Kabel Deutschland Holding AG
Unterfoehring

Annual Report
pursuant to Section 37v and Section 37y WpHG

for the Fiscal Year Ended March 31, 2011

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This is a translation of the German “Konzernabschluss gemäß §315a(1) HGB der Kabel Deutschland Holding AG zum 31. März 2011”. Sole authoritative and universally valid version is the German language document.

Report of the Supervisory Board

Dear Shareholders,

In the following, we will give an overview of the activities of the Supervisory Board of Kabel Deutschland Holding AG and report on the composition and number of the meetings of the Supervisory Board and its committees. Further, we report on the audit of the annual and consolidated financial statements and the report on relationships with affiliated companies for the fiscal year 2010/2011, including the related audit reports.

Overview of the activities of the Supervisory Board

During the fiscal year 2010/2011, the Supervisory Board diligently complied with its responsibilities under the law, the Company's Articles of Association and the internal Rules of Procedure, and carefully and regularly monitored and assessed the management function of the Management Board. It was involved at an early stage in all decisions that were of fundamental importance to the Company and, in particular, provided support in the form of strategic development advice.

The Management Board regularly reports to the Supervisory Board both in writing and orally, in a timely and comprehensive manner on the Company's business plans, strategic developments, the operational business and the situation of Kabel Deutschland Holding AG and the Group, including its risk position. Even outside of the Supervisory Board meetings, the Chairman of the Supervisory Board was in close contact with the Management Board, particularly its CEO, and was informed about current developments, the business situation and major business transactions, projects and plans. The Management Board discussed in detail with the Supervisory Board any deviation of business developments from the plans and objectives. This allowed the Supervisory Board to regularly obtain an informative picture of the results of operations, net assets and financial position of the Company.

In all its meetings, the Supervisory Board has assessed the management function of the Management Board on the basis of submitted reports. Subject of regular discussions with the Management Board was the development of the Group in terms of sales, earnings and staffing as well as the exchange about the business situation and strategy of the Group. The criteria for the monitoring of the management by the Management Board of the business and the Group were, in particular legality, correctness, expediency and economic efficiency. No additional investigative measures, such as the inspection of Company documents, were necessary.

Main features of the new remuneration system

At the beginning of the fiscal year 2010/2011, after the Company's change of legal form to Kabel Deutschland Holding AG and its IPO in March 2010, the Supervisory Board focused on the task of concluding new employment contracts with the members of the Management Board of Kabel Deutschland Holding AG and implementing a new remuneration system for

Management Board members meeting the requirements of Section 87 of the German Stock Corporation Act (AktG) and the German Corporate Governance Code in respect of listed companies. The new remuneration structure was developed by the Supervisory Board after an extensive review and with the help of external consultants with expertise in the area of remuneration management in respect of boards of management as well as legal expertise. Comparisons were drawn with several other companies in order to determine the remuneration structure: MDAX and TecDAX-listed companies as well as a comparison group consisting of various German telecommunications companies. In addition, data from three major international cable companies was also taken into consideration. The new remuneration structure takes into account the interests of the shareholders, the competitive situation and general market conditions. The external consultant has ultimately established that the remuneration determined by the Supervisory Board is in line with the German Stock Corporation Act, the German Corporate Governance Code and customary market practice. The new remuneration system for the Management Board was resolved upon by the Supervisory Board on May 19, 2010 with retroactive effect for the entire fiscal year 2010/2011 and incorporated into the service contracts of the Management Board members. It was approved by way of resolution at the Annual General Meeting on October 20, 2010. Further details can be found in the Compensation Report available on the Company's website.

Changes in the Supervisory Board

At the start of the fiscal year 2010/2011, the Supervisory Board newly formed in March 2010 after the Company's change of legal form to Kabel Deutschland Holding AG was still composed exclusively of the representatives of the shareholders, Messrs. Tony Ball, John Carl Hahn, Robert Sudo, Biswajit Subramanian, Ian West and Martin David Stewart.

Upon the conclusion of the status proceedings undertaken by the Management Board after the change of legal form had taken effect the election of employee representatives were initiated, however this had not yet been concluded by the date of completion of this report. In order to bridge the period until the employee representatives that are to be elected can assume their seats, the court, at the request of the Board of Management (the request of which was coordinated with the company's Works Council and the ver.di union), appointed Ms. Susanne Aichinger, Ms. Petra Ganser, Ms. Petra Hesse, as well as Messrs. Ronald Hofschläger, Norbert Michalik and Joachim Pütz to be members of the Board of Management on 27 May 2010.

Thereafter, in its meeting on June 9, 2010, the Supervisory Board appointed Mr. Joachim Pütz to be its Deputy Chairman, after Mr. Hahn had previously resigned from this position.

