## **§ 4 Verzugszinsen**

(1) Sofern das Land die Tilgung der Landesschatzanweisungen bei Fälligkeit oder, wenn der Fälligkeitstag kein Bankgeschäftstag (Absatz (2)) ist, am darauf folgenden Bankgeschäftstag unterlässt, fallen nach dem Fälligkeitstag Zinsen in Höhe des bei Begebung der Landesschatzanweisungen vereinbarten Diskontierungssatzes bis zur Einlösung der Landesschatzanweisungen an.

(2) "**Bankgeschäftstag**" bezeichnet einen Tag,

(a) an dem die Geschäftsbanken in Frankfurt am Main für den Geschäftsverkehr geöffnet sind; und

(b) (i) im Fall der Ausgabe von Landesschatzanweisungen in Euro, an dem das TARGET-System (Trans-European Automated Real-time Gross Settlement Express Transfer System 2) Zahlungen in Euro abwickelt; oder



(ii) in allen anderen Fällen, an dem die Geschäftsbanken in dem Haupt-Finanzzentrum des Landes der entsprechenden Währung für den Geschäftsverkehr geöffnet sind; und

(c) an dem das Clearing System (gemäß § 1(3)) Zahlungen in der vereinbarten Währung abwickelt.

## **§ 5 Zahlungen**

Das Land wird den Rückzahlungsbetrag so rechtzeitig am jeweiligen Fälligkeitstag in der festgelegten Währung bei dem Clearing System zur Verfügung stellen, dass die Gutschrift entsprechend den anteiligen Quoten von Landesschatzanweisungen auf die Konten der jeweiligen Depotbanken zur Weiterleitung an die Gläubiger fristgerecht erfolgen kann.

## **§ 6 Steuern**

Alle Zahlungen auf die Landesschatzanweisungen erfolgen unter Abzug und Einbehalt von Steuern, Abgaben und amtlichen Gebühren gleich welcher Art (nachstehend zusammen "**Abzugsteuern**" genannt), falls das Land im Zeitpunkt der Zahlung aufgrund anwendbaren Rechts zu einem solchen Abzug und Einbehalt verpflichtet ist. Das Land wird die abgezogenen und einbehaltenen Abzugsteuern gegenüber den zuständigen Behörden abrechnen. Das Land ist nicht verpflichtet, zusätzliche Beträge zum Ausgleich von Abzugsteuern zu zahlen.

## **§ 7 Kündigung**

Weder das Land noch der Gläubiger sind berechtigt, die Landesschatzanweisung während ihrer Laufzeit zu kündigen.

## **§ 8 Erfüllungsort und Gerichtsstand**

Erfüllungsort und ausschließlicher Gerichtsstand ist Frankfurt am Main.

## **§ 9 Teilnichtigkeit**

Sollte eine Bestimmung dieser Emissionsbedingungen ganz oder teilweise unwirksam sein oder werden, so bleiben die übrigen Bestimmungen wirksam. Anstelle der unwirksamen Bestimmung tritt eine wirksame Regelung, die dem wirtschaftlichen Zweck der unwirksamen Bestimmung, soweit rechtlich zulässig, entspricht.

## **Conditions of Issuance of State Treasury Notes registered with the debt register of the State (non-binding translation)**

### **Section 1      Form and transfer**

(1) The aggregate principal amount of this Series of State Treasury Notes shall be registered in global book-entry form for the benefit of the Clearing System (subparagraph (3)) with the debt register of the Federal State of Saxony-Anhalt (the "**State**").

(2) The issuance of State Treasury Notes in definitive form and single registrations in book-entry form shall be excluded. Each State Treasury Note shall be issued as bearer notes and shall be transferred only pursuant to the applicable provisions of Clearstream Banking AG, Frankfurt, and pursuant to the applicable rules of Euroclear Bank SA/NV or of Clearstream Banking, Luxembourg, société anonyme.

(3) "Clearing System" shall mean Euroclear Bank SA/NV, Clearstream Banking, Luxembourg, société anonyme, Clearstream Banking AG, Frankfurt, or any other recognised clearing system agreed upon between the State, the Paying Agent and the relevant Dealer.

### **Section 2      Status**

The State Treasury Notes shall constitute direct, unconditional, and unsecured obligations of the State and rank pari passu without any preference among themselves and at least pari passu with all other unsubordinated obligations of the State, present and future, save for obligations preferred by mandatory provisions of law.

### **Section 3      Settlement and Interest**

The State Treasury Notes shall be redeemed at par on the specified date. There will be no periodic payment of interest.

