

State of Berlin

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+

Local Currency

Long-Term IDR	AAA
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Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable

Financial Data

State of Berlin

	31 Dec 12	31 Dec 11
Operating revenue (EURm)	21,529.4	19,750.3
Debt (EURm)	62,255.9	62,914.4
Operating balance/operating revenue (%)	14.6	8.3
Debt service/current revenue (%)	47.1	52.0
Debt/current balance (yrs)	57.6	-114.3
Operating balance/interest paid (x)	1.5	0.7
Capital expenditure/total expenditure (%)	4.6	5.1
Surplus (deficit) before debt variation/total revenues (excluding new debt) (%)	3.2	-5.2
Current balance/capital expenditure (%)	78.4	-35.9

Key Rating Drivers

Stability of Solidarity System: The ratings on the State of Berlin (Berlin) reflect the stability and sustainability of the "solidarity system" for German Laender. Under the German constitution, member states are jointly responsible for supporting a Land in financial distress. The Laender share equal responsibilities and must be able financially to fulfil their constitutional duties while exercising their right of autonomy. The federal government (the Bund) and all other federal members have to support a Land if it experiences extreme budgetary hardship.

Liquidity, Good Cash Management: Liquidity risk is mitigated through bilateral agreements linking all the 16 states and the Bund, ensuring their ability to assist one another. Cash would only not be forthcoming for a Land if there was a complete federation-wide breakdown, in which neither the other Laender nor the Bund itself could provide cash. Active liquidity management and proper treasury facilities prevent any temporary delays in the provision of support.

Extensive Financial Equalisation System: Extensive equalisation systems and an ambitious solidarity pact compensate for financial disparities. This framework requires financially stronger Laender to transfer part of their above-average tax proceeds to the financially weaker ones and to reduce the gap in the financial strength among the Laender to a minimum. Berlin was a net recipient in the financial equalisation system in 2012 and received a total transfer amount of EUR3.4bn (16% of operating revenue), on a preliminary basis.

Debt Constraints From 2020: From 2020, Laender will have to run their budgets without taking on new debt. To comply with the new legislation, Berlin will have to follow a strict consolidation path during a transition period (until 2019). Berlin did not increase debt in 2012, and it expects a net funding surplus of about EUR415m in 2013 according to its own estimates and aims to reduce debt by EUR482m in the current year.

Successful Cost-Cutting in Place: To comply with the debt brake and the requirements of the stability board to achieve additional support granted until 2019, Berlin established a consolidation strategy that focuses on limiting expenditure growth to 0.3%. In 2002-2012, Berlin achieved the lowest annual growth rate of only 5.3% among the Laender (20.6% on average).

Budgetary Performance Improved: Berlin's operating margin improved considerably to 14.6% in 2012 and more progress is likely in 2013. The margin was 11% for the first ten months but as the economy was stronger in the second half of the year, Berlin may achieve a budgetary performance close to that of 2012 and a current margin sufficient to cover the interest burden. In 2012, the operating balance covered interest expenditure by 1.5x, last achieved in the strong budgetary year of 2008.

High Debt Burden: At end-2012, Berlin's direct risk amounted to EUR62.3bn. Although it has fallen slightly, Berlin still has the second highest debt per capita among the states. Considering its sizeable contingent liabilities, the state has a high overall risk burden. However, given its prudent debt management strategy and current low interest rates, Berlin has been able to reduce its interest burden and is on track to cut debt in the long term.

Rating Sensitivities

Downgrade of Germany: A negative rating action would be triggered by a change in the ratings of Germany (AAA/F1+). Any change in the support scheme would require a review of the ratings.

Related Research

[Fitch Affirms 7 German Laender at 'AAA'; Outlook Stable \(November 2013\)](#)

[Germany \(August 2013\)](#)

[Interpreting the Financial Ratios in International Public Finance Reports \(July 2010\)](#)

[Institutional Framework for German Subnationals \(April 2008\)](#)

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Rating History

Date	Long-Term Foreign Currency	Long-Term Local Currency
16 Jan 04		AAA
25 Mar 05	AAA	

Figure 1

Map of Berlin



- Solidarity among the states enshrined in the constitution
- Extensive financial equalisation scheme
- Safe liquidity-management
- Debt brake supports budgetary discipline

Rating Factors

	Institutional framework	Debt & liquidity	Fiscal performance	Management & administration	Economy
Status	Strength	Weakness	Neutral	Strength	Neutral
Trend	Stable	Positive	Positive	Stable	Stable

Note: Relative to the rating level
Source: Fitch

Overall Strengths

- Strong institutional framework;
- Improved budgetary performance;
- Good access to the capital markets and sound liquidity and cash-management.