Supervisory Board Committees

After the employee representatives had been appointed to the Supervisory Board by the court, the Supervisory Board created the following committees during its session of June 9, 2010 in order to increase its efficiency: the Conciliation Committee in accordance with Section

27 para. 3 of the German Co-Determination Act (*MitbestG*), the Executive Committee, the Audit Committee, and the Nomination Committee. The Supervisory Board receives regular reports on the work of the committees.

The **Conciliation Committee** assumes the legal responsibilities laid down in Section 31 para. 3 of the German Co-Determination Act (MitbestG). The members of the Conciliation Committee in fiscal year 2010/2011 were: Tony Ball (Chairman of the Conciliation Committee), Mr. John Hahn, Susanne Aichinger and Joachim Pütz.

The **Executive Committee** lays the groundwork for the personnel-related decisions of the Supervisory Board, in particular those relating to the appointment and removal of members of the Management Board and the appointment of the Chairman and decisions as to the remuneration of the Management Board. The Executive Committee is composed of the Chairman of the Supervisory Board, who also acts as Chairman of the Executive Committee, and three further members. In fiscal year 2010/2011, these were John Hahn, Ronald Hofschläger and Joachim Pütz.

The **Audit Committee** deals particularly with issues relating to the correctness of accounting, the independence of the auditor, internal control system, risk management and compliance. The Audit Committee works closely with the auditor. It issues the audit mandate to the auditor, which includes the definition of the issues that the audit should focus on and the agreement as to the audit fee. In particular, it prepares the resolutions to be passed by the Supervisory Board in respect of the approval of the annual financial statements, and to this end carries out a preliminary audit of the annual financial statements, the management report and the proposal as to the use of proceeds, as well as the consolidated financial statements and the Group management report, and a review of the auditor's report together with the auditor. The half-year and quarterly financial reports (the latter required due to the listing on the Frankfurt Stock Exchange) are also reviewed by the Audit Committee, together with the Management Board, prior to publication. The Audit Committee is comprised of four members. In the fiscal year 2010/2011, these were: Martin Stewart, who is an independent member of the Supervisory Board and possess expert knowledge in respect of the fields of accounting and auditing, gained from his professional practice, as Chairman of the Audit Committee, together with Petra Hesse, Petra Ganser and Robert Sudo.

The **Nomination Committee** is responsible for proposing suitable candidates to the Supervisory Board for the nomination of the representatives of the shareholders on the Supervisory Board at the Annual General Meeting. It comprises the Chairman of the Supervisory Board, who also acts as Chairman of the Nomination Committee, and two further shareholder representatives. In fiscal year 2010/2011, these were John Hahn and Robert Sudo.

Meetings of the Supervisory Board and its committees

In the fiscal year 2010/2011, the Supervisory Board held a total of six meetings. No member of the Supervisory Board attended fewer than half of the Supervisory Board meetings.

These meetings were prepared by the shareholder representatives and the employee representatives in separate sessions. Furthermore, decisions were taken outside of meetings, in particular as to urgent transactions requiring the approval of the Supervisory Board, where necessary. The Supervisory Board approved all of the transactions and measures submitted to it for its approval.

The Executive Committee convened three meetings and, in particular, laid the groundwork for decisions by the Supervisory Board on corporate and Management Board objectives. The Audit Committee held five meetings in the fiscal year 2010/2011, in particular for the purposes of the auditing of the half-year and quarterly financial reports, the appointment of the auditor and in respect of issues relating to internal control system, risk management and compliance. The Nomination Committee has not yet convened as no decision has yet had to be taken in respect of the appointment of shareholder representatives to the Supervisory Board. To date, there has been no need to call a meeting of the Conciliation Committee.

Corporate Governance

The German Corporate Governance Code's recommendations are taken very seriously by the Supervisory Board. The Supervisory Board has considered the June 18, 2009 and May 26, 2010 versions of the recommendations of the Governmental Commission in respect of the German Corporate Governance Code and approved the declaration of compliance that is to be issued annually in conjunction with the Management Board in accordance with Section 161 of the German Stock Corporation Act (AktG). The shareholders can find the declaration of compliance on the Company's website. No board member conflicts of interest, as defined by the German Corporate Governance Code, on the part of the members of the Supervisory Board came to light in respect of the reporting period.

Auditing of the Annual and Consolidated Financial Statements

At the Annual General Meeting of Kabel Deutschland Holding AG on October 20, 2010, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for the fiscal year ended March 31, 2011, in line with the proposal made by the Supervisory Board on the recommendation of the Audit Committee. This appointment also comprises the audit of the consolidated financial statements. The Supervisory Board was provided with a statement of independence.