### **Section 4      Interest in the case of late payment**

(1) If the State fails to redeem the State Treasury Notes on the maturity date or, when the maturity date is not a Bank Business Day (subparagraph (2)), on the next succeeding Bank Business Day thereafter, interest shall accrue on the amount of State Treasury Notes as from the maturity date to the date of actual redemption at the discount rate per annum specified at the time of the issuance of the State Treasury Notes.

(2) "**Bank Business Day**" shall be a day

(a) on which commercial banks are open for business (including trading in foreign currencies) in Frankfurt am Main; and

(b) (i) if State Treasury Notes are issued in Euro, on which the TARGET-System (Trans-European Automated Real-time Gross Settlement Express Transfer System 2) is settling payments in Euro; or

(ii) in all other cases, on which commercial banks in the principal financial centre of the country of the respective currency are open for business; and

(c) on which the Clearing System set forth in Section 1 (3) hereunder is settling payments in the agreed currency.

#### **Section 5      Payments**

The redemption amount of the State Treasury Notes shall be made available by the State in the agreed currency, in a timely manner on the maturity date at the Clearing System so that the respective depository banks will be credited punctually with an amount corresponding to their respective proportional share in the State Treasury Notes for credit to the noteholders.

#### **Section 6      Taxes**

All payments on the State Treasury Notes shall be made after deduction and withholding of all taxes, duties or official charges (hereafter "**Withholding Taxes**") of any kind which the State should be required by applicable law to deduct or withhold from any such payment. The State shall account for Withholding Taxes deducted or withheld with the appropriate fiscal authorities. The State shall not be obliged to pay any additional amounts in order to compensate for any Withholding Taxes.

#### **Section 7      Termination**

Neither the State nor any noteholder shall be entitled to terminate any of the State Treasury Notes before their maturity date.

#### **Section 8      Place of Performance and Place of Jurisdiction**

Place of performance and exclusive place of jurisdiction shall be Frankfurt am Main, Germany.

#### **Section 9      Severability**

Should any provision of these conditions be or become invalid in whole or in part, the other provisions shall remain in force. Invalid provisions shall, according to the intent and purpose of such provisions, be replaced by such valid provisions which in their economic effect come as close as legally possible to that of the invalid provisions.

# **Emissionsbedingungen für durch eine Sammelurkunde verbriefte Landesschatzanweisungen**

## **§ 1 Verbriefung und Übertragung**

(1) Der Gesamtnennbetrag dieser Serie von Landesschatzanweisungen wird für die gesamte Laufzeit durch eine auf den Inhaber lautende Sammelurkunde verbrieft.

(2) Die Ausgabe von effektiven Stücken ist für die gesamte Laufzeit der Landesschatzanweisungen ausgeschlossen.

(3) "**Clearing System**" bezeichnet Euroclear Bank SA/NV, Clearstream Banking, Luxembourg, société anonyme, Clearstream Banking AG, Frankfurt oder jedes andere anerkannte und zwischen dem Land Sachsen-Anhalt (das "**Land**"), der Emissionsstelle und der Zahlstelle und dem jeweiligen Plazeur vereinbarte Clearing System.

## **§ 2 Status**

Die Landesschatzanweisungen stellen unter sich gleichberechtigte, unmittelbare, unbedingte und unbesicherte Verbindlichkeiten des Landes dar und haben mindestens den gleichen Rang wie alle anderen gegenwärtigen oder künftigen, nicht nachrangigen Verbindlichkeiten des Landes, jedoch unbeschadet etwaiger aufgrund Gesetzes bevorzugter Verbindlichkeiten.

## **§ 3 Fälligkeit und Verzinsung**

Das Land verpflichtet sich, die Landesschatzanweisungen an dem festgelegten Datum zum Nennbetrag zurückzuzahlen. Periodische Zinszahlungen werden auf die Landesschatzanweisungen nicht geleistet.

## **§ 4 Verzugszinsen**

(1) Sofern das Land die Tilgung der Landesschatzanweisungen bei Fälligkeit oder, wenn der Fälligkeitstag kein Bankgeschäftstag (Absatz (2)) ist, am darauffolgenden Bankgeschäftstag unterlässt, fallen nach dem Fälligkeitstag Zinsen in Höhe des bei Begebung der Landesschatzanweisungen vereinbarten Diskontierungssatzes bis zur Einlösung der Landesschatzanweisungen an.

