

## **Deutsche Welle Anstalt des öffentlichen Rechts, Bonn**

### **Notes to the Financial Statements for Financial Year 2010**

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 amended by the 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]. In financial year 2010, the accounting and valuation provisions of the German Commercial Code (HGB) as amended by the German Accounting Law Modernization Act (BilMoG) have been applied for the first time. The application of the BilMoG resulted, in

particular, in changes in the recognition and valuation of provisions for pensions and other long-term provisions for personnel expenses.

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**

Based on the financial accounting method chosen, Deutsche Welle's liabilities exceed its assets in the amount of approx. € 19.2 million. Due to the non-existing insolvency capability as an institution of public law as well as the financing guarantee of the German Federal Government stipulated in the DWG, the continuation of the broadcasting corporation as a going concern has been assumed, and the balance sheet has been prepared under going concern premises.

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 enterprises 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 and early retirement provisions not covered by reinsurances. 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

licences) are valued at acquisition costs after having set-off depreciations (year of first transmission 90%; following year 10%).

Inventories of raw materials and supplies are assessed 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 broadcasting stations, appropriate adjustments have been made.

Receivables and other assets are valued at face value after deduction of necessary value adjustments. Reinsurances 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.

In accordance with the requirements introduced by the BilMoG, open items denominated in foreign currencies are to be recognized by applying several valuation methods, depending on their residual terms.

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 first-time 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. Heubeck and using a discount rate of 5.15% p.a. (3.9% on early retirement provisions).

The discount rate applicable over the term of the provisions has been determined, exercising the option set out in Section 253 (2) Clause 2 HGB and using the average market rate of the previous seven years determined and published by the 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 old-age pensioners 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 amounts repayable.

## **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</u> in %	<u>Equity</u> <u>as of</u> <u>12/31/10</u> in T€	<u>Result</u> <u>2010</u> in T€	
<b>Pro-Funk Gesellschaft für Rundfunkförderung im In- und Ausland mit beschränkter Haftung, Bonn</b>	<b>100.00</b>	<b>1,507</b>	<b>0</b>	<sup>1)</sup>
<b>DW-Media Services GmbH, Bonn</b>	<b>100.00</b>	<b>161</b>	<b>- 25</b>	
<b>Internationale Beethovenfeste GmbH, Bonn</b>	<b>33.33</b>	<b>249</b>	<b>- 96</b>	<sup>2)</sup>

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<sup>1)</sup> Profit and loss transfer agreement with Deutsche Welle

<sup>2)</sup> Figures from 2009; annual financial statements for 2010 not yet available

### 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	367,989.33	367,989.33	0.00	0.00
Receivables from companies in which participations are held	113,000.00	113,000.00	0.00	0.00
Other assets	47,452,321.05	3,860,290.42	0.00	43,592,030.63
	<b>47,933,310.38</b>	<b>4,341,279.75</b>	<b>0.00</b>	<b>43,592,030.63</b>

### 4. Provisions for pensions and other provisions

The first-time application of the BilMoG provisions 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 as of January 1, 2010. The Company utilizes the option of Art. 67 (1) Clause 1 EGHGB [Introductory Law to the German Commercial Code], and spreads the difference in pension obligations and other benefit obligations over a period of 15 years (disclosure in extraordinary expenses at the amount of € 7,398,988.00). As of December 31, 2010, obligations for pensions and other benefits, resulting from the transition regulation and not disclosed on the balance sheet amount to € 103,585,832.00.

For partial retirement obligations, long-service award payments and early retirement obligations, the so-called one-off BilMoG effect was fully recorded as extraordinary expense (€ 1,125,204.00).

Some 97% of total other provisions disclosed relate to obligations of the personnel sector, which have no effects on budget, in particular early retirement (€ 6.7 million) and other benefit obligations (€ 37.1 million) as well as, to a minor extent, partial retirement obligations (€ 7.1 million), settlement obligations towards collective facilities of the public broadcasters (€ 4.6 million), vacation of own staff not yet taken (€ 2.9 million) and long-service award payments (€ 1,4 million).

## **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, 2010.

Total other financial obligations (accumulated from 2011 to 2015) amount to € 44.0 million (prior year € 39.9 million) as of the balance sheet date. The obligations included herein, which are significant for assessing the financial position of the Company, 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€ 372.

