

**Notes to the Financial Statements of Deutsche Welle Anstalt des öffentlichen Rechts, Bonn,**  
**for Financial Year 2011**

Deutsche Welle (DW) is a broadcasting corporation under German Public Law being registered as a non-profit making institution of public law.

DW is based both in Bonn and Berlin. The Director-General's office and respective administration as well as the headquarters relevant for the place of jurisdiction are located in Bonn.

**A. General Disclosures and Valuation Methods**

**1. General disclosures**

The annual financial statements of Deutsche Welle have been prepared in accordance with the Deutsche Welle Act (Deutsche Welle Gesetz - DWG), which became effective on January 1, 2005. The income statement has been adapted to the respective classification made in the economic plan in order to enhance clarity.

Pursuant to Section 55 DWG, the annual financial statements consist of property statement (balance sheet), income statement (profit and loss account), financial resources account (cash flow statement) and a revenue and expenditure account prepared in accordance with the budget systematics of the German Federal Government as well as the business report to explain transactions of significant importance.

In order to improve the information provided, the annual financial statements have been supplemented by notes to the financial statements, and the business report has been prepared in form of a management report in accordance with HGB [German Commercial Code].

Balance sheet, income statement as well as notes to the financial statements and management report are generally prepared in accordance with the regulations applied for large corporations pursuant to German commercial law. The special characteristics of broadcasting corporations are particularly taken into account by adapting the statutory classifications respectively.

## **2. Material accounting and valuation principles**

Due to the first-time inclusion of the provisions for other benefit obligations towards retirees into the compensation claim against the German Federal Government and the related improvement in earnings, the deficit in the amount of € 19.2 million, which had been stated in the prior years and which had not been covered by the Corporation's equity, was removed and equity of € 13.7 million was created.

Tangible assets and intangible assets purchased against payment are valued at acquisition or manufacturing costs, less scheduled depreciation/amortization.

Depreciation/amortization is carried out according to the straight-line method based on broadcast-specific (ARD principles) useful life determinations. Low-value assets of up to € 410.00 each are written off in the year of acquisition and shown as disposals in the fixed asset analysis schedule of the subsequent year.

Shares in affiliated companies and participations are recognized at acquisition costs or at the lower attributable value.

Loans are measured at nominal values.

The compensation claim against the German Federal Government was established for the portion of pension provisions, early retirement provisions as well as for other benefit obligations not covered by reinsurance policies. The compensation claim is indirectly recoverable on the basis of the finance guarantee in accordance with Section 44 DWG.

Radio program assets are exclusively measured through a memo item due to their current character. Television program assets (commissioned productions and acquired licenses) are valued at acquisition costs after having set off depreciation (year of first transmission: 90%; following year: 10%).

Inventories of raw materials and supplies are stated at acquisition cost. Radio tubes are depreciated over 5 years using the straight-line method. For risks, in particular in regard to inventories stored at foreign relay stations, adequate adjustments are made. The inventories of the Trincomalee relay station were removed from the accounts as of December 31, 2011 with respect to both fixed assets and stock. DW closed the station effective December 31, 2011. As per agreement, the fixed assets and the current assets pass over to the local broadcasting authority.

Receivables and other assets are valued at face value after deduction of necessary value adjustments. Reinsurance policies are basically stated at their premium reserves. For congruent reinsurance claims, the asset item has been stated, at maximum, at the amount of the corresponding pension obligation.

Receivables and payables denominated in foreign currency with residual terms of up to one year are translated using the average spot rate at the balance sheet date. This resulted in the recording of unrealized exchange gains in these annual financial statements. The currency translation of foreign currency receivables and payables with residual terms of more than one year is based on the exchange rate applicable at the point at which the receivable or liability originated. In the case of currency exchange fluctuations by the balance sheet date, the valuation is, as a matter of principle, based on the exchange rate prevailing on the balance sheet date by observing the lower of cost or market principle on the asset side and the higher value principle on the liabilities side.

Provisions for pensions and early retirement obligations, as well as provisions for other benefits, partial retirement and future long-term service awards have been measured on the basis of an actuarial calculation using the projected unit credit method (PUC method), taking account of the 2005 G Guideline Tables of Prof. Dr. Klaus Heubeck and using a discount rate of 5.14% p.a. (4.07% on early retirement provisions).

The discount rate applicable over the term of the provisions was determined in accordance with the option set out in Section 253 (2) Clause 2 HGB, using the average market rate of the previous seven years determined and published by Deutsche Bundesbank for an assumed remaining term of 15 years.

Wage and salary increases and pension increases expected in the future are taken into account for the determination of these obligations, currently assuming adjustments of 2.0% p.a. for wages and salaries and 2.0% p.a. for pensions. The valuation takes into account a company-specific fluctuation rate of 0.0%.

The provision for other benefits was calculated on the basis of the average benefits granted to retirees in the past five years.