Overall Weakness

- High share of interest expenditure mitigated by low interest rates;
- High debt burden and weak debt metrics.

Institutional Framework

Solidarity is Enshrined in the Constitution

According to the German Constitution (Article 20), the 16 Laender are equal partners with the federal government and have the same rights and duties, even though in practice they are subordinate in some areas. The constitution recognises the need to iron out disparities in standards of living throughout the country and gives the Laender the opportunity to exercise financial independence.

German financial federalism implies the need to balance resources between the constituent parts of the federation (the 16 Laender and the Bund). This has led to the tax-sharing system and the double income-equalisation system (for further information, see *Institutional Framework for German Sub-Nationals*).

Mandatory Support for Laender Facing Financial Difficulties

In 1992 a ruling of the German Federal Constitutional Court highlighted the "Bundestreuekonzept" as a "solidarity principle", according to which all members 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 federal members, as in the cases of Saarland and Bremen after 1994. It is unlikely that support would not be forthcoming for any member of the federation that experienced financial distress.

Fitch considers that the decision made by the German Federal Constitutional Court on 19 October 2006 on Berlin's appeal for extraordinary financial support reaffirmed the validity of the Bundestreuekonzept. This was despite the Federal Constitutional Court's rejection of Berlin's appeal for extraordinary support because the capital city had not reached a situation of extreme budgetary hardship.

At the same time, the Constitutional Court reaffirmed the obligation for the federal government and the other Laender to provide financial support as a last resort ("ultima ratio"), should a Land become unable to fulfil its constitutional duties. In Fitch's view, this confirms the strong support of German financial federalism, which has been one of the key rating factors (alongside the equalisation system and the Laender's cash management) underpinning the 'AAA' rating assigned to the German Laender by Fitch since 1999.

Extensive Equalisation Scheme Compensates for Financial Disparity

This constitutional support system works together with the far-reaching tax-sharing and equalisation system to establish a preventative framework designed to help the Laender avoid financial difficulties. The main taxes, which are personal income, corporate and VAT, are shared between the Bund, the Laender and the local authorities. Tax rates are set by federal law, minimising competition between Laender, but giving them almost no tax discretion.

Related Criteria

- [Tax-Supported Rating Criteria \(August 2012\)](#)
- [International Local and Regional Governments Rating Criteria \(April 2013\)](#)

The three-stage equalisation process (“Laenderfinanzausgleich”) significantly reduces financial disparities between the Laender. The first two steps consist of sharing VAT and other tax proceeds among the Laender themselves, while the third element is additional federal transfers to the weakest Laender. Differences in financial strength are almost entirely evened out. The 2001 reform of the equalisation system implemented in 2005 contained no fundamental changes to the previous system and confirmed the capacity of German federalism to guarantee financial solidarity among its constituent parts. A new solidarity pact (“Solidarity Pact II”) was also signed in favour of the five eastern Laender (Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxony-Anhalt and Thuringia) and Berlin, which will receive a total of EUR156bn during 2005-2020 to support their economic development.

Safe Liquidity Management Prevents Delay in Support

With respect to timeliness, Fitch believes that German Laender run safe and predictable liquidity management procedures. Laender cash management covers one year so that a liquidity crisis could not arise unexpectedly. The Laender are tax collectors and their expenditure tends not to be volatile; they have substantial, predictable cash flows.

Their liquidity benefits from two kinds of short-term arrangement: daily cash transfers among the Laender as an alternative to the capital markets; and credit and back-up lines individually negotiated by each Land with banks, which are available at short notice. German Laender are on an equal footing with banks in the interbank market and therefore have good access to liquidity through a wide range of public and private banks.

Federalism Reform II

A commission made up of the federal council (Bundesrat) and the federal parliament (Bundestag) was established in December 2006 to prepare Federalism Reform II (Föderalismusreform II) — a fundamental reform of the constitutional rules for borrowing. The commission approved the reforms on 12 June 2009. A core item is the implementation of a debt limit for the Bund and the Laender. As a result, both will be required to balance their budgets without taking on new debt. Only the Bund will be allowed to increase net debt, up to 0.35% of GDP (structural debt).

