

Deutsche Welle Anstalt des öffentlichen Rechts, Bonn

Management report for the financial year from 01 January 2020 to 31 December 2020

1. Business development and general conditions

Deutsche Welle (DW) is Germany's international broadcaster and a trusted source around the world for reliable news and information. It conveys a comprehensive image of Germany, while covering important events and issues with journalistic independence and a unique perspective. DW's media training center, DW Akademie, works to strengthen the right to freedom of expression around the world, and together with partners, it plays a leading role in the development of free media systems. In everything it does, DW promotes understanding between cultures and people, and helps shape the image of Germany around the world.

Pursuant to Section 4a (1) of the Deutsche Welle Act (Deutsche Welle Gesetz - DWG), DW prepares four-year Strategic Plan. It forwards the draft annual update of its Strategic Plan to the German Bundestag and the Federal Government. The Strategic Plan and its updates are adopted by Deutsche Welle's Broadcasting Board with the consent of the Administrative Board, taking into account the comments of the German Bundestag, the Federal Government, and the public. The current Strategic Plan relating to the years 2018 - 2021 was adopted by the Broadcasting Board on 15 November 2019, with the consent of the Administrative Board on 16 December 2019.

DW defines three goals in it:

1. DW aims to strengthen freedom of expression and democracy globally in an age of terror, propaganda, refugees and migration.
2. DW aims to increase the effect and relevance of its programs.
3. DW aims to increase its viewer numbers from 157 million to 210 million user contacts every week.

To achieve these goals, DW is concentrating on the following three priorities in its measures:

1. A greater focus on journalistic programs.
2. Completing its reorganization to become a digital media corporation.
3. Strengthening freedom of expression and democracy through journalistic programs and communicating media skills.

Deutsche Welle is therefore seeking to empower people worldwide to form their own convictions on the basis of reliable facts and an open exchange of ideas and defend them in debates within society.

DW is financed by German government grants and, to a minor extent, by project funding of the German government and other fund providers. In 2020, the federal grant from the budget of the Federal Government Commissioner for Culture and the Media (Beauftragte der Bundesregierung für Kultur und Medien - BKM) amounts to EUR 365.5 million. The government grant therefore increased by EUR 15.0 million, i.e. 4.3 percent, compared with the prior year. DW was granted one-time funds of up to EUR 3.5 million for covering the additional expenditures due to the pandemic. Until 2023, it will receive one-time special funds from the stimulus package of the German government in the amount of EUR 14.4 million. The measures of the project-financed DW Akademie regarding media development are mainly financed by the Federal Ministry for Economic Cooperation and Development (BMZ) (Drawdown Notice BMZ 2020: EUR 27.8 million). DW and DW Akademie receive additional significant project funds from the Federal Foreign Office [Auswärtiges Amt - AA] (Drawdown Notice AA 2020: EUR 11.7 million, of which EUR 1.8 million onlending to the German

Press Agency) as well as project funding from the European Union, the Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (BMU) and other funders.

Furthermore, the staffing plan as from 2020 has been increased by 100 jobs for the first time in many years, which represents an increase by 8.3 percent.

The fight against the COVID-19 pandemic poses enormous challenges for the world. In addition, the number of conflicts between and within states is increasing. China and the USA play a central role in this. China's behaviour towards Taiwan, the fight against the democracy movement in Hong Kong and military threats in the South China Sea are examples of a more aggressive foreign policy. Under Donald Trump's presidency, the USA pursued a policy that questioned its previous alliances, in addition to the trade conflict with China. There is also a high potential for conflict with Russia (nuclear armament, Ukraine and Syria conflicts) and Iran (nuclear programme, involvement in armed conflicts). This is further aggravated by the destabilisation of Lebanon. In addition, there are other crises such as the one in Belarus, which could lead to increased tensions between the EU and Russia.

In 2020, the transatlantic relationship experienced a historic low level due to the threats of the USA in connection with Nord Stream 2 and the announced withdrawal of troops from Germany. This also strained relations between some EU and NATO countries. There is a threat of armed conflict between Greece and Turkey over territorial claims in the Aegean Sea.

The tendency to act solely according to national interests has intensified in the COVID-19 crisis. The reduced world trade as a result of the pandemic hits weaker countries particularly hard and further aggravates the situation, especially in poor, heavily populated countries or those already affected by crises, wars, and terror. In addition, the lack of social security systems, famine, and social unrest further increase the tendency to flee and the pressure to migrate, which is intensified by the phenomena associated with climate change.