Other provisions take into account all recognizable risks and contingent liabilities. They are measured at settlement amounts necessary according to prudent commercial judgment.

Liabilities are stated at their settlement amounts.

## **B. Notes to the Balance Sheet**

### **1. Fixed assets**

An analysis of fixed assets can be seen from the appendix to the notes to the financial statements.

## 2. Schedules of shareholdings

Deutsche Welle directly holds at least one fifth of the shares in the following enterprises:

<u>Name of participation, domicile</u>	<u>Share in %</u>	<u>Equity as of 12/31/11 in T€</u>	<u>Result 2011 in T€</u>	
Pro-Funk Gesellschaft für Rundfunkförderung im In- und Ausland mit beschränkter Haftung, Bonn	100.00	1,507	0	1)
DW-Media Services GmbH, Bonn	100.00	269	108	
Internationale Beethovenfeste GmbH, Bonn	33.33	83	167	2)

---

1) Profit and loss transfer agreement with Deutsche Welle

2) Figures from the preliminary annual financial statements for 2011

### 3. Receivables and other assets

	Of which with a residual term of			
	Total	up to 1 year	1 to 5 years	more than 5 years
	€	€	€	€
Trade receivables	372,569.78	372,569.78	0.00	0.00
Receivables from companies in which participations are held	113,000.00	113,000.00	0.00	0.00
Other assets	62,544,924.62	3,931,003.79	0.00	58,613,920.83
	<b>63,030,494.40</b>	<b>4,416,573.57</b>	<b>0.00</b>	<b>58,613,920.83</b>

### 4. Provisions for pensions and other provisions

The first-time application of the BilMoG regulations as of January 1, 2010 resulted in a revaluation of pension obligations, early retirement and partial retirement obligations as well as other benefit obligations and obligations concerning long-service awards. In accordance with the changeover regulations pursuant to Article 67 (1) Clause 1 EGHGB [Introductory Law to the German Commercial Code], the difference amount with respect to the pension and other benefit obligations was in a first step spread over a period of 15 years. As of December 31, 2011, the difference amount resulting from the changeover to the BilMoG regulations with respect to the provisions for pensions and other benefits was allocated to its full extent (€ 103.6 million).

As a consequence, Deutsche Welle solely does not state pension obligations towards collective facilities in the amount of € 637,702.81 in the balance sheet in accordance with the BilMoG regulations pursuant to Article 67 (1) Clause 1 EGHGB as of December 31, 2011.

Some 99% of total other provisions disclosed relate to obligations of the personnel sector which have no effects on the budget. In 2011, other provisions are comprised mainly of the following: other benefit obligations (€ 48.3 million) early retirement obligations (€ 16.7 million), partial retirement obligations (€ 6.9 million), settlement obligations towards collective facilities of the public broadcasters (€ 4.7 million), vacation of own staff not yet taken (€ 2.9 million) and long-service award payments (€ 1.4 million). Provisions of € 2.0 million were set up mainly for redundancy payments to staff at the relay stations that had been closed.

## **5. Liabilities**

As in the prior year, all liabilities will be due within one year.

## **6. Contingent liabilities and other financial obligations**

No contingent liabilities requiring disclosure existed as of December 31, 2011.

Total other financial obligations (accumulated from 2012 to 2016) amount to € 40.4 million (prior year € 44.0 million) as of the balance sheet date. The obligations included herein, which are significant for assessing the financial position, mainly concern the lease of short-wave transmitters and satellites and obligations arising from rental contracts.

## **C. Notes to the Income Statement**

### **1. Income and expenditure not relating to the period under review**

Income not relating to the financial year resulted mainly from the release of provisions in the amount of T€ 114.

The removal from construction in process of items which could not be capitalized (retransfer into maintenance expenses) gave rise to expenditure not relating to the period under review in the amount of T€ 2,153 in the reporting year.

### **2. Compounding and discounting of provisions**

Interest and similar expenses in the amount of approx. € 26.3 million relate to expenses from the compounding of provisions under the BilMoG.

The fact that the remaining BilMoG difference amount was allocated to its full extent to the pension and other benefit obligations in 2011 resulted in income from the related higher valuation of the partly corresponding reinsurance policies in the amount of approx. € 9.9 million.



### **3. Exchange gains and exchange losses**

Other operating income includes unrealized exchange gains amounting to T€ 10. Other operating expenses include unrealized exchange losses amounting to T€ 15.8.

### **4. Extraordinary result**

The extraordinary income of € 137.7 million is attributable to the increase in the compensation claim against the German Federal Government, due to the allocation of the remaining BilMoG difference amount to the pension and other benefit provisions (€ 103.6 million) as well as to the first-time inclusion of the provisions for other benefit obligations in 2011. The extraordinary expenses are attributable to the full recognition of the amount which had not yet been allocated and which resulted from the changeover of the measurement of the pension and other benefit provisions in accordance with the BilMoG regulations (14/15 = € 103.6 million).



