Deutsche Welle Anstalt des öffentlichen Rechts, Bonn.

Notes to the Financial Statements
for Financial Year 2017

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 the 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 always 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 methods

Tangible assets and intangible assets purchased for monetary consideration are recognized 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 guaranty in accordance with Section 44 DWG.

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

Inventories of raw materials and supplies are stated at acquisition cost.

Receivables and other assets are recognized at nominal value after deduction of necessary valuation adjustments. Reinsurance policies are stated at the fair value of the premium reserves.

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. 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 at the balance sheet date by observing the lower of cost or market principle on the assets side and the higher value principle on the liabilities side.

Provisions for pensions and early retirement obligations, as well as provisions for other benefits, semi-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), applying a discount rate of 2.80 % p.a. on semi-retirement obligations, long-term service awards and benefit payment obligations, and 1.33 % on early retirement provisions, and taking account of the 2005 G Guideline Tables of Prof. Dr. Klaus Heubeck. Retirement pension commitments, the amount of which is exclusively determined on the basis of the fair value of a reinsurance claim, were recognized as earnings-congruent reinsured pension commitment at the fair value of the reinsurance claim in accordance with Section 253 (1) S. 3 HGB.

An interest rate of 3.68 % was applied as calculation basis for provisions for pensions. Accordingly, the pension obligations for Deutsche Welle employees and former RIAS employees were valued at € 517.2 million.

The difference resulting from the differently determined interest rates amounts to € 57.5 million in the financial year.
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 1.0% p.a. (previous year: 2%) 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. Schedule of shareholdings

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

<table>
<thead>
<tr>
<th>Name of participation, domicile</th>
<th>Share in %</th>
<th>Equity as of 12/31/2017 in T€</th>
<th>Equity as of 12/31/2017 in T€</th>
<th>Result in 2017 in T€</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pro-Funk Gesellschaft für Rundfunkförderung im In- und Ausland mbH, Bonn</td>
<td>100.00</td>
<td>1,507</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>DW-Media Services GmbH, Bonn</td>
<td>100.00</td>
<td>122</td>
<td>-53</td>
<td></td>
</tr>
<tr>
<td>Internationale Beethovenfeste Bonn gGmbH, Bonn</td>
<td>33.33</td>
<td>758</td>
<td>-4</td>
<td></td>
</tr>
</tbody>
</table>

1) Result after compensation by DW pursuant to Section 3b Betriebsverpachtungsvertrag (operations leasing contract).
2) Figures from the interim annual financial statements 2017

3. Receivables and other assets

Receivables and other assets are recognized at nominal value after deduction of necessary valuation adjustments. The reinsurance policies are, as a matter of principle, recognized at the fair value of premium reserves.
Other assets include reinsurance claims in the amount of € 100.0 million, which were measured at their fair values in 2017 pursuant to Section 253 (1) S. 4 HGB. Compared to the previous figure recognized, this resulted in an increase of € 6.5 million.

4. Other provisions

Some 97 % of total other provisions disclosed relate to obligations of the personnel sector which has no effect on the budget. In 2017, other provisions mainly comprised the following: other benefit obligations (€ 69.6 million), early retirement obligations (€ 7.1 million), settlement obligations towards collective facilities of the public broadcasters (€ 6.1 million), vacation not yet taken by own staff (€ 3.7 million) and long-service award payments (€ 0.4 million).

5. Liabilities

As in the prior year, all liabilities are due within one year. T€ 4,969 of the total amount of liabilities results from taxes. T€ 1,038 relates to social security payables.

6. Contingent liabilities and other financial obligations

No contingent liabilities requiring disclosure existed as of December 31, 2017.

Total other financial obligations (accumulated from 2018 to 2022) amount to € 67.6 million (prior year: € 68.9 million) as of the balance sheet date. The obligations included herein, which are significant for assessing the financial position, mainly concern the lease of 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€ 212.

2. Compounding and discounting of provisions

Interest and similar expenses in the amount of approx. € 23.6 million relate to expenses from the compounding of provisions under the BilMoG [German Accounting Law Modernization Act].
3. Exchange gains and exchange losses

Other operating income includes exchange gains of €66 and other operating expenses includes exchange losses of €100.

4. Sales revenue

Sales revenue is disclosed pursuant to the BiRUG [German Accounting Directive Implementation Act] provisions, amounting to €4.5 million in the financial year. Material items are income from commercial licensing in the amount of €1.4 million, income from television work (€0.6 million), income from third-party services (€0.5 million) and income from the exploitation of productions on the basis of VAT-free administrative assistance (€0.4 million) as well as revenue from advertising (€0.3 million).

5. Other operating expenses

Since the previous year, the variable of the compensation claim against the German Federal Government has been disclosed in other operating expenses or other operating income (previous year).

D. Other Disclosures

1. Exemption provisions

The Company has opted to partially use the exemption provisions of Section 288 (1) HGB.

2. Fees for services provided by the auditors of the financial statements

The annual financial statements include expenses for financial statement audit services in the amount of €52 and for other services in the amount of €14.