(2) "**Bankgeschäftstag**" bezeichnet einen Tag,

(a) an dem die Geschäftsbanken in Frankfurt am Main für den Geschäftsverkehr geöffnet sind; und

(b) (i) im Fall der Ausgabe von Landesschatzanweisungen in Euro, an dem das TARGET-System (Trans-European Automated Real-time Gross Settlement Express Transfer System 2) Zahlungen in Euro abwickelt; oder

(ii) in allen anderen Fällen, an dem die Geschäftsbanken in dem Haupt-Finanzzentrum des Landes der entsprechenden Währung für den Geschäftsverkehr geöffnet sind; und

(c) an dem das Clearing System (gemäß § 1(3)) Zahlungen in der vereinbarten Währung abwickelt.

## **§ 5 Zahlungen**

Das Land wird den Rückzahlungsbetrag am jeweiligen Fälligkeitstag in der festgelegten Währung an die Zahlstelle zur Weiterleitung an das Clearing System leisten.

## **§ 6 Steuern**

Alle Zahlungen auf die Landesschatzanweisungen erfolgen unter Abzug und Einbehalt von Steuern, Abgaben und amtlichen Gebühren gleich welcher Art (nachstehend zusammen "**Abzugsteuern**" genannt), falls das Land im Zeitpunkt der Zahlung aufgrund anwendbaren Rechts zu einem solchen Abzug und Einbehalt verpflichtet ist. Das Land wird die abgezogenen und einbehaltenen Abzugsteuern gegenüber den zuständigen Behörden abrechnen. Das Land ist nicht verpflichtet, zusätzliche Beträge zum Ausgleich von Abzugsteuern zu zahlen.

## **§ 7 Kündigung**

Weder das Land noch der Gläubiger sind berechtigt, die Landesschatzanweisung während ihrer Laufzeit zu kündigen.

## **§ 8 Erfüllungsort und Gerichtsstand**

Erfüllungsort und ausschließlicher Gerichtsstand ist Frankfurt am Main.

## **§ 9 Emissionsstelle und Zahlstelle**

(1) Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10 - 14, 60272 Frankfurt am Main, Deutschland ist als Emissionsstelle und als Zahlstelle bestellt.

(2) Das Land behält sich das Recht vor, jederzeit die Bestellung der Emissionsstelle und der Zahlstelle zu ändern oder zu beenden und eine andere Emissionsstelle und Zahlstelle zu bestellen. Solange Landesschatzanweisungen aus der vorliegenden Serie ausstehen, wird das Land eine Zahlstelle ernannt halten. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird (außer im Fall der Insolvenz der Zahlstelle, in dem eine solche Änderung sofort wirksam wird) nur wirksam, sofern die Gläubiger hierüber gemäß § 10 vorab unter Einhaltung einer Frist von mindestens 30 und höchstens 45 Tagen informiert worden sind.

(3) Die Emissionsstelle und die Zahlstelle handeln ausschließlich als Beauftragte des Landes und haben keine Verpflichtungen gegenüber den Gläubigern und es besteht kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern.

## **§ 10 Mitteilungen**

Alle die Landesschatzanweisungen betreffenden Mitteilungen sind an das Clearing System zur Weiterleitung an die Gläubiger zu übermitteln. Jede Mitteilung gilt als am siebten Tag der Übermittlung an das Clearing System als den Gläubigern mitgeteilt.

## **§ 11 Teilnichtigkeit**

Sollte eine Bestimmung dieser Emissionsbedingungen ganz oder teilweise unwirksam sein oder werden, so bleiben die übrigen Bestimmungen wirksam. Anstelle der unwirksamen Bestimmung

tritt eine wirksame Regelung, die dem wirtschaftlichen Zweck der unwirksamen Bestimmung, soweit rechtlich zulässig, entspricht.

## **Conditions of Issuance of State Treasury Notes represented by a Global Note (non-binding translation)**

### **Section 1      Form and transfer**

(1) The aggregate principal amount of this Series of State Treasury Notes shall be represented by a global note in bearer form.

(2) The issuance of State Treasury Notes in definitive form shall be excluded.

(3) "**Clearing System**" shall mean Euroclear Bank SA/NV, Clearstream Banking, Luxembourg, société anonyme, Clearstream Banking AG, Frankfurt or any other recognised clearing system agreed upon between the State of Saxony-Anhalt (the "**State**"), the Issuing Agent and the Paying Agent and the relevant Dealer.

### **Section 2      Status**

The State Treasury Notes shall constitute direct, unconditional, and unsecured obligations of the Issuer and rank pari passu without any preference among themselves and at least pari passu with all other unsubordinated obligations of the State, present and future, save for obligations preferred by mandatory provisions of law.

### **Section 3      Settlement and Interest**

The State Treasury Notes shall be redeemed at par on the specified date. There will be no periodic payment of interest.