Exemptions will be allowed during economic downturns to stimulate the economy and in extraordinary circumstances such as natural disasters when rapid support is required. Should the Bund or a Land make use of those exemptions, it will have to set up measures to reduce this debt within a specific period.

The rules apply from 2011 but following the financial crisis both the Bund and Laender will be permitted a transition period for the introduction of the new rules until 2015 (for the Bund) and 2019 (for the Laender). They have to prepare their financial plans so that the new rules will be met after the transition period.

The states of Berlin, Bremen, Saarland, Saxony-Anhalt and Schleswig-Holstein will receive extraordinary support totalling EUR800m annually from the Bund and the Laender during 2011-2019 to enable them to balance their budgets and comply with the new rules after the transition period. During this period, these states must take steps to consolidate the budget. Should they fail to do so, this support will be capped. During this transition period, Berlin will receive EUR720m of extraordinary support in annual instalments of EUR80m.

Compliance with these rules will be supervised by the Stabilitätsrat (a board comprising the federal minister of finance, the ministers of finance of the 16 Laender and the German Minister of Economy and Technology), as determined by the constitution. This should ensure early warning of budgetary hardship in any state and enable the timely introduction of counter-measures. Fitch views the reforms positively; they should promote greater budgetary discipline and establish serious cost-cutting measures, reduce structural deficits, and bring debt down to more manageable levels in the long term.

Debt and Liquidity

Debt and Debt Prospects

At end-2012, Berlin's total direct risk amounted to EUR62.3bn (289% of current revenue). Berlin reported a net funding surplus of EUR234m in that year and was therefore able to slightly reduce debt for the first time since 2008. This resulted from improved revenues while the expenditure increase was limited (see Fiscal Performance below).

At end-3Q13, Berlin reported a surplus before debt variation of about EUR700m and debt retirements exceeded new debt by about EUR1.4bn. According to its biannual budget 2012/2013, Berlin initially scheduled net new debt of EUR914m but updated figures show the opposite. For 2013, Berlin expects a net funding surplus of about EUR415m and aims to reduce debt by about EUR482m. According to its biannual budget 2014/2015, Berlin has not considered new debt as well. In its medium-term financial plan 2013-2017, Berlin is scheduled to reduce its debt to about EUR61.5bn by 2017, and aims to reduce the share of direct debt servicing in the operating balance to 260% from 289% in 2012. The debt payback should fall to 50 years from 58 years.

For 2013, Berlin faced about EUR7.8bn of maturing debt but most of it was funded by end-November 2013. Most of the new debt consisted of bonds and the share of loans in total capital market debt was 37% of total debt in 2012 (2011: 38%). At end-2012, the average lifetime of capital markets debt was slightly reduced to 6.7 years and the average annual interest rate was lowered, which fell to 2.91% (2011: 3.33%) effectively reducing the interest burden for the state. Compared with last year, the maturity profile was stable and about 49.2% of debt outstanding will mature in the next four years. From the remaining debt, about 28.4% will mature between four and 10 years and 22.4% in more than 10 years. Berlin has some foreign-currency debt in Swiss francs, Japanese yen and US dollars, but this only accounts for about 1% of the total debt.

Cash Management Is Secure

Sound liquidity management and predictable cash flow planning is an essential part of the Laender's 'AAA' Long-Term ratings. Berlin, like all Laender, has excellent access to short-term liquidity from commercial banks, from the Bund and from the other Laender.

Contingent Liabilities

Berlin's outstanding guarantees sharply declined to EUR8.8bn in 2012 from EUR26.3bn at end-2011. Most of the guarantees related to the Bankgesellschaft Berlin's (BGB) real estate transaction. Following the reorganisation of the Berliner Immobilien Holding GmbH (BIH-Group), operating under the name Berlinovo Immobiliengesellschaft mbH (berlinovo) on 16 July 2012, the former guarantee frame for BGB was abolished. It was replaced by a guarantee based on §39 Abs.1 of the state budget code for the remaining risks of BGB and the compensation for the insolvency risks of BIH effective 10 November 2012. The new outstanding guarantee was EUR3.8bn at end-2012.

The second largest guarantee, amounting to EUR3.4bn at end-2012, related to the debt of social housing associations, whose debt servicing is fully self-supported through rents and sales of flats. This mitigates the risk for Berlin's budget. A further EUR0.8bn is on behalf of the Airport Berlin Brandenburg GmbH and EUR0.7bn for the partial re-municipalisation of Berliner Wasserbetriebe (in 2012, Berlin bought a 24.95% stake and another 24.95% in 2013).

