

State of Saxony-Anhalt

Key Rating Drivers

Ratings Affirmed: The affirmations of, and Stable Outlooks on, the State of Saxony-Anhalt's ratings reflect Fitch Ratings' unchanged assumptions for rating the German Laender, under which the ratings are equalised with those of Germany (Bund; AAA/Stable/F1+).

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

Debt Sustainability at 'a': In Fitch's rating-case scenario, Saxony-Anhalt's economic liability burden will decline to 71.6% in 2026 from 77.4% in 2021. Debt service coverage (Fitch's synthetic calculation) will weaken to 0.4x (0.7x), while the fiscal debt burden will remain unchanged. Fitch's rating case is based on conservative assumptions to test rating resilience through the economic cycle. It assumes uncertainties stemming from the energy and Ukraine crisis as well as still stemming from the pandemic.

Neutral Additional Rating Factors: Saxony-Anhalt's Long-Term IDR is rated on a par with the sovereign, reflecting its SCP of 'aa-' and the specific approach that Fitch applies for the German Laender. Its rating does consider any other extraordinary support from the Bund. No additional risk factors have been identified.

ESG Considerations: The highest ESG score is '3', meaning that ESG issues are credit neutral. These issues are minimally relevant to the rating due to the mission of the issuer and the institutional framework.

Rating Sensitivities

No Upgrade Is Possible: The ratings are the highest level on Fitch's rating scale and therefore cannot be upgraded.

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

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

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Outlooks

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

Debt Ratings

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

Issuer Profile Summary

Saxony-Anhalt is in eastern Germany and had a population of 2.2 million inhabitants and contributed 1.9% to Germany's GDP in 2021.

Financial Data Summary

State of Saxony-Anhalt

(EURm)	FY21	FY26rc
Economic liability burden (%)	77.4	71.6
Payback ratio (x)	18.5	31.5
Synthetic coverage (x)	0.7	0.4
Actual coverage (x)	0.2	0.3
Fiscal debt burden (%)	181.7	182.8
Net adjusted debt	22,444	24,375
Operating balance	1,150	775
Operating revenue	11,722	13,331
Debt service	4,730	2,366
Mortgage-style debt annuity	1,674	1,816

rc: Fitch's rating-case scenario

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

Applicable Criteria

[International Local and Regional Governments Rating Criteria \(September 2021\)](#)

Related Research

[Fitch Affirms 11 German Laender at 'AAA'; Outlook Stable \(October 2022\)](#)

[German Laender – Peer Review 2022 \(December 2022\)](#)

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Rating Synopsis

State of Saxony-Anhalt IDR/CO Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Debt Sustainability (DS) Assessments				Stand alone Credit Profile (SCP)	From SCP to IDR/CO						
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics				DS Score	Intergovernmental lending	Ad-hoc support	Asymmetric Risks	Sovereign Rating	Leeway Above Sovereign	IDR/CO Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Economic Liability Burden	Payback	Coverage	Fiscal Debt Burden								
Stronger	Higher Influence KRF	Lower Influence KRF	Higher Influence KRF	Lower Influence KRF	Higher Influence KRF	Lower Influence KRF	Stronger	aaa	aaa	aaa	aaa	aaa				AAA	AAA	Stable	
							Midrange	aa	aa	aa	aa	aa				AA+	AA+		
Midrange							High Midrange	a	a	a	a	a				AA	AA		
							Midrange	bbb	bbb	bbb	bbb	bbb				AA-	AA-		
Weaker							Low Midrange	bb	bb	bb	bb	bb				A+	A+		
							Weaker	b	b	b	b	b				A	A		
							Vulnerable									A-	A-		
																BBB+	BBB+		
																BBB	BBB		
																BBB-	BBB-		
																BB+	BB+		
																BB	BB		
																BB-	BB-		
																B+	B+		
																B	B		
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The six key risk factors, combined according to their relative importance, collectively represent the risk profile of a local and regional government (LRG). These have been all assessed as 'Stronger' for Saxony-Anhalt, resulting in a 'Stronger' Risk Profile for the state. Debt Sustainability assessments, that measures the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in an SCP. The SCP together with some additional factors not captured in SCP, like extraordinary support or rating cap, produce the IDR. Saxony-Anhalt's debt sustainability has been assessed at 'a' and results in combination with a 'Stronger' risk profile at an SCP of 'aa-'.

