

State of Berlin

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	AAA
Short-Term IDR	F1+
Local Currency	
Long-Term IDR	AAA

Outlooks

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

Financial Data

State of Berlin

	31 Dec 13	31 Dec 12
Operating revenue (EURm)	21,795.2	21,529.4
Debt (EURm)	61,745.1	62,255.9
Operating balance/operating revenue (%)	13.74	14.63
Debt service/current revenue (%)	44.88	47.09
Debt/current balance (yrs)	56.2	57.6
Operating balance/interest paid (x)	1.6	1.5
Capital expenditure/total expenditure (%)	4.24	4.61
Surplus (deficit) before debt variation/total revenues (excluding new debt) (%)	3.35	3.17
Current balance/capital expenditure (%)	86.86	78.41

Related Research

[Fitch Affirms 7 German Laender at 'AAA'; Outlook Stable \(November 2014\)](#)

[Germany \(July 2014\)](#)

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

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

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Key Rating Drivers

Stability of Solidarity System: The ratings of 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 some of their above-average tax proceeds to financially weaker ones and to reduce the gaps in financial strength between the Laender to a minimum. Berlin was a net recipient of the financial equalisation system in 2013 and received a total transfer amount of EUR3.3bn (15% 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 2013, and it is forecasting a net funding surplus of about EUR213m in 2014 and aims to reduce debt by EUR90m 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%. Berlin has limited its expenditure growth in the past and the 2014-2018 estimates show further progress.

Budgetary Performance Improved: Berlin's 2013 operating margin was close to that of 2012 and it will likely to remain fairly stable in 2014. In 2013, the operating balance was sufficient to cover the interest burden by 1.56x, and this level should be sustained until 2018. Given a continuing decline in interest expenses and further growth in operating revenues, interest paid may only require 7.5% of operating revenues in 2018 (2013: 8.8%).

High Debt Burden: At end-2013, Berlin's direct risk amounted to EUR61,745m. Its debt per capita fell for a second consecutive year but remains the second-highest among all the German 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 downgrade of Germany's ratings (AAA/F1+) would lead to negative rating action on Berlin. Any change in the support scheme would require a review of the ratings.

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	Stable	Stable	Stable

Note: Relative to the rating level
Source: Fitch

Overall Strengths

- Strong institutional framework
- Sustained budgetary performance
- Very 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

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. Given the stable mutual support system, the extensive financial equalisation system and the Laender's good access to liquidity and exhaustive cash management, their ratings are linked to those of Germany.

Debt and Liquidity

Debt and Debt Prospects

At end-2013, Berlin's total direct risk amounted to EUR61.7bn (283% of current revenue). Berlin reported a net funding surplus of EUR274m that year and was therefore able to slightly reduce debt for the second year in a row. This resulted from improved revenues and a limited increase in expenditure (see *Fiscal Performance* below).

At end-3Q14, Berlin reported a surplus before debt variation of about EUR419m, and debt retirements exceeded new debt by about EUR2bn. According to its biannual budget for 2014-2015, Berlin initially scheduled debt to slightly decline by EUR90m from 2013 to 2014. For 2014, Berlin published an update ahead of the medium-term financial plan for 2014-2018 showing a net funding surplus of EUR213m. Fitch therefore expects Berlin to comply with its plans, to further reduce debt in 2014, probably even above budget. In its medium-term financial plan for 2014-2018, Berlin is scheduled to reduce its debt to about EUR61bn by 2018. This would be good progress, outpacing the former medium-term plan and providing some budgetary flexibility ahead of the upcoming debt brake when Berlin will be obliged to run its budget without taking on net new debt.

Maturing debt was predominantly funded by bond issues in 2013, whereas the share of loans in total debt remained low at 37%. At end-2013, the average lifetime of capital markets debt was slightly reduced to 6.6 years and the average annual interest rate was lowered to 2.73% (end-2012: 2.91%). Compared with the previous year, the maturity profile was stable and about 49% of debt outstanding was due to mature within the next four years, while about 28.6% was set to mature in between four and 10 years and 22.6% in more than 10 years. Berlin has some foreign-currency debt in Swiss francs, Japanese yen and US dollars, but this accounts for a negligible euro-equivalent of below 1% of total debt.

