

**Deutsche Welle Anstalt des öffentlichen Rechts  
Bonn**

**Notes to the Financial Statements for the Fiscal Year 2006**

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

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

**A. GENERAL INFORMATION AND VALUATION METHODS**

**1. General information**

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 obtain more 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 account) 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, 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 the HGB (German Commercial Code).

Balance sheet, income statement as well as notes to the financial statements and management report are principally 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 legal classifications respectively.

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

Based on the financial accounting method chosen, Deutsche Welle is overindebted in the amount of approx. €26.1 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 is to be assumed, and the balance sheet has been prepared under going concern premises.

Tangible assets and intangible assets are valued at acquisition or manufacturing costs, respectively, 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 are written-off in the year of acquisition and shown as disposals in the fixed asset analysis schedule.

Shares in affiliated enterprises and participations are assessed at acquisition costs or, at the lower attributable value.

Loans are valued at nominal values.

The equalisation claim from the German federal government was established for the portion of pension and early retirement accruals not covered by reinsurances. The equalisation claim is indirectly recoverable on the basis of the finance guarantee in accordance with Section 44 *DWG*.

Radio programme assets are exclusively assessed through a memo item due to their current character. Television programme 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, consumables 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 stated at respective premium reserves.

Accruals for pensions and early retirement as well as accruals for future anniversary gratuities payable to staff have been actuarially valued in accordance with the principles of Section 6a *EstG* (Income Tax Act) and Section 5 (4) *EstG* and on the basis of the Guideline Tables "2005 G" of Dr. Heubeck using an interest rate of 6 % p.a.

By the adopted collective labour agreement dated May 24, 2006, DW accepted the basic collective labour agreement, which was concluded between the regional broadcasting corporations and the trade unions in mid May 2005, in its main issues. According to this new basic collective labour agreement, entitlements to a pension promised until March 31, 1993 are based on determined gross pension percentages per remuneration group. In the previous year, the valuation of pension entitlements was based on a total net upper limit for pensions (90 % and 91.75 %, respectively) and the tax scales for 2003. It has to be assumed that this calculation method led to lower accruals in the previous year whereas this change in accruals for pensions does not affect the profit and loss account/income statement of DW as a respective change in the equalisation claim against the German federal government will be made.

The accrual for benefits to pensioners was calculated on the basis of the respective average payments made during the past five years. The valuation was based on the current value method pursuant to Section 6a *EStG*. Calculation basis for the value actuarially determined was the Guideline Tables 2005G of Dr. Heubeck using an interest rate of 6%.

The accrual for partial retirement was calculated on the basis of actuarial methods. The respective expert opinion was based on the Guideline Tables 2005G of Dr. Heubeck. When creating this accrual, it has been taken into account that an upper limit of 5% of total permanent posts had been determined for partial retirement posts in accordance with the collective labour agreement.

The amount stated for other accruals takes into account all recognizable risks and contingent liabilities.

Liabilities are stated at their amounts repayable.

As far as assets or liabilities in foreign currency exist, these are generally stated at acquisition cost or at the exchange rate applicable at balance sheet closing date by observing the lower of cost or market principle.

## II. NOTES TO THE PROPERTY STATEMENT (BALANCE SHEET)

### 1. Fixed assets

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

### 2. Participations

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

<u>Name of participation, domicile</u>	<u>Share</u>	<u>Equity</u> <u>as of 31/12/2006</u> <u>in T€</u>	<u>Result</u> <u>2006</u> <u>in T€</u>
- Pro-Funk Gesellschaft für Rundfunkförderung im In- und Ausland mit beschränkter Haftung, Bonn	100.00 %	460	0 <sup>1)</sup>
- DW MEDIA SERVICES GmbH, Bonn	100.00 %	108	8
- Internationale Beethovenfeste GmbH, Bonn	33.33 %	x <sup>2)</sup>	x <sup>2)</sup>

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

<sup>2)</sup> x = Annual financial statements 2006 not yet available, net profit in 2005: T€ 109

### 3. Receivables and other assets

	of which residual term			
	Total	up to 1 year	1 to 5 years	more than 5 years
	€	€	€	€
Trade receivables	801,842.67	801,842.67	0.00	0.00
Other assets	48,555,905.29	6,428,849.87	0.00	42,127,055.42
	49,357,747.96	7,230,692.54	0.00	42,127,055.42

### 4. Other accruals

Some 78 % of other accruals recorded relate to personnel, in particular early retirement obligations (€ 24.1 million) and other pension obligations (€ 34.1 million) as well as, to a smaller extent, partial retirement obligations (€ 4.0 million) and vacation of own staff not yet taken (€ 3.4 million). In addition, accruals have been made for compensation liabilities arising from an early terminated contract.