Saxony-Anhalt's economic liability burden was assessed at 71.4% in our updated rating case for 2022-2026, resulting in the 'aa' category. This could result in an SCP of 'aaa', but as the issuer's secondary metrics are either 'bbb' or even 'b', the notch-specific SCP was put on 'aa-'.

Issuer Profile

With a population slightly below 2.2 million inhabitants in an area of 20,459 km², Saxony-Anhalt has the third-lowest population density of the German Laender. Saxony-Anhalt is facing a decline of its population since reunification and is further challenged by a weak population profile. It has the highest share of people above 65 years old and the share of those aged six and younger is among the lowest of the Laender.

Key sectors of its economy include manufacturing, transport and services, with agriculture also having an above-average role. Saxony-Anhalt has established biotechnology, information and communication technologies, and wind energy and photovoltaic as key economic pillars of growth for the state. In spring 2022, the chip producer Intel announced plans to construct a factory in the state's capital Magdeburg, which may begin in 2023 and could create 10,000 jobs.

The state's GDP grew by 2.1% to EUR67.1 billion in real terms in 2021, below Germany's GDP growth rate of 2.9%. Fitch assumes Germany's real GDP growth to be just 1.4% in 2022 and a decline of 0.5% in 2023 (no data are available for the state). Saxony-Anhalt's economic profile is less volatile than that of other German states. Its GDP per capita was EUR30,890 (Germany: EUR42,953) at end-2021, the second lowest among the 16 states, but this is mitigated by comparing purchasing power standards.

The unemployment rate in Saxony-Anhalt was 7.8% in February 2023 (Germany: 5.7%). Excluding the three city-states, this is the second highest among the Laender, partly reflecting the state's structural decline. It also explains its shrinking population, which is caused by a negative birth rate and a net migration loss, with people moving outside the state for job opportunities.

Socioeconomic Indicators

	Saxony-Anhalt	Germany
Population, 2021 (m)	2.173	83.129
GDP per capita, 2021 (EUR)	30,884	42,953
GRP growth, 2021 (%)	2.1	2.9
Inflation, 2021 (%)	2.2	3.2
Unemployment rate, December 2021 (%)	6.7	5.1

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

Risk Profile Assessment

Risk Profile: 'Stronger'

Fitch assesses Saxony-Anhalt's risk profile at 'Stronger', reflecting the following combination of assessments.

Risk Profile Assessment

Risk profile	Revenue robustness	Revenue adjustability	Expenditure sustainability	Expenditure adjustability	Liabilities & liquidity robustness	Liabilities & liquidity flexibility
Stronger	Stronger	Stronger	Stronger	Stronger	Stronger	Stronger

Source: Fitch Ratings

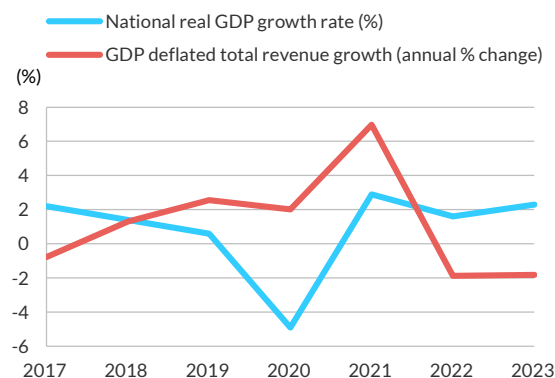
Revenue Robustness: 'Stronger'

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

The Laender's main revenue sources consist of common tax revenues (corporate income tax (CIT), VAT and personal income tax (PIT) between the Bund, the Laender, and to a lesser extent, the municipalities. By law the Laender receive 50.0% of CIT and 42.5% of PIT. The shares of VAT have a more complex allocation process and vary marginally. In 2021, the share was 45.2% for the Laender, 52.8% for the Bund and 2% for the municipalities. The common tax revenues of the Laender accounted for 87% of their total tax revenues collected in 2021.