Cash Management Is Secure

Sound liquidity management and predictable cash flow planning are an essential component 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. Therefore,

Related Criteria

[Tax-Supported Rating Criteria \(August 2012\)](#)
[International Local and Regional Governments Rating Criteria \(April 2014\)](#)

Berlin aims to limit cash in its accounts and often acts as a lender when it receives large tax revenues rather than keeping the excess liquidity in its accounts to buffer maturing debt.

Contingent Liabilities

At end-2013, Berlin's guarantees amounted to EUR8.8bn. The largest share of the guarantees related to the Bankgesellschaft Berlin (BGB) real estate transaction. This guarantee is based on §39 Abs.1 of the state budget code for the remaining risks of BGB and the compensation for the insolvency risks of Berliner Immobilien Holding effective 10 November 2012. Of this guarantee, EUR3.8bn was outstanding at end-2013. Following some redemption payments, the remaining risk was reduced to EUR3.1bn in March 2014.

The second-largest share of the issued guarantees relates to the debt of social housing associations, which amounted to EUR2.9bn at end-2013. However, the servicing of social housing associations' debt is fully self-supported through rents and sales of flats, which mitigates the risk for Berlin's budget. Another issued guarantee amounting to EUR1.3bn is on behalf of BWB Rekom GmbH according to §3 Abs.10 of the state budget code for the re-municipalisation of Berliner Wasserbetriebe.

Fitch assumes risk stemming from these guarantees to be limited, and net payments on behalf of these guarantees were EUR4m in 2013.

Shareholdings

At end-2013, Berlin had 39 majority-owned shareholdings whose consolidated debt outstanding amounted to EUR12.4bn. The consolidated result of its 55 shareholdings was EUR455m at end-2013 and they received EUR718m of supportive payments in 2013.

This debt does not include the liabilities of fully owned development bank Investitionsbank Berlin (AAA/Stable/F1+) of EUR19.3bn. 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 (EUR12.4bn at end-2013). The bulk of the debt belongs to the main housing companies (EUR7.3bn), BVG (public transport; EUR816m) and Berliner Stadtreinigungsbetriebe (the local waste company; EUR279m).

Berlin has a 37% share in the new Berlin-Brandenburg airport, 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 EUR2.5bn at end-2013. Fitch expects debt to further increase as the opening date for the new airport is not certain.

High Pension Liabilities

Berlin is liable for pension payments to its civil servants. According to the state, current liabilities for its public employees amount to about EUR1.2bn annually. Based on the next 10 years' expected average annual pension payments and considering a payout period of 20 years for active staff, Berlin has estimated its pension liabilities at about EUR36bn (excluding adjustments and deduction of accrued interest). Berlin only provides mandatory payments to the pension contribution plan (Sondervermögen "Versorgungsrücklage des Landes Berlin"). These totalled EUR578m at end-2013; 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

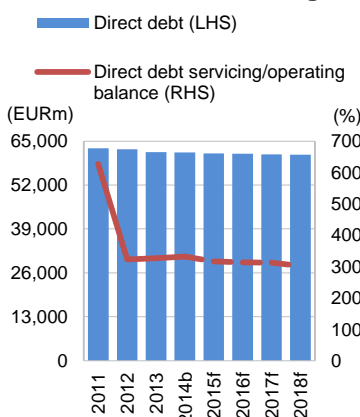
Berlin achieved another strong budgetary performance in 2013 with an operating margin of 13.7% (2012: 14.6%) and is likely to do so again in 2014 with a margin still above 10%. By

Figure 2
Debt^a Per Capita of the Laender, End-2013

Land	(EUR)
Bremen	30,012
Berlin	17,804
Saarland	13,853
Hamburg	13,319
Schleswig-Holstein	9,415
Saxony-Anhalt	9,068
Rhineland-Palatinate	8,213
North Rhine-Westphalia	7,633
Thuringia	7,325
Lower Saxony	7,248
Brandenburg	7,032
Hessen	6,617
Mecklenburg-Western Pomerania	5,937
Baden-Wuerttemberg	4,174
Bavaria	2,105
Saxony	1,004
Median Of The Laender	7,008
Bund	13,571