It is uncertain whether the financial resources, which have been severely strained by the pandemic, still offer enough leeway to counteract migration in a targeted manner through economic aid. The pressure on the EU for more integration and support is increasing. But in Europe, too, conflicts, protest movements, rising anti-Semitism and populism, migration, and the uncertainties resulting from the pandemic are shaking up economic, institutional, and social structures. At the same time, the global media environment is facing a challenge unprecedented in scope and scale: Digitalization and networking not only increase the availability of information, but also accelerate the global dissemination of more and more information of unclear origin and quality. Especially in times of crisis, people have an increased need for information. At the same time, false reports, speculation, agitation, crude theories, and systematically spread conspiracy theories become entrenched in social discourse and often lead to enormous uncertainty, a lack of orientation, and an erosion of trust in the media and the state. Digital disinformation and the influencing of online discourse have long been practised not only by autocratically ruled countries such as China, Russia, and Iran. It is increasingly used by state and non-state actors - even in democracies. The importance of balanced, classifying, fact-based journalism is therefore higher than ever in the current crisis situation.

For DW and other media corporations, the financial year 2020 was characterised by the COVID-19 pandemic. The positive transformative effects of the pandemic include the faster reorganisation of DW to a digital media corporation. In spite of the COVID-19 crisis, DW managed to consequently pursue its targets and objectives set in the planning 2018-2021. The current user number clearly demonstrate the importance of DW as source of information for many people: In 2020, 249 million people worldwide made regular use of the DW programs. Therefore, DW already exceeded the target for 2021 of 210 million weekly user contacts. The current viewer numbers show a clear increase by 52 million weekly user contacts or more than 26 percent compared with the prior year. The very high increase in viewer numbers across all platforms is attributable to a significantly higher use of online programs - an impressive proof of the strategic course and the related consistent implementation of the digital strategy. In addition, regionalised and original content with high connectivity for the respective target groups continues to be highly relevant. The network of DW correspondents in particular in the African target region is essential for this purpose.

Via television which continues to be the strongest outlets, DW reached 111 million people worldwide each week, i.e. an increase by 12 million compared to the prior year. The increase is mainly attributable to an increased volume of TV link-ups with broadcasters in Europe, Africa, Latin America and the Middle East. Regionalised TV programs turned out to be additional success factors in particular for the African market. In total, 80% of the TV programs are used via partners.

The number of users of radio program could be increased significantly as well by modifying programs, increasing regionalisation further and a relying on partner networks with a high reach. Compared to 2019, the user numbers for DW radio programs increased by 25%. The highest increase was recorded in the DW radio programs in Hausa, Kiswahili, and French.

The realignment of the English TV channel which is almost concluded is essential for the global journalistic programs of DW in English and German. The most significant changes implemented as part of the new design and programming include a significant expansion of the new programs 24/7 and the implementation of new weekday new formats for the target regions Africa and Asia.

The rapidly changing usage preferences of the relevant target groups in numerous target countries require a continuous adjustment of outlets. Taking into account the increasing importance of on-demand offers and the guiding principle "on demand first" for producing and distributing journalistic programs, DW developed a strategy targeted towards this usage scenario. DW will further optimise existing and new formats for on demand use in order to adapt its TV, video, and audio formats to the increasingly popular on demand use. For this purpose, it will also further intensify regionalisation. To meet the demand for flexible media usage, programs will be distributed via the most relevant platforms in the target countries and content will be made available increasingly on SVOD platforms („Subscription-Video-On-Demand“ e.g. Amazon Prime, Netflix). The increasing importance of video on demand is reflected by the particularly popular documentary channels of DW on YouTube: The Spanish documentary channel has more than two million subscribers, followed by the English channel DW Documentary with almost two million subscribers. The planned setup of a YouTube documentary channel in Hindi has significant potential as well.

Taking into account the increasing importance of reliable, independent, and balances journalism, DW is enhancing its competency concerning research and verification. In addition, DW implemented an investigation department and already realised impressive projects on its own and in cooperation with internationally reputable media and research associations. Furthermore, the integration of the collaborative verification platform Truly Media which includes various verification tools into the editorial activities will be increased successively.