In 2021, tax revenue accounted for 65.3% (2020: 70%) of the Laender's total revenues, with PIT and VAT the largest contributors, with 47.4% and 37.4%, respectively, in 2021. Over the past five years, the Laender tax revenue growth was above the level of the national economy.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, State of Saxony-Anhalt

Revenue Breakdown, 2021

	Operating revenue (%)	Total revenue (%)
PIT	18.4	17.1
VAT	43.9	41.1
Other taxes	3.9	3.7
Transfers	29.0	27.1
Other operating revenue	4.8	4.5
Operating revenue	100.0	93.5
Interest revenue	-	0.0
Capital revenue	-	6.5
Total revenue	-	100.0

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

Revenue Adjustability: 'Stronger'

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

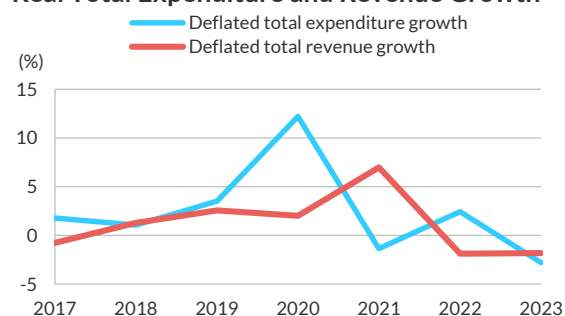
The most recent reform of the financial equalisation system (Bund-Laender-Finanzbeziehungen) confirms the stability of revenue equalisation. This is likely to increase transfers from the Bund to financially weaker Laender and lower the burden of net donor states among the Laender. Fitch views this as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

Expenditure Sustainability: 'Stronger'

German Laender have a prudent record of control of opex. The main spending items consist of administration costs towards tax authorities, education and science and social security, which are counter-cyclical in nature. In times of economic stress, anti-cyclical measures are carried out by the Bund.

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

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, State of Saxony-Anhalt

Expenditure Breakdown, 2021

	Operating expenditure (%)	Total expenditure (%)
Staff costs	26.2	22.3
Goods and services	4.8	4.1
Operating subsidies	69.0	58.5
Other operating expenditure	0.0	0.0
Operating expenditure	100.0	84.9
Interest expenditure	-	2.6
Capital expenditure	-	12.5
Total expenditure	-	100.0

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

Expenditure Adjustability: 'Stronger'

The Laender have effective budget rules in place and have demonstrated a strong ability to limit expenditure growth ahead of the debt brake. They have a moderate share of inflexible spending items, with personal costs and transfers accounting for 92% of opex in 2021. Capex accounted for a moderate 13% of total spending in 2021. Despite the limited flexibility in adjusting capex, the Laender have a good record of cost consolidation to achieve balanced budgets and to keep opex growth below operating revenue growth. They are legally obliged to run their budgets without taking on new net debt from 2020, which Fitch views positively for expenditure adjustability. However, since the pandemic is an extraordinary emergency situation ("aussergewoehnliche Notsituation") beyond the government's control, the additional debt load the Laender performed during 2020 and 2021, was in line with the debt break rules.

Liabilities and Liquidity Robustness: 'Stronger'

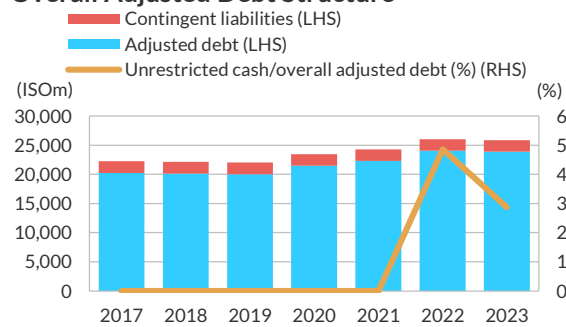
German Laender operate in a solid national framework for debt and liquidity management and show strict market discipline, which Fitch views as credit-positive. As one of the largest subnational and frequent issuers, the Laender enjoy strong access to international capital markets, including Bund-benchmark issues. There is no concentration risk with the maturity profiles and all foreign-currency debt is hedged as are most of the floating-rate issues. The Laender are therefore not exposed to market volatility. However, following the most recent interest rate increases of the European Central Bank, the interest burden of the Laender is likely to increase following a long period of reductions despite an increase of debt. However, this risk is mitigated after the Laender have extended their maturity profiles in most recent years including up to 100 years bond issues or due to forward rate agreements.

The Laender also face large contingent liabilities in the form of debt guarantees on behalf of their development banks and former Landesbanken, as well as their largely unfunded pension liabilities. The risk stemming from their commitments provided to banks is mitigated by adequate assets and the conservative business profiles of their

development banks. In addition, the amount of contingent liabilities stemming from the deficiency guarantees provided to former Landesbanken is largely declining.