^a Capital market debt, preliminary
Source: Federal Ministry of Finance

Figure 3
Debt and Debt Servicing



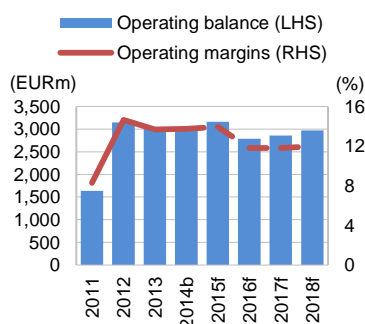
b - Budget, f - Forecast
Source: State of Berlin, Fitch

Figure 4
Budget Forecast

(EURbn)	2014	2015	2016
Revenue	23.2	23.2	24.2
Expenditure	23.0	23.1	24.0
Surplus (deficit)	0.2	0.1	0.2

Source: State of Berlin

Figure 5
Budgetary Performance



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

continuing to follow its path of limited expenditure increases and higher envisaged revenues, Berlin's medium-term financial plan is showing not only an operating surplus but also a surplus before debt variation until 2018. Therefore, Berlin should succeed in complying with the debt brake well ahead of the legally required start date of 2020. Although future progress is largely correlated to the development of its revenues, Fitch assumes the medium-term financial plan to be prudent as Berlin's expenditure policy offers some flexibility to cope with declining revenues. The most recent tax estimate as of November 2014 is indeed less optimistic than the last one as of May 2014, with Germany's real GDP growth forecasts cut back to 1.2% in 2014 and 1.3% in 2015-2019.

Operating Revenue

The state assumes ongoing growth of operating revenues during the 2014-2018 planning period. Driven by average growth in tax revenues of 4% per year in 2014-2018, operating revenues are expected to increase by between 1.5% in 2015 and 4.4% in 2016. Fitch expects revenue growth to continue in 2015 and 2016, considering our German GDP growth forecasts of 1.8% in 2015 and 1.7% in 2016. Although these are above the official German forecasts, we expect Berlin to continue to report surpluses or an almost balanced budget, when taking into consideration a decline in revenues should the expected slowdown in growth materialise.

Figure 6
Tax Revenue^a

(EURm)	2009	2010	2011	2012	2013
Income and corporate tax	2,642	3,132	3,349	3,532	3,943
VAT	3,697	3,681	3,626	3,962	3,453
State taxes	647	645	734	856	1,028
Municipal taxes	2,712	3,022	3,125	3,261	3,497
Total	9,698	10,480	10,834	11,611	11,921

^a Does not contain all taxes that 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 70% of Berlin's operating expenditure in 2013. Limiting operating expenditure growth will be key to Berlin complying with the debt brake starting in 2020. Operating expenditure tends to grow because of contractual commitments such as labour agreements and pension payments. The state started in 2009 to limit the annual growth of its total spending to 0.3%. However, due to its population growth, Berlin needs to expand the local infrastructure. It adopted the investment fund "Wachsende Stadt" aiming to fund the city's growth. This fund amounts to EUR104m in 2016, EUR105m in 2017 and EUR125m in 2018. Berlin is in a special situation as the state receives annual transfers amounting to EUR80m in order to comply with the future debt brake and needs to report to the Stability Board, which supervises this on a quarterly basis.

Figure 7
Operating Expenditure

(EURm)	2012	2013	2014b	Change 2014b to 2013 (%)
Personnel costs	6,759.6	6,937.9	7,168.0	3.3
Goods and services	5,349.5	5,611.3	5,643.0	0.6
Current transfers made	6,270.2	6,250.3	6,417.0	2.7
Other opex	0.0	0.0	0.0	0.0
Total operating expenditure	18,379.3	18,799.5	19,228.0	2.3

b - Budget
Source: State of Berlin

According to its medium-term financial plan for 2014-2018, Berlin expects a compound annual growth rate (CAGR) in its operating expenditure of 3.3%, roughly in line with the CAGR of its operating revenues of 3.2% so that part of the overall progress will be achieved in adjustments of other components such as interest expenses and capital expenditure, if required.

Figure 8
GDP^a Per Capita of the Laender, 2013

Land	(EUR)
Hamburg	53,611
Bremen	43,085
Hessen	38,490
Bavaria	38,429
Baden-Wuerttemberg	37,472
North Rhine-Westphalia	33,621
Saarland	31,834
Berlin	30,642
Rhineland-Palatinate	30,420
Lower Saxony	30,149
Schleswig-Holstein	27,684
Saxony	24,226
Brandenburg	23,751
Saxony-Anhalt	23,196
Thuringia	23,168
Mecklenburg-Western Pomerania	22,817
Germany	33,355

^a At current prices
Source: VGR der Laender

Berlin is set to reduce its staff 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 104,300 in January 2014. Berlin has factored in a CAGR in staff costs of 4.2% in 2014-2018. Current transfers and costs for goods and services are expected to increase by 2.4% over the same period.