DW was able to increase its viewer number significantly by almost 24 percent, overall 78 million people per week, with its programs in Africa. The success factors in the heterogeneous and very competitive markets in Africa included platform diversity, specific and targeted measures to address target groups and an extensive network of correspondents as well as partners with broad reach. Radio programs are used to obtain information by the DW target groups.

In addition to the continuing popularity of radio programs, the importance of television for obtaining information has been increasing as well over the last years, in particular in urban regions. DW addresses the increased importance with regionalised TV programs for the English channel, an increased number of TV link-ups to partners with a broad reach, and increasingly with regional language TV programs. This includes in particular the scientific program „Kesho Leo“ in Kiswahili, the environmental program „EcoAfrique“ in French, and the youth program „The 77 Percent“. The most successful programs of DW Premium include TV link-ups with the Nigerian partner Channels TV.

TV as well as digital programs are continuously gaining increasing importance in the target group: With regard to the use of internet, Africa records the highest growth rates worldwide. Cooperations with strong Facebook and Instagram partners proved to be the strongest drivers for digital reach.

The African economies were hit particularly hard by the pandemic, democracy is partly retreating and tendencies towards authoritarian regimes are increasing. Hence, it is even more important for

DW to reach the people in the target regions with independent, balanced information. DW Akademie complements the journalistic programs with numerous measures, e.g. on Media and Information Literacy (MIL) which is increasingly gaining importance.

Regarding the preferences for media use of its target groups in Asia, DW relies on the expansion of its TV and digital programs, in particular in social networks. The significant increase in viewer numbers of online programs shows that DW is right on track. The increase is mainly due to the video cooperations with strong partners. DW social media programs and website services record a strong increase in user numbers as well. On the other hand, DW was not able to increase viewer numbers for its TV programs in Asia in the past financial year. However, around 34 million people use the DW programs in Asia each week, in almost equal parts via TV and online. Similar to other regions, the success of the programs in Asia was mainly due to the regionalized content for the relevant target countries. For example, the TV magazines "Manthan", "Inovator" and "Onneshon" in Hindi, Bengali, and Indonesian on science, environment, and education, and the environment magazine "EcoIndia" are very successful.

Enhancing the social media performance proves to be the right strategy for programs in the local languages for Afghanistan and Pakistan, Dari, Paschtu and Urdu: The user numbers for digital programs are increasing continuously.

The Asian office network which was further expanded and enables the successive expansion of the local production is an additional central component for the targeted regionalization of DW programs: In addition to acquiring new local correspondents, DW was able to establish the New-Delhi office as common location of the English journalism and the regional languages Hindi, Bengali, and Urdu. In addition to the existing office in Taipeh, DW plans to establish an office in Jakarta.

The exceptionally critical political situation in numerous Asian countries is aggravating crises, conflicts, and terrorism in many ways. At the same time, freedom of the press and freedom of expression are being restricted - frequently under the pretence of anti-terrorism laws. Restrictions on network access, internet blocks and censorship make it difficult for people to access free, balanced information.

China is the most populous and at the same time the most censored market in the world. Linear TV partnerships continue to be an impossible task under these circumstances. To ensure that the online program of DW can also be received in countries with censorship and that DW can respond flexibly to internet blockades, a closer cooperation with providers of software to circumvent censorship is planned. DW was able to increase its digital reach in Mainland China and in the Taiwan and Hongkong markets, mainly as a result of the partnerships with digital platforms. In Mainland China, however, currently only DW programs on culture, environment, and economy are broadcasted due to censorship. The continuous expansion of the DW office in Taipeh is of central importance for DW's success in this region as well: On the one hand, the editorial team is thus able to work closer to the preferred using times of the target group, on the other hand, being based at the relevant location enables the team to increase regionalization of their journalism.

The Arabic TV and online programs are among the most successful programs of DW. With almost 40 percent, DW Arabic contributes a main portion to the total reach of DW. Regarding the excellent TV reach – in particular in Iraq and, for the first time, in Algeria – the extent of TV productions will be established on a stable level; the content will be further optimised in particular with regard to the current reporting and news coverage. In addition to more of its own original content from the region, DW Premium live TV link-ups TV programs provided by partners with a broad reach are growth drivers of the Arabic TV program. At the same time, the production for digital usage scenarios is enhanced, e.g. „JaafarTalk“, a format supported by funds from the Federal Foreign Office, which was optimised explicitly for on demand use. Sulta 5 could be established as report and debating platform for political and social topics on Facebook, YouTube, and Instagram and is used frequently.