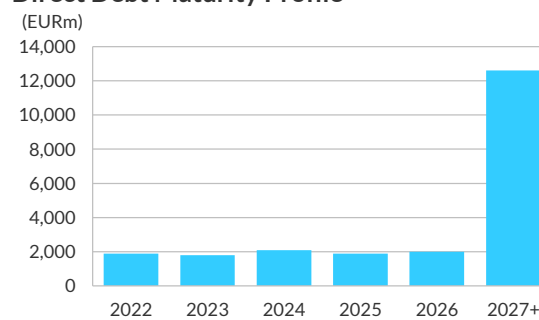
Saxony-Anhalt is a well-established capital market issuer. Considering a total amount of direct debt outstanding of EUR23.2 billion at end-2021 and annual refinancing needs of between 10% and 15% of its debt, the state is frequently tapping the capital market. This is usually done by the issuance of liquid benchmark bonds between five and 10 years. In terms of currencies, the largest share is in euros but there is also an established record of US dollar and sterling bond issues. Saxony-Anhalt further has a EUR8 billion EMTN programme with issues outstanding between one and 30 years. The refinancing needs between 2022 and 2026 averaging about EUR2 billion, making its maturity profile pretty even. At end-2021, about EUR7.7 billion of its debt has maturities between one and four years, EUR4.8 billion between five and seven years, EUR3.7 billion between eight and 10 years, and about EUR7 billion with 10 years and above. At end-2021, 76% of its debt consisted of benchmark issues, 18% of bonds issued via its EMTN programme and 6% of loans.

Overall Adjusted Debt Structure



Source: Fitch Ratings, State of Saxony-Anhalt

Direct Debt Maturity Profile



Source: Fitch Ratings, Saxony-Anhalt, State of

Liabilities and Liquidity Flexibility: 'Stronger'

German Laender operate in a strong framework for emergency liquidity support provided by government upper tiers with counterparty risk of 'AAA'. This established and active liquidity management system, together with the Laender's strong access to capital markets and corresponding strong refinancing capacity and appropriate treasury facilities, should prevent delays in the provision of liquidity and support. The liquidity risk of a single Land is avoided through bilateral and mutual agreements linking all Laender as well as the Bund, ensuring their ability to assist one another. Liquidity would only fail to be forthcoming for any given Land in the event of a complete federal breakdown, in which neither the Laender nor the Bund itself could provide liquidity.

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

Debt Analysis

	2021
Fixed rate (% of direct debt)	0
Issued debt (% of direct debt)	98
Apparent cost of debt (%)	2
Weighted average life of debt (years)	6.7

Source: Fitch Ratings, State of Saxony-Anhalt

Liquidity

(EURm)	2021
Total cash, liquid deposits and sinking funds	1,146
Restricted cash	0
Cash available for debt service	1,146
Undrawn committed credit lines	0

Source: Fitch Ratings, State of Saxony-Anhalt

Debt Sustainability Assessment

Debt Sustainability: 'a' Category

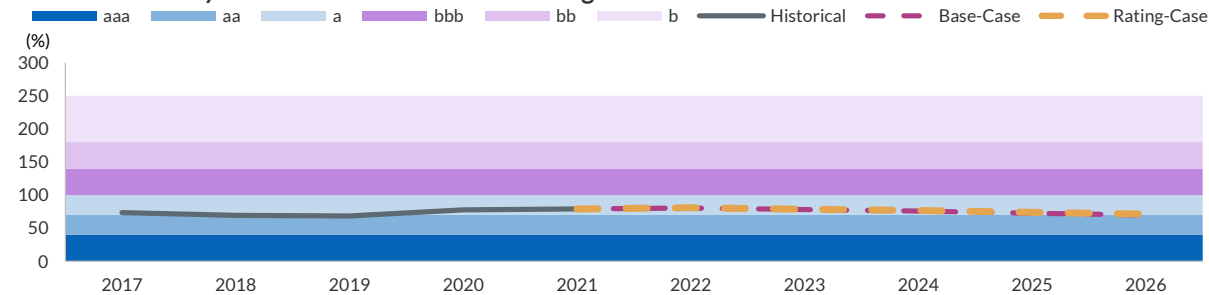
Debt Sustainability Metrics Summary

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

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

We assess Saxony-Anhalt’s debt sustainability in the ‘a’ category. This reflects its primary metric is in the ‘a’ category (economic liability burden of 71.6% in our rating-case-scenario) and the secondary metric assessed in the ‘bbb’ or ‘b’ category. According to our rating case, Saxony-Anhalt’s synthetic debt service coverage ratio will decline to 0.4x in 2026 still corresponding to ‘b’. Its payback will weaken to 31.3x (18.5x) corresponding to ‘b’ while its fiscal debt burden will remain unchanged at 183% corresponding to ‘bbb’.