Capital Expenditure

Capital expenditure amounted to EUR1.3bn in 2013. Berlin aims to limit its capex to about EUR1.4bn in 2015-2018, although increased expenditure for the Berlin-Brandenburg airport and remaining costs for ring-fencing BGB and correlated payments to Berlinovo may occur. The main capital expenditure items are maintenance of the Opera House (EUR153m in 2014-2018), grants to public transport (EUR756m) and development of the regional economic structure (EUR283m). Uncertainties mainly relate to progress made on the Berlin-Brandenburg airport and its additional costs for Berlin. Currently, Berlin has reserved EUR444m, of which EUR158m has been used to date and an additional EUR131m may be used in 2014.

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. However, for personal reasons, Mr Wowereit has decided to resign and the SPD has agreed on a new mayor. Michael Mueller, the current senator for construction, will take over from him in December 2014. Fitch expects no major changes following the appointment of the new mayor.

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. Based on the population census for 2011, Berlin had a population of 3,421,829 inhabitants at end-2013. Berlin remains an attractive destination and has seen its population steadily increase due to net immigration. It is estimated that Berlin's population will grow to at least 3.6 million in 2030.

Berlin's nominal GDP grew by 1.2% yoy to EUR109.2bn in real terms in 2013, faster than Germany's 0.4% growth rate. However, in 1H14, Berlin reported weaker growth in real terms of 1.2%, while Germany reported 1.7%. Driven by a broad services sector, which is – among others – concentrated in public services (see Figure 9), the city's economy is less volatile than that of other German states but still has a below-average wealth level. Its GDP per capita of EUR30,642 is 8.1% 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.

The unemployment rate in Berlin was 10.7% in October 2014. Despite a significant decline in unemployment since 2009 (see Figure 10), the state (together with Bremen) has still the highest unemployment rate among the German states. It needs to close the gap with at least Eastern Germany (9.0%), but Berlin will probably maintain relatively high unemployment compared to the German average. As a capital city, Berlin attracts jobseekers, many of whom find employment. However, given the large number of highly skilled people moving to Berlin, reducing structural unemployment will prove challenging.

Figure 9
Economic Structure of Berlin, 2013

Sector (as % of GVA)	Berlin	Germany
Agriculture and forestry	<0.0 ^a	0.8
Production	16.3	30.2
Services	83.7	69.0
Inhabitants per square kilometre	3,838	226

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

Figure 10
Unemployment Rates

	2010	2011	2012	2013
Germany	7.7	7.1	6.8	6.9
West	6.6	6.0	5.9	6.0
East	12.0	11.3	10.7	10.3
Berlin	13.6	13.3	12.3	11.7