## **D. Other Disclosures**

### **1. Fees for services provided by the auditors of the financial statements**

The annual financial statements include expenses for financial statement audit services (T€ 40), other certification services (T€ 5) and fees for other services (T€ 43).

### **2. Bodies of the company**

In calendar year 2011, the bodies of Deutsche Welle were composed as follows:

#### **Members of the Administrative Board**

- Mr Clever, Peter (Chairman), Bundesvereinigung der deutschen Arbeitgeberverbände (Confederation of German Employers)
- Mr Stöhr, Frank (Deputy Chairman), stellvertretender Bundesvorsitzender des Deutschen Beamtenbundes und Tarifunion (Deputy Chairman of the Civil Servants' Association/Tariff Union)
- Mr Grindel, Reinhard, MdB (MP)
- Dr. Hoyer, Werner, MdB (MP), Staatsminister Auswärtiges Amt (Minister of State, Federal Foreign Office)
- Mr Krymalowski, Herzs, Delegate of the Zentralrat der Juden (Central Council of Jews)
- Prof. Dr. phil. habil. Mast, Claudia, Department of Communication Sciences, University of Stuttgart-Hohenheim
- Mr Stahl, Helmut, MdL a.D., Landtag NRW (retired member of the parliament of the German federal state of North Rhine-Westphalia)

#### **Members of the Broadcasting Board**

- Mr Schmidt, Valentin (Chairman), Evangelische Kirche (Evangelic Church)
- Mr Börnsen, Wolfgang (Deputy Chairman), MdB (MP), CDU/CSU parliamentary party
- Mr Beerfeltz, Hans-Jürgen, Staatssekretär Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (State Secretary, Federal Ministry for Economic Cooperation and Development)
- Mrs Brüssel, Ute, Deutscher Industrie- und Handelskammertag e.V. (German Association of Chambers of Commerce and Industry) (Deputy Chairperson TV Committee)
- Mrs Christiansen, Eva, Bundeskanzleramt (Federal Chancellery)
- Mr Cohausz, Johann-Adolf, Staatssekretär Sächsische Staatskanzlei (State Secretary Saxonian State Chancellery)

(Translation - the German text is authoritative)

- Prof. Dr. Erichsen, Hans Uwe, Member of the Österreichischer Akkreditierungsrat (Austrian Accreditation Council), Chairman of the Kuratorium der Freien Universität Berlin (Board of Trustees of Free University of Berlin) (Chairman of the Radio/Telemédia Committee)
- Mr Höppner, Christian, Generalsekretär des Deutschen Musikrates (Secretary-General of the German Music Council)
- Prelate Dr. Jüsten, Karl, Kommissariat der deutschen Bischöfe, (commissioners' office of German bishops), Catholic office in Berlin
- Dr. Kießler, Kerstin, Staatsrätin (State Counsellor), Bevollmächtigte der Freien Hansestadt Bremen beim Bund (Plenipotentiary of the Free Hanseatic City of Bremen for the cooperation with federal bodies)
- Mr Körper, Fritz Rudolf, MdB (MP), SPD parliamentary party
- Mrs Kühn, Inez, Head of Media and Journalism department, ver.di Bundesverwaltung
- Mr Nooke, Günter, Personal G8 Africa Commissioner of the Federal Chancellor
- Dr. Paust, Sebastian, Internationale Weiterbildung und Entwicklung gGmbH (in-Went)
- Prof. Dr. Reichert, Klaus, Präsident der Deutschen Akademie für Sprache und Dichtung (President of the German Academy for Language and Poetry)
- Mrs Szackamer, Vera, Zentralrat der Juden in Deutschland (Central Council of Jews in Germany) (Chairperson of the DW Academy Committee)
- Dr. Vesper, Michael, Generaldirektor Deutscher Olympischer Sportbund (Director-General of German Olympic Sports Association)

In 2011, the members of the bodies received representation allowances totaling T€ 141.

#### Director-General

##### **Mr Bettermann, Erik**

Remuneration is not disclosed in accordance with Section 286 (4) HGB.

The pension obligations recorded for former directors-general amount to T€ 3,207. Pensions paid to this pension group amounted to T€ 301 in the reporting year.

### 3. Number of staff

The annual average number of staff (head count, including management and part-time employees as well as apprentices and trainees):

	2011	2010
Director-General's office	53	53
Administration management	235	231
Distribution management	218	214
Program management	475	500
Television management	387	375
DW Academy	51	47
	<hr/>	<hr/>
Average number of staff	1,419	1,420
of which Director-General and managers	6	6
Apprentices	70	68
Trainees	27	29
<b>Total:</b>	<b>1,516</b>	<b>1,517</b>

Bonn, April 19, 2012

.....

Erik Bettermann

Director-General

**Insert appendix to the notes to the financial statements**