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



Source: Fitch Ratings, State of Saxony-Anhalt

Fitch’s base-case scenario considers the assumptions that are primarily derived from economic data, including Fitch’s [Global Economic Outlook](#) and [Germany’s sovereign report](#) as well as the issuer’s forecast. Our assumptions for cash flow year two to year five (i.e. 2022-2026) are primarily based on economic data, in particular national nominal GDP growth and inflation forecasts.

Our rating case is a “through-the-cycle” scenario, which incorporates a combination of revenue, cost and financial risk stresses. It is based on 2017-2021 figures and 2022-2026 projected ratios. The rating case ends in 2026 and relies on the assumptions below.

Scenario Assumptions Summary

Assumptions	5-year historical average	2022-2026 average	
		Base case	Rating case
Operating revenue growth (%)	3.0	2.9	2.6
Tax revenue growth (%)	3.5	3.9	3.4
Current transfers received growth (%)	-0.3	1.0	1.0
Operating expenditure growth (%)	4.2	3.0	3.5
Net capital expenditure (average a year; m)	-770	-815	-815
Apparent cost of debt (%)	1.8	1.3	1.3

Outcomes	2021	2026	
		Base case	Rating case
Economic liability burden (%)	77.4	69.7	71.4
Payback ratio (x)	18.5	17.5	31.3
Overall payback ratio (x)	21.0	19.0	33.8
Actual coverage ratio (x)	0.2	0.6	0.3
Synthetic coverage ratio (x)	0.7	0.8	0.4
Fiscal debt burden (%)	181.7	167.5	181.8

Source: Fitch Ratings, State of Saxony-Anhalt

Fitch's net adjusted debt at end-2021 of EUR21.3 billion reflects Saxony-Anhalt's direct debt less unrestricted cash. Net adjusted debt remained stable (2020: EUR21.5 billion) after a sharp increase in 2020 due to the pandemic. Saxony-Anhalt reported unrestricted cash at end-2021 amounting to EUR1,1 billion.

Saxony-Anhalt's overall adjusted debt of EUR25.3 billion further includes the state's guarantees issued (2021: EUR2.8 billion) and debt of its majority-owned government-related entities and other contingent liabilities (2021: EUR115 million). Fitch views risk stemming from Saxony-Anhalt's contingent liabilities to be of low risk.

SCP Positioning and Peer Comparison

SCP Positioning Table

Risk Profile	Debt Sustainability					
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

Fitch rates nine German states, which have SCPs assessed in the 'aa' category. The closest peer is Saarland having the same ELB according to Fitch's rating case for 2022-2026 and both states' SCPs are assessed at 'aa-'. An ELB (further considering the secondary metrics) of above 70% goes along with a SCP of 'aa-', while below translates to a 'aa' (in the case of Berlin) or even a 'aa+' (in the case of Mecklenburg-Western Pomerania and Thuringia) which also have better secondary metrics. The weakest peer in the peer group below is Bremen, which is showing an ELB of 89.6% and a very weak secondary metrics outcome. However, the debt sustainability assessment for all states is at 'a' (except for Bremen having a 'bbb'), because their primary metric corresponds to an assessment of 'aa' ('a'), but the secondary metric is below a 'a' assessment.

Peer Comparison

	Risk profile	Primary metric (x)	SCP	IDR	Outlook
State of Saxony-Anhalt	Stronger	71.6	aa-	AAA	Stable
State of Saarland	Stronger	71.4	aa-	AAA	Stable
State of Berlin	Stronger	68.8	aa	AAA	Stable
State of Schleswig-Holstein	Stronger	66.1	aa	AAA	Stable
State of Bremen	Stronger	89.6	a	AAA	Stable
State of Thuringia	Stronger	64.0	aa+	AAA	Stable
State of Mecklenburg-Western Pomerania	Stronger	61.5	aa+	AAA	Stable

Source: Fitch Ratings

Long-Term Rating Derivation

From SCP to IDR/CO: Factors Beyond the SCP

SCP	Sovereign	Support			Asymmetric risks	Cap	Notches above the sovereign	IDR/CO
		Intergovern. financing	Ad-hoc support	Floor				
aa-	AAA	-	-	AAA	-	AAA	-	AAA

Source: Fitch Ratings

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

Saxony-Anhalt's IDRs are driven by the stability of the solidarity system that underpins its creditworthiness, irrespective of the key risk factors and debt sustainability assessment.