The office in Beirut shared by correspondents of the program and by staff of DW Akademie is the starting point for an intensive, regular, and trusting exchange across all directorates which proved to be effective during the numerous crises in the country.

Particular attention in the Turkish target market is paid to video content suitable for on demand since the Turkish program of DW was able to achieve significant success in particular on YouTube and Twitter. Furthermore, DW intensified its activities concerning the program +90 which is operated within a strategic partnership with BBC, VoA, and France 24 and has already more than 360,000 subscribers on Youtube. In addition, an Instagram was launched in 2020.

Freedom of the press and expression is severely restricted in Russia. Although the controls are becoming more and more sophisticated, free formation of opinion is best possible on digital platforms, in particular social media. With its digital programs for the Russian-speaking market, DW mainly reaches the young target group and was able to increase the use of all three of its YouTube channels continuously. The programs are complemented on YouTube, Facebook, and Instagram by the satire program „Zapovednik“ which continues to generate high user and engagement figures. In September 2020, DW started to share content on TikTok.

Currently, the situation in Belarus is taking a turn for the worse. The authoritarian leadership of the country is exercising massive repressions against journalists. Independent journalism in the media is suppressed effectively. DW addressed the situation in its program in Russian and is currently reviewing the possibilities to act accordingly and ensure that the Belarussian people continue to have access to independent information.

In many countries in Latin America, freedom of press has come under pressure again as well. DW addresses the situation by focusing on controversial social topics and providing in-depth information on these topics, on the one hand in its Spanish TV program and on the other hand via additional link-ups with TV partners which enables DW to reach people in Latin America through additional channels apart from its own TV channel. In addition, DW has launched a radio program for Latin America with live comments for the German Bundesliga on Saturday in Spanish. At the same time, DW focuses on digital programs since information is increasingly consumed online and time-independent in Latin America as well.

The social polarisation and the targeted disinformation campaigns in Brazil require more than ever reliable and fact-based journalism in the DW programs in Portuguese for Brazil. In addition to information provided via their own channels, DW distributes information via a premium link-up with a national TV news channel.

The situation concerning freedom of press has worsened in Europe as well. The influence of governments on broadcasting corporations is strong in countries such as Poland, Hungary, Turkey and in the Balkans. For the users in these countries, the independent reporting of DW is a welcome alternative to the nationalist news characterised by press censorship or economic interests of many regional providers. For this reason, DW addresses young target groups more through digital platforms such as Facebook, Twitter, and YouTube in the European target countries. The webvideo series “Balkan Booster” continues to play an important role for increasing the reach. In addition, DW focuses on the target group-specific optimisation of the video content, in particular the “Europeo” magazine which was primarily developed for social media and secondary for linear TV. The planned office in Sarajevo could not be established due to the increasingly unfavourable framework conditions for journalists in this region. DW takes the importance of the region for its programs into account by increasing the number of local correspondents and is currently looking for an alternative location for a new office.

Under consideration of the global efforts to mitigate the spread of the coronavirus, DW had to conduct its annual Global Media Forum (GMF), which was planned for 6 and 7 July, as a digital event in 2020. From May to December 2020, DW dedicated different formats such as digital talk sessions, interviews, explanatory videos, chat discussions, and background stories to this year’s guiding principle “Pluralism Populism Journalism“. A main element was the interaction with the Global Media Forum Community. The digital version of the GMF was aimed at maintaining the visibility of the international media conference, to enhance the connection to the Global Media Forum Community, and to reach new target groups. The funds provided by the Federal Foreign Office, the Federal

government of North Rhine-Westphalia, the Federal Ministry for Economic Cooperation and Development, and the International Savings Association Foundation Bonn [Internationale Sparkassenstiftung Bonn] enabled a further development of the International Media Conference.

In 2020, DW dedicated its Freedom of Speech Award to all brave journalists worldwide suffering repression due to their reports on the COVID-19 pandemic. DW honoured 17 media representative from 14 countries as representatives for all these journalists.

Classes for all subjects in the International Media Studies Master programme of DW Akademie were provided as digital formats from the beginning of the summer semester. New and innovative formats were developed for the face-to-face assistance for students.