Shareholdings

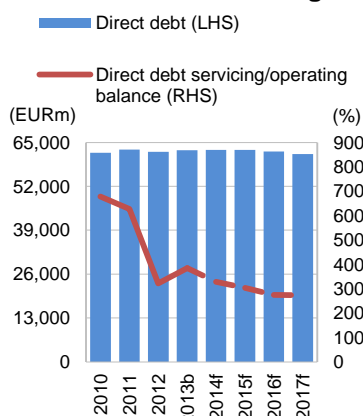
At end-2012, Berlin has 39 majority owned shareholdings whose consolidated debt outstanding amounted to EUR11.8bn. The consolidated result of its 54 shareholdings was EUR223m at end-2011 and they received EUR655m of supportive payments in 2012 on a preliminary basis.

Figure 2
Debt^a Per Capita of the Laender, End-2012

Land	(EUR)
Bremen	28,768
Berlin	17,344
Saarland	12,884
Hamburg	11,557
Schleswig-Holstein	9,504
Saxony-Anhalt	8,959
Rhineland-Palatinate	8,064
Thuringia	7,293
North Rhine-Westphalia	7,285
Brandenburg	7,206
Lower Saxony	6,984
Hessen	6,619
Mecklenburg-Western Pomerania	5,875
Baden-Wuerttemberg	3,901
Bavaria	2,223
Saxony	1,218
Median of the Laender	7,289
Bund	13,406

^a Capital Market Debt, preliminary
Source: Federal Ministry of Finance

Figure 3
Debt and Debt Servicing



b - Budget, f - Forecast
Source: State of Berlin, Fitch

This debt does not include the liabilities of the fully owned development bank, Investitionsbank Berlin of EUR18.6bn. Fitch assumes the business profile of the bank to be conservative and large parts of its assets are covered by real estate assets or lending to the municipal sector (EUR11.3bn at end-2012). The bulk of the debt belongs to the main housing companies (EUR7.3bn), BVG (public transport; EUR816m) and Berliner Stadtreinigungsbetriebe (the local waste company; EUR314m).

Berlin has a 37% share in the new airport Berlin-Brandenburg, together with the state of Brandenburg (37%) and the Bund (26%). The airport faces problems because of a delay in its completion resulting in a significant project cost rise. The shareholders need to provide several contributions and the entire debt amounted to EUR2.3bn at end-2012. The actual amount could further increase, if the estimated start of the new airport is delayed again.

High Pension Liabilities

Berlin is liable for pension payments to its civil servants. According to the city, the current liability for its public employees amount to about EUR1.2bn annually and the net present value of all outstanding pension liabilities was assessed at about EUR36bn by the state. Berlin only provides mandatory payments to the pension contribution plan (Sondervermögen "Versorgungsrücklage des Landes Berlin"). These totalled EUR570m at end-2012; most of the pension obligations are not covered.

Neither the pension liabilities, which would normally be considered as other Fitch-classified debt, nor the contingent liabilities stemming from Berlin's development bank, are reflected in the guarantees and other contingent liabilities listed in Appendix A.

Fiscal Performance

Forecasts

Berlin demonstrated a strong budgetary performance with an operating margin of 14.6% in 2012 (2011: 8.3%). According to data for the first ten months of 2013, Berlin reported an operating margin of about 11%, slightly below the budgeted 12.4%. It envisages an overall surplus of about EUR295m before debt variation. According to the state's medium-term financial plan, Berlin will achieve operating margins around 14% in 2014-2017. This should come from limiting spending growth and achieving a parallel increase in revenues or even higher. Fitch estimates growth in Germany's real GDP of 1.5% in 2014 and 2015 compared with a possible 0.7% in 2013, and on this basis, Berlin should be able to continue to record a positive current performance.

Operating Revenue

The state assumes volatile operating revenues. Budget figures for 2013 expected a slight decline in operating revenue this year but the preliminary results for the first ten months of 2013 show an increase in operating revenue driven by taxes. We expect the revenue growth to continue in 2014 and 2015, considering the forecast economic growth. Operating revenues are driven by tax revenues, which accounted for 54% of operating revenue in 2012. The second largest item are the current transfers received (39%), which are volatile; while transfers from the Bund are stable, the financial equalisation payments are subject to economic progress and could change by 20% yoy, as they did in 2012.