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

Short Term Rating Derivation

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

National Ratings

Not applicable.

Transaction and Securities

Not applicable.

Criteria Variation

Not applicable.

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Appendix A: Financial Data

State of Saxony-Anhalt

(EURm)	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fiscal performance										
Taxes	6,661	7,035	7,281	7,014	7,730	8,124	8,376	8,644	8,878	9,135
Transfers received	3,363	3,222	3,217	3,267	3,399	3,433	3,467	3,502	3,537	3,572
Fees, fines and other operating revenue	177	157	155	534	594	600	606	612	618	624
Operating revenue	10,201	10,413	10,653	10,816	11,722	12,157	12,449	12,758	13,032	13,331
Operating expenditure	-8,918	-9,073	-9,083	-10,465	-10,573	-11,376	-11,763	-12,022	-12,286	-12,557
Operating balance	1,283	1,341	1,571	351	1,150	780	686	736	746	775
Interest revenue	4	-1	-2	0	0	0	0	0	0	0
Interest expenditure	-455	-366	-356	-327	-333	-278	-288	-310	-336	-366
Current balance	832	973	1,213	24	816	502	398	425	409	408
Capital revenue	684	619	662	639	808	1,013	856	852	834	810
Capital expenditure	-1,225	-1,274	-1,650	-1,559	-1,553	-2,017	-1,624	-1,623	-1,608	-1,567
Capital balance	-541	-654	-989	-920	-745	-1,004	-768	-771	-774	-757
Total revenue	10,889	11,031	11,314	11,455	12,531	13,170	13,305	13,610	13,866	14,141
Total expenditure	-10,598	-10,712	-11,089	-12,351	-12,459	-13,671	-13,675	-13,955	-14,231	-14,490
Surplus (deficit) before net financing	291	319	224	-896	71	-502	-370	-346	-365	-349
New direct debt borrowing	4,175	3,399	3,242	4,726	6,493	0	0	0	0	0
Direct debt repayment	-4,311	-3,499	-3,324	-4,209	-4,397	0	0	0	0	0
Net direct debt movement	-136	-100	-82	517	2,097	1,767	-150	-100	400	400
Overall results	155	219	142	-379	2,168	1,265	-520	-446	35	51
Debt and liquidity										
Short-term debt	0	0	0	798	186	186	186	186	186	186
Long-term debt	20,163	20,063	19,963	20,438	21,897	23,664	23,514	23,414	23,814	24,214
Intergovernmental debt	0	0	0	252	218	218	218	218	218	218
Direct debt	20,163	20,063	19,963	21,488	22,302	24,068	23,918	23,818	24,218	24,618
Other Fitch-classified debt	78	78	78	155	142	142	142	142	142	142
Adjusted debt	20,241	20,141	20,041	21,488	22,302	24,068	23,918	23,818	24,218	24,618
Guarantees issued (excluding adjusted debt portion)	1,921	1,885	1,885	2,571	2,770	2,770	2,770	2,770	2,770	2,770
Majority-owned GRE debt and other contingent liabilities	115	115	115	115	115	115	115	115	115	115
Overall adjusted debt	22,277	22,142	22,042	24,320	25,328	27,095	26,945	26,845	27,245	27,645
Total cash, liquid deposits, and sinking funds	0	0	0	0	0	1,265	745	299	334	386
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	0	0	0	0	1,146	1,265	745	299	334	386
Net adjusted debt	20,241	20,141	20,041	21,642	21,298	22,946	23,316	23,662	24,026	24,375
Net overall debt	22,277	22,142	22,042	24,328	24,182	25,830	26,201	26,546	26,911	27,259
Enhanced net adjusted debt	20,241	20,141	20,041	21,642	22,444	22,946	23,316	23,662	24,026	24,375
Enhanced net overall debt	22,277	22,142	22,042	24,328	25,328	25,830	26,201	26,546	26,911	27,259