As shareholder and media partner of the Internationale Beethovenfeste Bonn gGmbH, DW supported the Beethoven Celebration in Bonn also with regard to the international perception. This cooperation has been existing for two decades and was planned to be intensified in the anniversary year 2020. Due to the COVID-19 pandemic, numerous events had to be cancelled and therefore, the planned projects and supporting measures could not be implemented, with only a few exceptions. However, DW took the 250th birthday of Ludwig van Beethoven as an occasion to launch special programmes to make the artist and its music available on a global scale and in many languages.

The successful cooperation with France Médias Monde (FMM), the umbrella organisation of the French foreign broadcasting services, was expanded as well in the ENTR project. ENTR is a digital, multimedia and multilingual format which DW is developing together with FMM for young people in Europe. The program focuses on content on social media in the numerous project languages. DW was able to acquire ten additional partners in six European countries for ENTR. DW will lead and manage the project in close cooperation with FMMILLION As part of the German-French cooperation contract of Aachen, the Federal Foreign Office is already providing start-up funding for the end of 2020.

DW is also continuing its cooperation with ARD (consortium of public broadcasters in Germany), ZDF (German public-service television broadcaster) and Deutschlandradio (German public radio broadcaster). The cooperating was extended to the current news by transferring the short news formats "Tagesschau in 100 Sekunden" and "heuteXpress".

The successful cooperation between DW and the Goethe Institute was expanded to additional strategic topics, including cultural topics, language work/German courses, and Global Media Forum This also includes topics such as diversity, sustainability, new work, and digitalization.

Due to the pandemic, DW had to expand massively the possibilities to work remotely on its own. In this context, the possibilities for digital, mobile, interdisciplinary, and collaborative working concepts are continuously improved. DW also has been increasing and improving significantly the availability of equipment for working time- and location-independent for employees since the beginning of the COVID-19 pandemic. For longer breaks in working life, DW offers sabbaticals as a new working time model.

As DW continuously strives to improve its corporate culture, the management and the personnel representatives of DW agreed to implement agreements on handling sexual harassment at work and protection against unacceptable behaviour. A Code of Conduct was approved at the end of 2019 which was translated into all broadcast languages and distributed to the employees.

Considering the importance of diversity as crucial factor for corporate success, DW strives to exploit this potential to the maximum extent possible. Management prioritised diversity by establishing the International Relations and Diversity department and initiated change processes.

As DW is aware of its responsibility for sustainable corporate development, it implemented sustainability as company target. In order to address the challenges of a sustainable corporate development, DW expanded its internal sustainability management and published a sustainability report for the first time. The DW sustainability report for the reporting year 2018 was reviewed by the German

Sustainability Code [Deutscher Nachhaltigkeitskodex - DNK]. Therefore, DW is the first ARD broadcaster to be certified. The DW will continue to publish a sustainability report every two years and report on the developments of its engagement for sustainable business operations. In addition, DW has signed the Common Declaration for a sustainable movies and series production.

As IT and cybersecurity are becoming increasingly important as well, DW included these tasks in an own department in order to be able to address the challenges in this area even better in the future. The central tasks of this department include the structured development of measures for improving IT security and the further sensitisation of all DW employees concerning threats in the cyber environment. The measures are targeted in particular to enable journalists to move around safely in the digital environment.

2. Net assets, financial position and results of operations

Net assets position

In the reporting year, the company's balance sheet total increased by EUR 50.6 million (6.9%) to EUR 786.3 million.

In the expired financial year, a total amount of EUR 14.6 million was invested in intangible and tangible assets. The main additions to tangible assets result from investments in the data centre (EUR 2.7 million), broadcast projects (EUR 2.6 million), and IT projects (EUR 2.7 million). The book value of tangible assets increased by EUR 2.4 million due to additions in 2020 with acquisition costs exceeding the amortization of the financial year.

The compensation claim against the German Federal Government for pension, early retirement and other benefit obligations not covered by reinsurance policies increased compared to the prior year by EUR 14.8 million to EUR 566.7 million. The change was mainly due to the increase in pension liabilities by EUR 28.5 million less the asset values from reinsurance policies which increased by EUR 13.8 million.

The increase in current assets by EUR 32.7 million to EUR 180.8 million is mainly due to the increase of the asset values from reinsurance policies reported under other assets (+EUR 13.8 million) and the increase in bank balances by EUR 24.3 million due to the balance sheet date. This was offset by the decrease in other receivables from fund providers by EUR 4.7 million as of balance sheet date. The - overall minor - changes in other balance sheet items were due to the balance sheet date.