Source: Arbeitsagentur, Fitch

Appendix A

Figure 11
State of Berlin

	2009	2010	2011	2012	2013
Taxes	9,726.0	10,501.7	10,859.4	11,635.9	11,946.0
Transfers received	7,604.7	7,350.0	7,366.9	8,424.0	8,376.1
Fees, fines and other operating revenue	1,406.9	1,340.6	1,524.0	1,469.5	1,473.1
Operating revenue	18,737.6	19,192.3	19,750.3	21,529.4	21,795.2
Operating expenditure	-17,221.8	-17,643.3	-18,110.0	-18,379.3	-18,799.5
Operating balance	1,515.8	1,549.0	1,640.3	3,150.1	2,995.7
Financial revenue	45.3	34.1	34.8	26.6	24.3
Interest paid	-2,233.3	-2,207.7	-2,225.5	-2,096.8	-1,921.0
Current balance	-672.2	-624.6	-550.4	1,079.9	1,099.0
Capital revenue	818.7	1,028.1	1,008.6	1,012.1	927.5
Capital expenditure	-1,543.4	-1,772.4	-1,534.2	-1,377.3	-1,265.3
Capital balance	-724.7	-744.3	-525.6	-365.2	-337.8
Surplus (deficit) before debt variation	-1,396.9	-1,368.9	-1,076.0	714.7	761.2
New borrowing	11,118.2	10,700.5	9,294.2	7,819.7	7,383.9
Debt repayment	-8,385.8	-8,290.1	-8,065.0	-8,053.9	-7,871.5
Net debt movement	2,732.4	2,410.4	1,229.2	-234.2	-487.6
Overall results	1,335.5	1,041.5	153.2	480.5	273.6
Debt					
Short-term	0.0	0.0	0.0	0.0	138.0
Long-term	60,540.9	61,910.9	62,914.4	62,255.9	61,607.1
Direct debt	60,540.9	61,910.9	62,914.4	62,255.9	61,745.1
+ Other Fitch classified debt – pre-financing	0.0	0.0	0.0	0.0	0.0
Direct risk	60,540.9	61,910.9	62,914.4	62,255.9	61,745.1
- Cash, liquid deposits, sinking fund	148.0	191.0	31.6	0.0	0.0
Net direct risk	60,392.9	61,719.9	62,882.8	62,255.9	61,745.1
Guarantees and other contingent liabilities	26,988.3	26,606.9	26,276.2	8,776.4	8,889.6
Net indirect debt (public sector entities exc. gteed amount)	10,448.7	11,309.0	12,560.4	11,800.0	12,427.0
Net overall risk	97,829.9	99,635.8	101,719.4	82,832.3	83,061.7
Memo for direct debt (%)					
In foreign currency	0.9	1.2	1.2	1.0	0.7
Issued debt	100.0	100.0	100.0	100.0	99.8
Fixed interest rate debt	82.7	78.5	78.5	75.6	85.3

Source: Issuer and Fitch calculations

Appendix B

Figure 12
State of Berlin

	2009	2010	2011	2012	2013
Fiscal performance ratios					
Operating balance/operating revenue (%)	8.09	8.07	8.31	14.63	13.74
Current balance/current revenue ^a (%)	-3.58	-3.25	-2.78	5.01	5.04
Surplus (deficit) before debt variation/total revenue ^b (%)	-7.13	-6.76	-5.17	3.17	3.35
Overall results/total revenue (%)	6.81	5.14	0.74	2.13	1.2
Operating revenue growth (annual % change)	n.a.	2.43	2.91	9.01	1.23
Operating expenditure growth (annual % change)	n.a.	2.45	2.65	1.49	2.29
Current balance growth (annual % change)	n.a.	-7.08	-11.88	-296.2	1.77
Debt ratios					
Direct debt growth (annual % change)	n.a.	2.26	1.62	-1.05	-0.82
Interest paid/operating revenue (%)	11.92	11.5	11.27	9.74	8.81
Operating balance/Interest paid (x)	0.7	0.7	0.7	1.5	1.6
Direct debt servicing/current revenue (%)	56.54	54.6	52.01	47.09	44.88
Direct debt servicing/operating balance (%)	700.56	677.71	627.35	322.23	326.89
Direct debt/current revenue (%)	322.32	322.01	317.99	288.81	282.98
Direct risk/current revenue (%)	322.32	322.01	317.99	288.81	282.98
Direct debt/current balance (yrs)	-90.1	-99.1	-114.3	57.6	56.2
Net overall risk/current revenue (%)	520.85	518.22	514.12	384.27	380.68
Direct risk/current balance (yrs)	-90.1	-99.1	-114.3	57.6	56.2
Direct debt/GDP (%)	63.02	62.69	61.05	59.21	56.55
Direct debt per capita (EUR)	17,579	17,976	18,996	18,528	18,295
Revenue ratios					
Operating revenue/budget operating revenue (%)	100.3	106.08	106.85	105.29	102.73
Tax revenue/operating revenue (%)	51.91	54.72	54.98	54.05	54.81
Modifiable tax revenue/total tax revenue (%)	-	-	-	-	-
Current transfers received/operating revenue (%)	40.59	38.3	37.3	39.13	38.43
Operating revenue/total revenue ^b (%)	95.59	94.76	94.98	95.4	95.82
Total revenue ^b per capita (EUR)	5,692	5,881	6,278	6,717	6,740
Expenditure ratios					
Operating expenditure/budget operating expenditure (%)	102.33	100.63	101.47	100.26	101.17
Staff expenditure/operating expenditure (%)	36.48	36.62	36.48	36.78	36.9
Current transfer made/operating expenditure (%)	35.62	35.46	35.13	34.12	33.25
Capital expenditure/budget capital expenditure (%)	81.75	94.48	98.66	83.88	80.7
Capital expenditure/total expenditure (%)	5.25	5.93	5.13	4.61	4.24
Capital expenditure/local GDP (%)	1.61	1.79	1.49	1.31	1.16
Total expenditure per capita (EUR)	8,532	8,686	9,038	8,901	8,847
Capital expenditure financing					
Current balance/capital expenditure (%)	-43.55	-35.24	-35.88	78.41	86.86
Capital revenue/capital expenditure (%)	53.05	58.01	65.74	73.48	73.3
Net debt movement/capital expenditure (%)	177.04	136	80.12	-17	-38.54