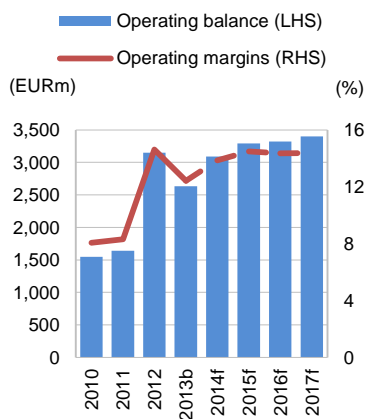
According to the updated population census published on 31 May 2013, Berlin has a falling population and adjusted the property acquisition tax starting 1 January 2014 from 5% to 6% to compensate for this (see Economy below).

Figure 5
Budget Forecast

(EURbn)	2012	2013	2014
Revenue	22.6	21.9	22.5
Expenditure	21.9	22.5	22.8
Surplus (deficit)	0.7	-0.6	-0.3

Source: State of Berlin

Figure 6
Budgetary Performance



b - Budget, f - Forecast
Source: State of Berlin, Fitch

Figure 4
Tax Revenue^a

(EURm)	2008	2009	2010	2011	2012
Income and corporate tax	3,189	2,642	3,132	3,349	3,532
VAT	3,605	3,697	3,681	3,626	3,962
State taxes	917	647	645	734	856
Municipal taxes	2,974	2,712	3,022	3,125	3,261
Total	10,685	9,698	10,480	10,834	11,611

^a Does not contain all taxes which are included in "Taxes" in Appendix A
Source: State of Berlin

Operating Expenditure

Operating expenditure is driven by personnel costs and transfers, which together accounted for about 71% of operating expenditure in 2012. Limiting operating expenditure growth will be key to complying with the debt brake starting in 2020. Operating expenditure tends to grow because of contractual commitments like labour agreements and pension payments. However, Berlin has started to limit the growth of its total spending to 0.3% annually. Berlin is in a special situation since it receives annual transfers amounting to EUR80m to better comply with the future debt brake and needs to report to the stability board, who supervise this on a quarterly basis.

According to its medium-term financial plan for 2013-2017, Berlin expects a compound annual growth rate in its expenditure of 0.7%, well below the annual average of 2.3% for the Laender scheduled until 2017 and below Fitch's expected inflation rates of 1.7% for 2014 and 2015. During the past ten years Berlin was successful in limiting its expenditure growth per inhabitant and achieved the slowest growth rate among the Laender; the average Laender growth was 20.6% in 2002-2012 but Berlin's growth rate was only 5.3%.

Berlin will reduce its personnel numbers. Although it needs to take into account a new tariff agreement for public employees and an increase in pension payments resulting in an increase in wages and pension payments of 2.5% in 2014 and 2015, an increase in overall personnel costs will be limited by a reduction in employees to 100,000 in 2015 from 104,116 as per June 2013. Berlin took into account an annual increase in staff costs of 3% annually in 2013-2017. Current transfers and costs for goods and services are expected to increase by 1.7% during the same period.

Figure 7
Operating Expenditure

(EURm)	2011	2012	2013b	Change 2013b to 2012 (%)
Personnel costs	6,606.7	6,759.6	6,876.6	1.7
Goods and services	5,140.8	5,349.5	5,372.1	0.4
Current transfers made	6,362.5	6,270.2	6,334.6	1.0
Other opex	0.0	0.0	0.0	0.0
Total operating expenditure	18,110.0	18,379.3	18,583.3	1.1

b - Budget
Source: State of Berlin

Capital Expenditure

Capital expenditure amounted to EUR1.4bn in 2012. Berlin aims to keep to this limit for the next two years although increased expenditure for the airport Berlin-Brandenburg and remaining costs for ring-fencing Bankgesellschaft Berlin and correlated payments to berlinovo may occur. The main capital expenditure items are the maintenance of the opera (EUR208m in 2013-2017) and grants to public transport (EUR948m) and development of regional economic structure (EUR363m). Uncertainties are mainly centred on the progress on the airport Berlin-Brandenburg and its additional costs for Berlin. Currently, Berlin has reserved EUR444m of which EUR70.9m has been used so far.