Prepaid expenses were mainly set up for satellite rental fees and social benefits in connection with social security benefits in connection with company pensions paid in advance.

The Corporation's equity increased to EUR 31.1 million, given a net income for the year in the amount of EUR 14.2 million. Due to the fact that financing is guaranteed by the government, sufficient liquidity of Deutsche Welle is ensured at any time, irrespective of the of equity reported by the Corporation.

Provisions, which are mostly set up for pensions and other personnel commitments, exceed the prior-year figure by EUR 28.6 million. Increases primarily related to pension provisions (+EUR 28.5 million) and benefit payment obligations (+EUR 1.4 million) due to continually low interest rates. On the other hand, provisions for early-retirement arrangements (-EUR 1.3 million) declined.

The increase in liabilities by a total amount of EUR 7.8 million due to the balance sheet date is significantly influenced by the increase in trade liabilities (+EUR 5.4 million) and the increase in other liabilities (+EUR 2.1 million).

Results of operations

Income from federal grants reported in the income statement mainly relates to grants from the Federal Government Commissioner for Culture and the Media (Beauftragte der Bundesregierung für Kultur und Medien - BKM) for the ongoing operations of Deutsche Welle. This grant in the amount of EUR 362.3 million (p.y. EUR 343.3 million) serves the financing of the operating budget and investments. Furthermore, EUR 7.2 million have been granted for the specific purpose of rent payment for the broadcasting center in Bonn (lessor: German Institute for Federal Real Estate [Bundesanstalt für Immobilienaufgaben]). In addition, this item contains project grants from the Federal Ministry for Economic Cooperation and Development (BMZ) for the DW Akademie and other project grants from public institutions - in particular the Federal Foreign Office.

Other operating income is mainly composed of other project grants (EUR 6.2 million; p.y. EUR 7.6 million) and the change in the reinsurance guaranty funds (EUR 13.8 million; p.y. EUR 8.7 million). The change in the compensation claim against the German Federal Government (EUR 14.8 million; p.y. EUR 24.6 million) is shown as income and is reported in other operating income.

Personnel expenses amount to EUR 191.9 million and are EUR 7.0 million higher than the prior-year figure. Ongoing salaries grew by EUR 5.8 million and social security expenses increased by EUR 0.1 million. Post-employment costs increased by EUR 1.1 million. The increase is mainly due to increase in contribution payments to the ARD pension funds coverage bbp by EUR 5.1 million compared to the prior year. The contributions of bbp in the financial year 2020 were based on an interest rate of 2.75 %. This was offset by payments from additions to provisions for pensions for future pensions by EUR 2.5 million and the ERGO group insurance by EUR 1.0 million. The basic rate of interest for the calculation of provisions for pensions decreased from 2.71 % in the prior year to 2,30 % in 2020.

Fees and other program expenses amount to EUR 147.9 million and are therefore on the prior year level. Fee expenses for freelancers increased by 3.8 % i.e. EUR 4.3 million. This was offset by the decrease in other program expenses by EUR 4.4 million, also due to decreased expenses for program purchases, outsourced production TV and sport rights.

Other operating expenses amount to EUR 67.1 million (p.y. EUR 72.8 million) in the financial year 2020 and result, as in the prior year, from maintenance, operation, and repair expenses, various services provided by third parties and lease and rental expenses. Travel expenses decreased compared to the prior year mainly in relation to project funding due to projects not implemented or postponed in 2020. This was offset by an increase in expenses for maintenance of technical facilities and equipment due to the increased need in technical equipment for production and working remotely.

Impairment amounted to EUR 12.8 million and was almost on the prior year level due to the higher investment volumen in the last years in intangible assets and tangible fixed assets (EUR 14.6 million; p.y. EUR 15.1 million).

Interest expenses (EUR 16.8 million; p.y. EUR 18.9 million) are attributable to the reported interest portion from the compounding of provisions for pensions and long-term provisions for personnel.

Deutsche Welle concluded the year 2020 with an annual profit of EUR 14.2 million (p.y. EUR 2.5 million), which will be allocated to the Corporation's equity of DW. The annual profit generated in 2020 and the resulting increase of the Corporation's equity provides a great basis for DW to face future challenges resulting from the changes in projects and strategic measures due to the pandemic as well as from business risks identified as part of the risk analysis 2020/21 (see risk report).