### **Section 4      Interest in the case of late payment**

(1) If the State fails to redeem the State Treasury Notes on the maturity date or, when the maturity date is not a Bank Business Day (subparagraph (2)), on the next succeeding Bank Business Day thereafter, interest shall accrue on the amount of State Treasury Notes as from the maturity date to the date of actual redemption at the discount rate per annum specified at the time of the issuance of the State Treasury Notes.

(2) "**Bank Business Day**" shall be a day

(a) on which commercial banks are open for business (including trading in foreign currencies) in Frankfurt am Main; and

(b) (i) if State Treasury Notes are issued in Euro, on which the TARGET-System (Trans-European Automated Real-time Gross Settlement Express Transfer System 2) is settling payments in Euro; or

(ii) in all other cases, on which commercial banks in the principal financial centre of the country of the respective currency are open for business; and

(c) on which the Clearing System set forth in Section 1 (3) hereunder is settling payments in the agreed currency.

## **Section 5      Payments**

The redemption amount of the State Treasury Notes shall be paid by the State in the agreed currency on the maturity date to the Paying Agent for further credit to the Clearing System.

## **Section 6      Taxes**

All payments on the State Treasury Notes shall be made after deduction and withholding of all taxes, duties or official charges (hereafter "**Withholding Taxes**") of any kind which the State should be required by applicable law to deduct or withhold from any such payment. The State shall account for Withholding Taxes deducted or withheld with the appropriate fiscal authorities. The State shall not be obliged to pay any additional amounts in order to compensate for any Withholding Taxes.

## **Section 7      Termination**

Neither the State nor any creditor shall be entitled to terminate any of the State Treasury Notes before their maturity date.

## **Section 8      Place of Performance and Place of Jurisdiction**

Place of performance and exclusive place of jurisdiction shall be Frankfurt am Main, Germany.

## **Section 9      Issue Agent and Paying Agent**

(1) Deutsche Bank Aktiengesellschaft, Große Gallusstraße 10-14, 60272 Frankfurt am Main, Germany has been appointed as Issuing Agent and Paying Agent.

(2) The State reserves the right to alter or terminate the appointment of the Issuing Agent and the Paying Agent and to appoint a new Issuing Agent and Paying Agent at any time. The State shall maintain a Paying Agent as long as any State Treasury Notes of the respective Series are outstanding. Any alteration, termination, appointment or other change (other than in case of insolvency of the Paying Agent, in which case a change shall be effective immediately) shall only become effective subject to not less than 30 and not more than 45 days' prior notice thereof to the noteholders according to Section 10 hereof.

(3) The Issuing Agent and the Paying Agent act solely as agents and for the benefit of the State and shall not have any obligation, or relationship of agency or trust, to any of the noteholders.

## **Section 10     Notice**

All notices concerning the State Treasury Notes shall be published by delivery of the notice to the Clearing System for communication to the noteholders. Any such notice shall be deemed to have been given to the noteholders on the seventh day after the date on which said notice was given to the Clearing System.

## **Section 11     Severability**

Should any provision of these conditions be or become invalid in whole or in part, the other provisions shall remain in force. Invalid provisions shall, according to the intent and purpose of such



provisions, be replaced by such valid provisions which in their economic effect come as close as legally possible to that of the invalid provisions.

## **Names and Addresses**

### **Issuer**

Federal State of Saxony-Anhalt  
Ministry of Finance  
Editharing 40  
39108 Magdeburg  
Germany

### **Arranger**

Deutsche Bank Aktiengesellschaft  
Große Gallusstraße 10-14  
60272 Frankfurt am Main  
Germany

### **Dealers**

Banc of America Securities Limited  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

Barclays Bank PLC  
5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

Citibank International plc  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

Commerzbank Aktiengesellschaft  
Kaiserplatz  
60261 Frankfurt am Main  
Germany

Deutsche Bank Aktiengesellschaft  
Große Gallusstraße 10-14  
60272 Frankfurt am Main  
Germany

ING Bank N.V.  
Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

Landesbank Baden-Württemberg  
Am Hauptbahnhof 2  
70173 Stuttgart  
Germany

The Royal Bank of Scotland plc  
135 Bishopsgate  
London EC2M 3UR  
United Kingdom

UBS Limited  
1 Finsbury Avenue  
London EC2M 2PP  
United Kingdom

**Issuing and Paying Agent**

Deutsche Bank Aktiengesellschaft  
Trust & Securities Services  
Commercial Paper  
Große Gallusstraße 10-14  
60272 Frankfurt am Main  
Germany

**Legal Advisers to the Dealers**

Hengeler Mueller  
Partnerschaft von Rechtsanwälten  
Bockenheimer Landstrasse 24  
60323 Frankfurt am Main  
Germany