Figure 8
GDP^a Per Capita of the Laender, 2012

Land	(EUR)
Hamburg	53,091
Bremen	41,897
Hessen	37,656
Bavaria	36,865
Baden-Wuerttemberg	36,019
North Rhine-Westphalia	32,631
Saarland	31,364
Berlin	29,455
Rhineland-Palatinate	29,431
Lower Saxony	29,032
Schleswig-Holstein	27,220
Saxony	23,400
Brandenburg	23,179
Saxony-Anhalt	22,933
Mecklenburg-Western Pomerania	22,620
Thuringia	22,241
Germany	32,281

^a At current prices
 Source: VGR der Laender

Figure 9
Economic Structure of Berlin, 2012

Sector (as % of GVA)	Berlin	Germany
Agriculture and forestry	<0.0 ^a	1.0
Production	17.4	30.5
Services	82.6	68.5
There of public sector	9.3	6.3
Inhabitants per square kilometer	3,785	225

^a 0.01%
 Source: State of Berlin, Arbeitskreis „Erwerbstaetigenrechnung des Bundes und der Laender“, Statistical Office Berlin-Brandenburg

Figure 10
Unemployment Rates

	2009	2010	2011	2012
Germany	8.1	7.7	7.1	6.8
West	6.9	6.6	6.0	5.9
East	13.0	12.0	11.3	10.7
Berlin	14.0	13.6	13.3	12.3

Source: Arbeitsagentur, Fitch

Management and Administration

The ruling mayor of Berlin is Klaus Wowereit from the Social Democrats (SPD) who won the elections for a third five-year term in 2011. He formed a coalition with the Christian Democrats (CDU). The next elections will take place in autumn 2016.

To comply with the debt brake and the requirements of the Stability Board, Berlin established a consolidation strategy. This strategy consists of three pillars: limiting expenditure growth, strengthening its own revenues, and the growth of the regional economy.

Economy

Demography, GDP and the Employment Market

Berlin is the capital of Germany and by far the largest city in the country. At end-May 2013, the statistical office published a new population census for 2011 following inaccurate statistics and according to this, Berlin needs to reduce its population by about 180,000 inhabitants. At end-2012, Berlin had a population of 3,375,200 inhabitants. This has an immediate effect on the city's finances since it will cut payments from VAT, financial equalisation and some additional transfers. The entire cost will be about EUR470m annually, effective from 2011. However, the population trend will remain positive in contrast with Germany overall; Berlin's estimated population will grow from 3.4 million in 2013 to 3.6 million in 2030.

Berlin's nominal GDP of EUR103.6bn grew by 1.2% yoy in real terms in 2012, above that of Germany, which grew by 0.7%. In 1H13, Berlin was among the few states that reported small growth in real terms of 0.5%, while Germany reported a decline of 0.3%. Driven by a broad service sector, which is concentrated in public services (see Figure 9), the city's economy is less volatile than other German states but still has a below average wealth level. Its GDP per capita of EUR29,455 is 8.8% below the average GDP of Germany. Berlin has high demand for the formation of businesses and reduced the gap with Germany but a higher proportion of value enhancing branches is required to produce equal wealth.

Unemployment in Berlin was 11% in November 2013. The Land saw a significant decline in unemployment after 2009 (see Figure 10) but has the second highest unemployment rate among the German states. It needs to close the gap with at least eastern Germany (9.5%) but given its central functions, it will probably have relatively high unemployment for Germany at any time. Being the capital, Berlin attracts job seekers and large part of them find employment. However, given a large number of well qualified people moving to Berlin, reduction in unemployment is challenging.