Financial position

In the account of the income and the expenditures to be prepared in the process of compiling the annual financial statements, conforming to the budget system of the German Federal Government, governmental accounting methods were applied, and in contrast to the aforementioned accounting principles, they are based on payment transactions only.

The account of the income and the expenditures shows an increase in cash and cash equivalents by EUR 28.3 million to EUR 45.5 million due to the balance sheet date. Cash and cash equivalents of DW amount to EUR 21.8 million (p.y. EUR 7.1 million). Cash and cash equivalents were increased as of the end of the financial year: due to the uncertainties existing at this point in time due to the COVID-19 pandemic and to ensure that all payment obligations due at the beginning of the financial year 2021 could be met at their respective due date. Cash and cash equivalents of DW Akademie increased by EUR 9.6 million to EUR 19.7 million. Cash and cash equivalents in 2020 also included government grants of DW in the amount of EUR 4.0 million which were not yet drawn down.

3. Risk report

Deutsche Welle periodically analyzes its risks through an internal early risk detection system Risk management is limited to monetary risks and subject to the active involvement of all executives reporting to the management.

The following risk presentation and assessment was based on the so-called gross presentation (risk assessment before consideration of measures taken to mitigate risks). Additional explanations are included for individual risks with an expected average amount of damages >2 million EUR and a probability of occurrence >25 %.

The risk inventory 2020/21 showed that only the development of the government grant represents a risk with an adverse effect on the development of Deutsche Welle since it is financed almost exclusively by the German Federal Government.

The reduction of the government grant or lower project grants from various fund providers represents a material and therefore serious risk for Deutsche Welle (> EUR 10 million). Due to the short-term nature of the fund commitments of the Federal Government, the response time to unexpected reductions in funding is correspondingly short. The upcoming German parliamentary election in autumn 2021 and the expected time of formation of a government increases the uncertainties regarding when the funds will be granted.

Considerable risks (EUR 5 million to EUR 10 million) are identified in particular in the field of technology/IT infrastructure due to damage to IT systems and building technology, which is particularly caused by "systems failure" and "computer virus and hacker attacks", however, the expected losses are efficiently reduced by measures that have been taken and in which DW will be required to continue to invest in the future.

During the risk inventory 2020/21, new significant risks (EUR 2 million to EUR 5 million) were reported and the risk assessment was updated.

The new report relates to financial risks from "Additional costs in DW due to the COVID-19 pandemic" which result, among other reasons, from increased costs for adjustments in editing and production, technical equipment for working remotely, and costs for required hygiene and occupational safety measures required due to the ongoing COVID-19 pandemic. It is expected that the additional costs due to the COVID-19 pandemic will be almost fully reimbursed by additional government funds.

The risk of an increase in pension contributions from the collective pension agreement [Versorgungstarifvertrag - VTV] due to the ongoing low interest forecast was updated with regard to the estimations of the amount of damages and the probability of occurrence. As all pension funds and life insurers, the Federal Financial Supervisory Authority required the ARD pension funds coverage bbp in 2020 to conduct a forecast calculation for a period of 15 years based on the assumption that in case of a new investment or reinvestment of the assets only returns of 0.5% may be achieved. This revealed that additional measures are required to ensure liquidity and internal capital adequacy and to prevent future deficits. Currently, bbp is developing possible solutions in close cooperation with BaFin.

As in the prior year, a significant risks exists in relation to the high compliance costs in the event of the implementation of barrier-free access to linear TV as may be required (displaying subtitles, sign language).

Regarding production/broadcasting, risks exists from cost increased due to dependencies from producers and suppliers, or from infringements of copyrights. In the last years, a constriction of the market could be observed in particular for software producers, leading to a risk of an increase in prices for licenses and in penalties in case of non-compliance with complicated license agreements. This risk will be mitigated, among other measures, by cooperations with other broadcasting corporations and the implementation of a central license management.