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

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

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

Other operating income includes unrealized exchange gains amounting to T€ 84. Other operating expenses include unrealized exchange losses amounting to T€ 3.

#### **4. Extraordinary result**

The extraordinary result is due to the change (in this case: increase) in the compensation claim against the German Federal Government and the first-time application of the provisions of the BilMoG. The transition to the BilMoG resulted in extraordinary expenses amounting to € 8.5 million.

### **D. Other Disclosures**

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

The annual financial statements include expenses for the audit of the annual financial statements in the amount of T€ 48 as well as fees for other services in the amount of T€ 22.

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

In calendar year 2010, 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. Eler, Gernot, MdB (MP), Staatsminister a.D. (retired Minister of State) (until February 2010)
- Mr. Grindel, Reinhard, MdB (MP)
- Mr. Hoyer, Dr. Werner, MdB (MP), Staatsminister Auswärtiges Amt (Minister of State, Federal Foreign Office) (since March 2010)
- Mr. Krymalowski, Herzs, Delegate of the Zentralrat der Juden (Central Consistory of Jews)



- Ms. Mast, Prof. Dr. phil. habil 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 NorthRhine-Westphalia)

#### Members of the Broadcasting Board

- Mr. Schmidt, Valentin (Chairman), Evangelische Kirche (Evangelic Church)
- Mr. Börnsen, Wolfgang (Deputy Chairman), CDU/CSU parliamentary party, Deutscher Bundestag
- Mr. Beerfeltz, Hans-Jürgen, Staatssekretär Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung (State Secretary, Federal Ministry for Economic Cooperation and Development) (since March 2010)
- Ms. Brüssel, Ute, Deutscher Industrie- und Handelskammertag e.V. (German Association of Chambers of Commerce and Industry) (Deputy Chairperson TV Committee)
- Ms. Christiansen, Eva, Bundeskanzleramt (Federal Chancellery)
- Mr. Cohausz, Johann-Adolf, Staatssekretär Sächsische Staatskanzlei (State Secretary Saxonian State Chancellery) (since December 2010)
- Mr. Erichsen, Prof. Dr. 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/Telemedia Committee)
- Mr. Höppner, Christian, Generalsekretär des Deutschen Musikrates (Secretary-General of the German Music Council)
- Mr. Jüsten, Prelate Dr. Karl, Kommissariat der deutschen Bischöfe, (commissioners' office of German bishops), Catholic office in Berlin
- Ms. Kießler, Dr. 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
- Ms. Kühn, Inez, Head of Media and Journalism department, ver.di Bundesverwaltung
- Mr. Nooke, Günter, Personal G8 Africa Commissioner of the Federal Chancellor
- Mr. Paust, Dr. Sebastian, Internationale Weiterbildung und Entwicklung gGmbH (inWent) (since July 2010)
- Mr. Reichert, Prof. Dr. Klaus, Präsident der Deutschen Akademie für Sprache und Dichtung (President of the German Academy for Language and Poetry)

- Mr. Sagurna, Michael, Staatsminister a. D. (retired Minister of State) (Chairman of the TV Program Committee) (until December 2010)
- Mr. Schoser, Dr. Franz, Member of the Management Board of InWEnt – Internationale Weiterbildung und Entwicklung gGmbH (until June 2010)
- Mr. Stather, Erich, Staatssekretär a.D. (retired State Secretary) (until March 2010)
- Ms. Szackamer, Vera, Zentralrat der Juden in Deutschland (Consistory of Jews in Germany) (Chairperson of the DW Academy Committee)
- Mr. Vesper, Dr. Michael, Generaldirektor Deutscher Olympischer Sportbund (Director-General of German Olympic Sports Association)

In 2010, the members of the bodies received representation allowances totaling T€ 144.

#### Director-General

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

Remunerations are not disclosed in accordance with Section 286 (4) HGB (German Commercial Code).

The pension obligations recorded for former directors-general amount to T€ 3,333. Pensions paid to this pension group amount to T€ 220 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):

	2010	2009
Director-General's office	53	54
Administration management	231	223
Distribution management	214	203
Program management	500	510
Television management	375	369
DW Academy	47	42
Average number of employees of which Director-General and managers	1,420 6	1,401 6
Apprentices	68	72
Trainees	29	31
<b>Total:</b>	<b>1,517</b>	<b>1,504</b>

Bonn, April 15, 2011

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Erik Bettermann  
Director-General