Appendix A

Figure 11
State of Berlin

	2008	2009	2010	2011	2012
Taxes	10,685.3	9,726.0	10,501.7	10,859.4	11,635.9
Transfers received	8,012.0	7,604.7	7,350.0	7,366.9	8,424.0
Fees, fines and other operating revenue	1,411.2	1,406.9	1,340.6	1,524.0	1,469.5
Operating revenue	20,108.5	18,737.6	19,192.3	19,750.3	21,529.4
Operating expenditure	-17,045.1	-17,221.8	-17,643.3	-18,110.0	-18,379.3
Operating balance	3,063.4	1,515.8	1,549.0	1,640.3	3,150.1
Financial revenue	41.7	45.3	34.1	34.8	26.6
Interest paid	-2,303.0	-2,233.3	-2,207.7	-2,225.5	-2,096.8
Current balance	802.1	-672.2	-624.6	-550.4	1,079.9
Capital revenue	1,690.6	818.7	1,028.1	1,008.6	1,012.1
Capital expenditure	-1,446.5	-1,543.4	-1,772.4	-1,534.2	-1,377.3
Capital balance	244.1	-724.7	-744.3	-525.6	-365.2
Surplus (deficit) before debt variation	1,046.2	-1,396.9	-1,368.9	-1,076.0	714.7
New borrowing	6,969.8	11,118.2	10,700.5	9,294.2	7,819.7
Debt repayment	-7,804.0	-8,385.8	-8,290.1	-8,065.0	-8,053.9
Net debt movement	-834.2	2,732.4	2,410.4	1,229.2	-234.2
Overall results	212.0	1,335.5	1,041.5	153.2	480.5
Debt					
Short-term	0.0	0.0	0.0	0.0	0.0
Long-term	59,074.5	60,540.9	61,910.9	62,914.4	62,255.9
Direct debt	59,074.5	60,540.9	61,910.9	62,914.4	62,255.9
+ Other Fitch classified debt - pre-financing	0.0	0.0	0.0	0.0	0.0
Direct risk	59,074.5	60,540.9	61,910.9	62,914.4	62,255.9
- Cash, liquid deposits, sinking fund	97.2	148.0	191.0	31.6	0.0
Net direct risk	58,977.3	60,392.9	61,719.9	62,882.8	62,255.9
Guarantees and other contingent liabilities	27,098.0	26,988.3	26,606.9	26,276.2	8,776.4
Net indirect debt (public sector entities exc. gteed amount)	10,736.6	10,448.7	11,309.0	12,560.4	11,800.0 ^a
Net overall risk	96,811.9	97,829.9	99,635.8	101,719.4	82,832.3
Memo for direct debt (%)					
In foreign currency	0.9	0.9	1.2	1.2	1.0
Issued debt	100.0	100.0	100.0	100.0	100.0
Fixed interest rate debt	81.8	82.7	78.5	78.5	75.6

^a Partly including 2011 data

Source: Issuer and Fitch calculations

Appendix B

Figure 12
State of Berlin

	2008	2009	2010	2011	2012
Fiscal performance ratios (%)					
Operating balance/operating revenue	15.2	8.09	8.07	8.31	14.63
Current balance/current revenue ^a	4	-3.58	-3.25	-2.78	5.01
Surplus (deficit) before debt variation/total revenue ^b	4.8	-7.13	-6.76	-5.17	3.17
Overall results/total revenue	1.0	6.81	5.14	0.74	2.13
Operating revenue growth (annual change)	4.8	-6.82	2.43	2.91	9.01
Operating expenditure growth (annual change)	3.1	1.04	2.45	2.65	1.49
Current balance growth (annual change)	244.1	-183.81	-7.08	-11.88	-296.2
Debt ratios					
Direct debt growth (annual % change)	-1.7	2.48	2.26	1.62	-1.05
Interest paid/operating revenue (%)	11.5	11.92	11.5	11.27	9.74
Operating balance/interest paid (x)	1.3	0.7	0.7	0.7	1.5
Direct debt servicing/current revenue (%)	50.2	56.54	54.6	52.01	47.09
Direct debt servicing/operating balance (%)	329.9	700.56	677.71	627.35	322.23
Direct debt/current revenue (%)	293.2	322.32	322.01	317.99	288.81
Direct risk/current revenue (%)	293.2	322.32	322.01	317.99	288.81
Direct debt/current balance (yrs)	73.6	-90.1	-99.1	-114.3	57.6
Net overall risk/current revenue (%)	480.5	520.85	518.22	514.12	384.27
Direct risk/current balance (yrs)	73.6	-90.1	-99.1	-114.3	57.6
Direct debt/GDP (%)	66.7	67.17	65.36	62.05	60.09
Direct debt per capita (EUR)	17,375	17,579	17,976	18,996	18,528
Revenue ratios					
Operating revenue/budget operating revenue (%)	102.96	100.3	106.08	106.85	105.29
Tax revenue/operating revenue (%)	53.1	51.91	54.72	54.98	54.05
Modifiable tax revenue/total tax revenue (%)	-	-	-	-	-
Current transfers received/operating revenue (%)	39.8	40.59	38.3	37.3	39.13
Operating revenue/total revenue ^b (%)	92.1	95.59	94.76	94.98	95.4
Total revenue ^b per capita (EUR)	6,424	5,692	5,881	6,278	6,717
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	101.4	102.33	100.63	101.47	100.26
Staff expenditure/operating expenditure (%)	36.9	36.48	36.62	36.48	36.78
Current transfer made/operating expenditure (%)	35.8	35.62	35.46	35.13	34.12
Capital expenditure/budget capital expenditure (%)	100.24	81.75	94.48	98.66	83.88
Capital expenditure/total expenditure (%)	5.1	5.25	5.93	5.13	4.61
Capital expenditure/local GDP (%)	1.6	1.71	1.87	1.51	1.33
Total expenditure per capita (EUR)	8,411	8,532	8,686	9,038	8,901
Capital expenditure financing (%)					
Current balance/capital expenditure	55.5	-43.55	-35.24	-35.88	78.41
Capital revenue/capital expenditure	116.9	53.05	58.01	65.74	73.48
Net debt movement/capital expenditure	-57.67	177.04	136	80.12	-17.0