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

Appendix B: Financial Ratios

State of Saxony-Anhalt

	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Fiscal performance ratios										
Operating balance/operating revenue (%)	12.6	12.9	14.7	3.3	9.8	6.4	5.5	5.8	5.7	5.8
Current balance/current revenue (%)	8.2	9.4	11.4	0.2	7.0	4.1	3.2	3.3	3.1	3.1
Operating revenue growth (annual % change)	0.7	2.1	2.3	1.5	8.4	3.7	2.4	2.5	2.2	2.3
Operating expenditure growth (annual % change)	3.4	1.7	0.1	15.2	1.0	7.6	3.4	2.2	2.2	2.2
Surplus (deficit) before net financing/ total revenue (%)	2.7	2.9	2.0	-7.8	0.6	-3.8	-2.8	-2.5	-2.6	-2.5
Surplus (deficit) before net financing/GDP (%)	0.5	0.5	0.4	-1.4	0.1	-0.7	-0.5	-0.4	-0.4	-0.4
Total revenue growth (annual % change)	0.7	1.3	2.6	1.3	9.4	5.1	1.0	2.3	1.9	2.0
Total expenditure growth (annual % change)	3.3	1.1	3.5	11.4	0.9	9.7	0.0	2.1	2.0	1.8
Debt ratios										
Primary metrics (%)										
Economic liability burden	73.5	69.5	68.6	78.0	77.4	80.9	78.6	76.8	74.1	71.6
Enhanced economic liability burden	73.5	69.5	68.6	78.0	77.4	80.9	78.6	76.8	74.1	71.6
Secondary metrics										
Payback ratio (x) (net adjusted debt/ operating balance)	15.8	15.0	12.8	61.7	18.5	29.4	33.7	31.9	31.9	31.2
Overall payback ratio (x)	17.4	16.5	14.0	69.3	21.0	33.1	38.2	36.1	36.1	35.2
Fiscal debt burden (%) (net debt/ operating revenue)	198.4	193.4	188.1	200.1	181.7	188.8	187.3	185.5	184.4	182.8
Synthetic debt service coverage ratio (x)	0.8	0.9	1.0	0.2	0.7	0.5	0.4	0.4	0.4	0.4
Actual debt service coverage ratio (x)	2.8	0.3	0.4	0.1	0.2	0.4	0.3	0.3	0.3	0.3
Other debt ratios										
Liquidity coverage ratio (x)	2.8	0.4	0.4	0.1	0.2	0.4	0.9	0.6	0.5	0.5
Direct debt maturing in one year/ total direct debt (%)	-	-	-	10.4	5.3	0.8	0.8	0.8	0.8	0.8
Direct debt (annual % change)	-0.7	-0.5	-0.5	7.6	3.8	7.9	-0.6	-0.4	1.7	1.7
Apparent cost of direct debt (interest paid/ direct debt) (%)	2.3	1.8	1.8	1.6	1.5	1.2	1.2	1.3	1.4	1.5
Revenue ratios (%)										
Tax revenue/total revenue	61.2	63.8	64.4	61.2	61.7	61.7	63.0	63.5	64.0	64.6
Current transfers received/total revenue	30.9	29.2	28.4	28.5	27.1	26.1	26.1	25.7	25.5	25.3
Interest revenue/total revenue	0.0	-0.0	-0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital revenue/total revenue	6.3	5.6	5.9	5.6	6.5	7.7	6.4	6.3	6.0	5.7
Expenditure ratios (%)										
Staff expenditure/total expenditure	24.1	24.0	23.8	22.2	22.3	-	-	-	-	-
Current transfers made/total expenditure	50.3	50.1	48.1	53.3	58.5	-	-	-	-	-
Interest expenditure/total expenditure	4.3	3.4	3.2	2.7	2.7	2.0	2.1	2.2	2.4	2.5
Capital expenditure/total expenditure	11.6	11.9	14.9	12.6	12.5	14.8	11.9	11.6	11.3	10.8

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

Appendix C: Data Adjustments

Net Adjusted Debt Calculations

Saxony-Anhalt's net adjusted debt considers its short- and long-term debt as well as its intergovernmental debt as well as its unrestricted cash available (2021: nil).

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

Specific Adjustments

None.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

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