n.a.: Not available

^a Includes financial revenue

^b Excluding new borrowing

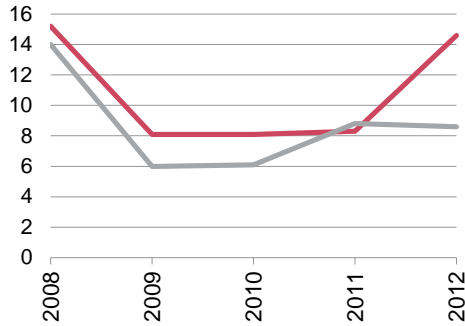
Source: Issuer and Fitch calculations

Appendix C: State of Berlin

Peer Comparison

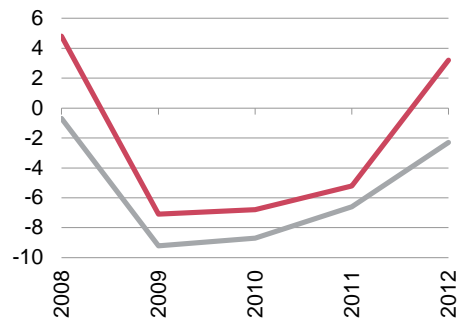
Operating Balance

% Operating Revenue



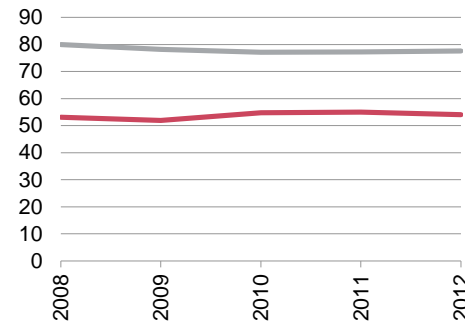
Surplus (Deficit)

% Total Revenue



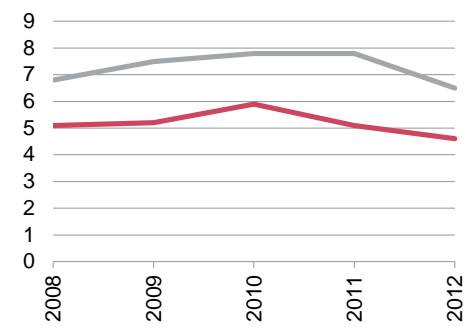
Taxes

% Operating Revenue



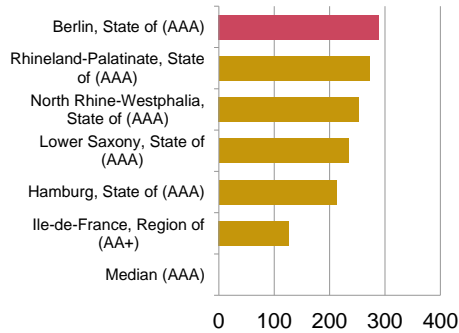
Capital Expenditure

% Total Expenditure



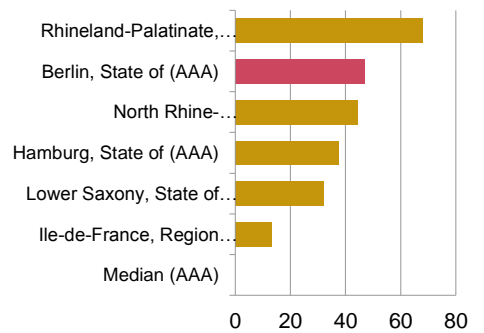
Debt

To Current Revenue (%) 2012



Debt Servicing

To Current Revenue (%) 2012



— State of Berlin

— AAA Peer Group Median

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