n.a.: Not available

^a Includes financial revenue

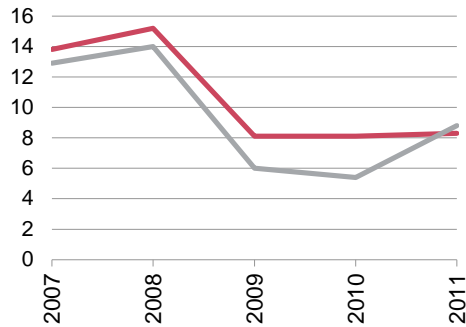
^b Excluding new borrowing

Source: Issuer and Fitch calculations

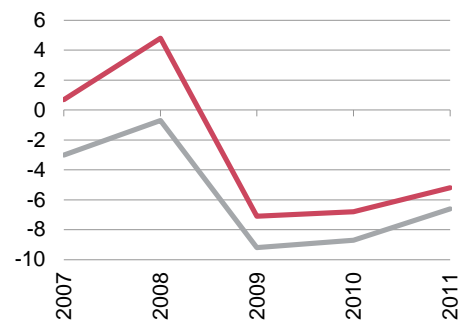
Appendix C
State of Berlin

Peer Comparison

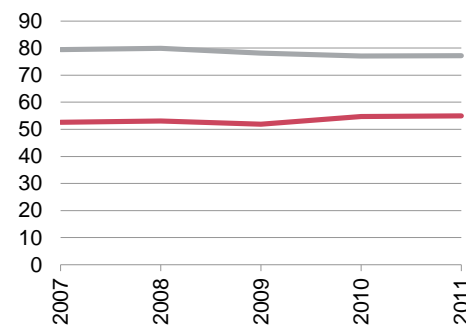
Operating Balance
% Operating Revenue



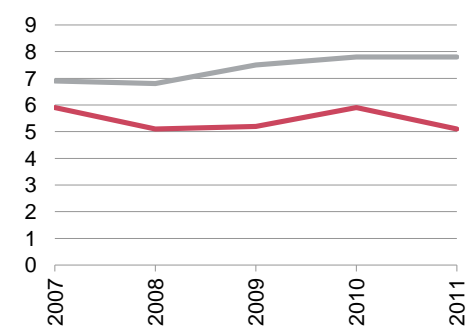
Surplus (Deficit)
% Total Revenue



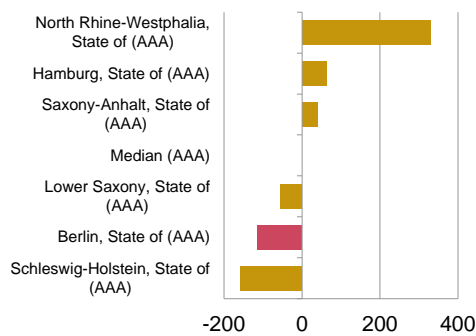
Taxes
% Operating Revenue



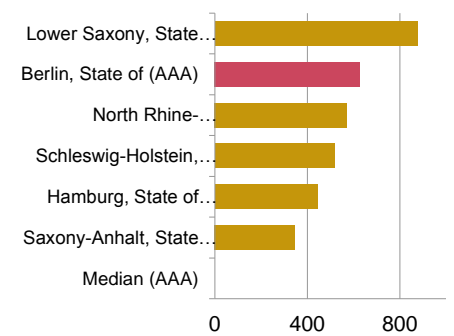
Capital Expenditure
% Total Expenditure



Debt
To Current balance (Years) 2011



Debt Servicing
To Operating Balance (%) 2011



— State of Berlin

— AAA Peer Group Median

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