### 5. Liabilities

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

### 6. Contingencies and other financial obligations

There were no contingencies to be reported as at 31 December 2006.

As at balance sheet date, the total amount of other financial commitments (accumulated from 2007 to 2011) amounts to € 66.6 million (previous year € 95.6 million). The commitments included herein which are significant for assessing the financial position of the company concern mainly the lease of short-wave transmitters and satellites and commitments arising from rental contracts.

### **III. NOTES TO THE INCOME STATEMENT**

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

Income not relating to the fiscal year resulted mainly from the release of accruals in the amount of € 1.3 million.

#### **2. Extraordinary result**

The extraordinary result is due to the change (in this case: decrease) in the equalisation claim against the German federal government.

### **IV. OTHER INFORMATION**

#### **1. Bodies of the company**

In the calendar year 2005, the bodies of Deutsche Welle were composed as follows:

##### Members of the Administrative Council

Mr Schoser, Dr. Franz, former Managing Director of the DIHK (German Chamber of Commerce and Industry), (Chairman)

Mrs Mast, Prof. Dr. phil. habil. Claudia, Department of Communication Sciences, University of Stuttgart-Hohenheim (Deputy Chairperson)

Mr Beermann, Dr. Johannes, Staatssekretär a. D. (former Undersecretary of State)

Mr Erler, Gernot, MdB (MP) Minister of State in the Ministry of Foreign Affairs (from November 2006)

(Mrs Müller, Kerstin (until October 2006)

Mr Grindel, Reinhard, MdB (from November 2006)

(Mrs Griefahn, Monika, until October 2006)

Mr Krymalowski, Herzs, Delegate of the Zentralrat der Juden (Central Consistory of Jews), Capitol Immobilien GmbH

Mrs Kühn, Inez, Head of Media and Journalism department, ver.di Bundesverwaltung

## Members of the Broadcasting Council

Mr Schmidt, Valentin, Evangelic Church, (Chairman)

Mr Börnsen, Wolfgang, CDU/CSU parliamentary party, German Bundestag (Deputy Chairman) (from November 2006)

(Mr Nooke, Günter, until October 2006)

Mr Bleicher-Nagelsmann, Heinrich, ver.di Bundesverwaltung, Ressort 14 – Arts and Culture Department

Mr Clever, Peter, Bundesvereinigung der Deutschen Arbeitgeberverbände (Confederation of German Employers)

Mrs Christiansen, Eva, Bundeskanzleramt (ab November 2006)

(Mr Kleinsteuber, Dr. Hans J. (until October 2006)

Mr Erichsen, Prof. Dr. Hans Uwe, Member of the Österreichischer Akkreditierungsrat, Chairman of the Kuratorium der Freien Universität Berlin

Mr Jüsten, Prelate Dr. Karl, Kommissariat der deutschen Bischöfe (commissioners' office of German bishops)

Mr Körper, Fritz Rudolf, MdB, SPD parliamentary party (from November 2006)

(Mr Hacker, Hans-Joachim, (until October 2006)

Mr Lojewski, Prof. Dr. Günther von, Deutscher Sportbund (German Sports Association)

Mrs Meckel, Prof. Dr. Miriam, Staatssekretärin a. D. (former Undersecretary of State)

Mr Nooke, Günter, Commissioner of the German Federal Government for Human Rights Policy + Humanitarian Aid (from November 2006)

(Mr Chrobog, Jürgen, until October 2006)

Mr Popp, Dr. Ulrich, Managing Director Internationale Weiterbildung und Entwicklung gGmbH (inWent)

Mrs Ritter-Santini, Prof. Dr. Lea, Member of the German Academy for Language and Poetry

Mr Sagurna, Michael, Staatssekretär a.D. (former Undersecretary of State)

Mr Stather, Erich, Staatssekretär (Undersecretary of State), Federal Ministry of Economic Cooperation and Development (from November 2006)

(Mrs Wieczorek-Zeul, Heidemarie, until October 2006)

Mr Stöhr, Frank, Deputy Federal Chairman dbb beamtenbund und tarifunion

Mrs Szackamer, Vera, Consistory of Jews in Germany

In 2006, the members of the bodies received representation allowances of T€ 134 in total.

Director

**Mr Bettermann, Erik**

**2. Number of staff**

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

	2006	2005
Director's office	57	54
Administration management	224	233
Distribution management	212	223
Programme management	535	561
Television management	354	370
DW-Academy	38	38
DRM-D	3	0
Average number of employees	1.423	1.479
Of which Director and managers	6	5
Apprentices	61	56
Trainees	23	27
<b>Total:</b>	<b>1.507</b>	<b>1.562</b>

Bonn, April 4, 2007

Erik Bettermann  
Intendant