4. Forecast report

For 2021, the government bill on the budget law provides for a grant in the amount of EUR 380.5 million (+ 4.1 %) and additional 100 jobs for DW. In addition, DW will receive one-time funds in the amount of 7.5 million EUR from the stimulus package in 2021. It will be a financial challenge for the upcoming budget periods to offset the increasing costs for personnel, in particular the expected increases in wages subject to collective agreements, and pension expenses, in particular the cost increases at the Baden-Badener-Pensionskasse (bbp) due to the long-term development of the capital markets as well as cost increases resulting from the success generated by DW itself. The successful implementation and marketing of a program format in a specific region or in the worldwide program lead to expenses in community interaction (more layers) in the editorial departments, distribution activities and user-dependent distribution costs concerning on demand and streaming. Furthermore, the ongoing consequent expansion of digitalisation in the company leads to increased expenses in technical infrastructure (invest, current operating equipment, technical personnel, project personnel), which will not be offset by potential savings until a later point in time (e.g. consequent expansion AI in programs and automation in administration).

The target of DW is to maintain the program projects on the long term and, depending on the remaining financial funds, implement additional measures in the planning also by redistributing budget and increasing synergies.

Additional possible measure include in particular increasing regionalization programs through introducing additional program languages and setting up new offices or extending existing offices. With regard to the required expansion of the program languages in the Asian priority target region which was already included in the planning for 2018 to 2021, DW plans to introduce Tamil as an additional regional language. This language is spoken by approximately 75 million people in South India and Sri Lanka as mother tongue. The introduction of Tamil might enable DW to address the extensive need in the region for independent information and improve its own presence in the South Asian language area.

For the EU, the drastic changes in the constitution and the media environment in Hungary and the related significant restrictions in the independence of justice and freedom of speech are of great importance. Hungary is largely isolated within the EU and is pursuing a special path in more and more political matters. Against this background, DW is planning to introduce program in Hungarian. In 2021, Hungarian and Tamil are planned to be introduced exclusively in social media during a two year pilot stage.

Investments for 2021 focus on the technical implementation of the DW digital strategy which is aimed in particular at ensuring viability through increased flexibility, system availability, and technical innovations. IT security has a high priority as well. In addition, DW is committed to ensure compliance with the legal requirements concerning barrier-free access as soon as possible. Further measures according to the planning are currently reviewed as part of the budget preparation 2021.

DW is facing an additional challenge: The successive and extensive implementation of the new mobile radio standard 5G in many countries will lead to significant changes for DW concerning the current TV satellite broadcasting via so-called C-band satellites. In the Americas and in Asia, 5G uses the same frequencies as C-band satellites, leading to disruptions in broadcasting. Therefore,

more than half of the almost 4,000 DW partners are required to switch successively to alternative, more cost-intensive solutions in order to prevent significant losses concerning the reach of the programs. According to preliminary estimations, this is expected to lead to additional costs in the amount of EUR 2 to 4 million per year for DW. A final technical solution for alternative broadcasting without C-band satellites and adjusted to the needs of the individual regions is currently developed. Where broadcasting via the cheaper C-band satellites is still possible or even required (e.g. in India), DW will continue to rely on C-band distribution. The target is to ensure a technical reliability comparable to the existing broadcasting and economic efficiency by using a combination of different broadcasting techniques. In this regard, DW maintains a close communication with its partners, satellite providers, experts, and other international broadcasters, e.g. BBC, FMM, VoA, and NHK.

In order to ensure its success on the long term, DW is required to adapt its activities to the arising new challenges. The most important and groundbreaking projects currently being implemented include the on demand strategy as well as the expansion of the DW presence in its target regions. For this purpose, DW will produce more content for markets with high potential. In a first step, this will include Asian countries such as India and Indonesia, in a second step countries in the Sub-Saharan such as Nigeria are included. In this context, a structural enhancement of the relevant language editorial departments is planned. To complement this activities, DW Akademie will extend its external structure and is planning to establish additional offices and branches.

Furthermore, innovative technologies will play an important role. DW is required to use innovative technology in order to remain relevant and attractive for its target group and to fulfil in particular the expectations concerning modern digital programs. Therefore, DW is dealing with Artificial intelligence (AI) and developing guidelines for the responsible use of AI applications in compliance with its purpose. The use of AI will support DW in continuing to provide modern services as well as reliable and balanced information in the future. AI has great potential to support, streamline, and enhance the services of DW: At the same time, DW addresses the risks of AI by implementing ethical guidelines in order to ensure compliance with the values of DW also when using new technologies and to engage in shaping new standards and practices for the use of AI in journalism provided by public broadcasting corporations.

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Deutsche Welle Anstalt des öffentlichen Rechts

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