3. Executive bodies of the Company

In calendar year 2017, the executive bodies of Deutsche Welle were composed as follows:

Members of the Administrative Board:

- Mr. Peter Clever (Chairman), Bundesvereinigung der deutschen Arbeitgeberverbände [Confederation of German Employers]
- Mr. Willi Russ (Deputy Chairman), Fachvorstand und 2. Vorsitzender des Deutschen Beamtenbundes und Tarifunion a. D. [resigned specialist board member and 2nd Chairman of the Civil Servants’ Association/Tariff Union]
- Mr. Martin Dörmann, MdB [MP]
- Mr. Jens Spahn, MdB [MP]
- Mr. Herzs Krymalowski, Delegate of the Zentralrat der Juden [Central Council of Jews]
Members of the Broadcasting Board:

- Prelate Dr. Karl Jüsten (Chairman), Kommissariat der deutschen Bischöfe, [commissioners’ office of German bishops], Catholic office in Berlin
- Ms. Dagmar Freitag (Deputy Chairperson), MdB [MP], SPD parliamentary party, Mitglied des Auswärtigen Ausschusses, Mitglied des Sportausschusses [Member of the Foreign Affairs Committee, Member of the Sports Committee]
- Bishop Petra Bosse-Huber, EKD [Evangelical Church in Germany], Vice President
- Ms. Klaudia Hüls, until April 2017, Deutscher Industrie- und Handelskammertag [Association of German Chambers of Commerce and Industry], Editorial Board for Social Media, Media Policy, Article Service
- Mr. Frank Thewes, since May 2017, Deutscher Industrie und Handelskammertag [Association of German Chambers of Commerce and Industry] Leiter der Kommunikation [Head of Communications]
- Mr. Johann-Adolf Cohausz, Staatssekretär Sächsische Staatskanzlei a.D. [resigned State Secretary, Saxonian State Chancellery]
- Ms. Tanja Göhner, GIZ [German Society for International Cooperation], Vorstandssprecherin [Speaker of the Executive Board]
- Ms. Ulrike Hiller, Staatsrätin, Bevollmächtigte der Freien Hansestadt Bremen beim Bund [State Counselor, Plenipotentiary of the Free Hanseatic City of Bremen for the cooperation with federal bodies]
- Prof. Christian Höppner, Generalsekretär des Deutschen Musikrates, Präsident des Deutschen Kulturrates und Vizepräsident des Europäischen Musikrates [Secretary-General of the German Music Council, President of the German Cultural Council and Vice President of the European Music Council]
- Prof. Dr. Dieter Lenzen, Vizepräsident für Internationale Angelegenheiten Hochschulrektorenkonferenz [Vice President for International Affairs - German Rectors’ Conference]
- Prof. Dr. Klaus Reichert, Präsident der Deutschen Akademie für Sprache und Dichtung [President of the German Academy for Language and Poetry]
- Mr. Michael Roth, MdB, Staatsminister für Europa, Auswärtiges Amt [MP, Minister of State for Europe, Federal Foreign Office]
- Mr. Thomas Silberhorn, PSIS Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung [Parliamentary State Secretary, Federal Ministry for Economic Cooperation and Development]
- Ms. Vera Szackamer, Zentralrat der Juden in Deutschland [Central Council of Jews in Germany], (Chairperson of the DW Academy Committee)
- Dr. Wolfgang Uellenberg-van Dawen, ver.di Bundesverwaltung [ver.di trade union, national administration]
- Dr. Michael Vesper, Generaldirektor Deutscher Olympischer Sportbund [Director-General of the German Olympic Sports Association]
- Mr. Marco Wanderwitz, MdS Sprecher CDU/CSU-Bundestagsfraktion für Kultur und Medien [MP, spokesman culture and media of the CDU/CSU parliamentary party]
- Dr. Günter Winands, BKM [Federal Commissioner for Culture and Media]
In 2017, the members of the executive bodies received representation allowances totaling T€ 155.

Director-General

The person appointed Director-General of Deutsche Welle has been
- Mr. Peter Limbourg

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

The pension obligations recorded for former directors-general amount to T€ 4,888. Pensions paid to this pension group amounted to T€ 502 in the reporting year.

(Translation – the German text is authoritative)
4. Number of staff

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

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director-General's office</td>
<td>68</td>
<td>66</td>
</tr>
<tr>
<td>Administration management</td>
<td>149</td>
<td>145</td>
</tr>
<tr>
<td>Distribution &amp; Technology management</td>
<td>472</td>
<td>469</td>
</tr>
<tr>
<td>Program management</td>
<td>662</td>
<td>636</td>
</tr>
<tr>
<td>DW Academy</td>
<td>105</td>
<td>109</td>
</tr>
<tr>
<td><strong>Average Number of staff</strong></td>
<td><strong>1,456</strong></td>
<td><strong>1,425</strong></td>
</tr>
<tr>
<td>of which director-general and managers</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Apprentices</td>
<td>55</td>
<td>57</td>
</tr>
<tr>
<td>Trainees</td>
<td>17</td>
<td>13</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,528</strong></td>
<td><strong>1,495</strong></td>
</tr>
</tbody>
</table>

5. Significant events after the reporting date

After the end of the financial year as of December 31, 2017, no events of particular importance, having an effect on the annual financial statements for 2017, which would require reporting at this point, have occurred.

Bonn, May 7, 2018

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Peter Limbourg
Director-General