The auditor carried out an audit of Kabel Deutschland Holding AG's annual financial statements under commercial law and management report for the fiscal year 2010/2011 (balance sheet date: March 31, 2011), as well as the consolidated financial statements prepared in accordance with the IFRS rules and the Group management report (balance sheet date: March 31, 2011), including the accounting procedures used, and issued an unqualified auditor's certificate in each case. In addition, the auditor examined the risk management system in accordance with Section 91 para. 2 of the German Stock Corporation Act and determined

that the risk management system established by the Management Board complies with the legal requirements.

The report on relationships with affiliated companies in respect of the fiscal year 2010/2011 for the period from April 1, 2010 to March 31, 2011, which was presented by the Management Board, was also examined by the auditor. The Management Board's report on relationships with affiliated companies was assigned the following unqualified auditor's certificate: "Based on our audit and assessment in accordance with professional standards, we confirm that the actual disclosures contained in the report are correct, that in connection with the legal transactions detailed in the report the compensations made by the Company were not unreasonably high and that there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the Management Board."

The financial statements, as well as the report on relationships with affiliated companies in respect of the fiscal year 2010/2011, including the auditor's reports, the management reports and the Management Board's proposal as regards the use of proceeds, were made available to each member of the Supervisory Board in sufficient time prior to the meeting for the review of the financial statements on June 7, 2011.

The Audit Committee, in a meeting held on June 7, 2011 prior to the meeting of the Supervisory Board for the review of the financial statements, carefully reviewed and examined, together with the Chief Financial Officer and the auditor, the financial statements cited above, the audit reports concerning the annual and consolidated financial statements, as well as the report on relationships with affiliated companies and the auditor's report annexed to its statement of independence, and subsequently reported thereon to the entire Supervisory Board at the latter's subsequent The Supervisory Board, in awareness of and taking into consideration the auditor's reports, discussed and examined Kabel Deutschland Holding AG's annual financial statements and management report, as well as the consolidated financial statements, the Group management report and the report on relationships with affiliated companies, at its meeting on June 7, 2011. Upon request, the Management Board additionally provided an oral explanation of the financial statements and the statement of independence during this session. The auditor participated in this meeting, reported on the material findings of its audit, and made itself available to the Supervisory Board for any questions and inquiries concerning supplemental information.

The Supervisory Board was able to conclude, as a result of this meeting and on the basis of the report resulting from the previous meeting of the Audit Committee, that the audit had been conducted in a proper manner. The Supervisory Board, following the recommendation of the Audit Committee, raised no objections to Kabel Deutschland Holding AG's annual financial statements or its management report, the consolidated financial statements or the Group management report, the report on relationships with affiliated companies or the auditor's audit reports.

The Supervisory Board therefore concurred with the findings of the audit conducted by the auditor and approved Kabel Deutschland Holding AG's annual financial statements and management report, and the consolidated financial statements as of March 31, 2011. Thus, Kabel Deutschland Holding AG's annual financial statements of March 31, 2011 have been approved. The Supervisory Board discussed the Management Board's proposal for the use of the balance sheet profit in detail and concurred therewith.

The Supervisory Board thanks the Management Board, the managing directors of the Group companies, as well as all employees for their great dedication during the past fiscal year.

Tony Ball
Chairman of the Supervisory Board

Corporate Governance Report

Compliance with the rules of good corporate governance is of great importance to Kabel Deutschland. Our Company sees this as an important component of good corporate governance and the foundation for the company's success.

Declaration of compliance in accordance with Section 161 German Stock Corporation Act (*AktG*)

Under Section 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of a listed stock corporation are required to declare every year that the Company has complied and is complying with the recommendations of the "Government Commission for the German Corporate Governance Code", as published in the official part of the electronic Federal Gazette ("*elektronischer Bundesanzeiger*") by the Federal Ministry of Justice (the "Code"), or, alternatively, are to declare which recommendations the company has not followed or does not follow and why not. The declaration shall be published permanently on the company's web page.

For the period of up to July 2, 2010, the following declaration refers to the version of the Code of June 18, 2009, published on August 5, 2009. For the subsequent and future corporate governance practice of Kabel Deutschland Holding AG, the following declaration refers to the Code as amended on May 26, 2010 and published on July 2, 2010.

The Management Board and the Supervisory Board in May 2011 filed a declaration pursuant to Section 161 German Stock Corporation Act (AktG) that Kabel Deutschland Holding AG since the last declaration of compliance on May 19, 2010 has complied and will continue to comply with the recommendations of the Government Commission German Corporate Governance Code published by the Federal Ministry of Justice in the official Section of the electronic Federal Gazette ("*elektronischer Bundesanzeiger*") with the following exceptions:

- Deviating from the recommendation in Section 3.8 of the Code, the members of the Supervisory Board are covered by a directors' and officers liability insurance policy that does not include the deductible recommended in Section 3.8 of the Code. The directors' and officers liability insurance policy is actually a group insurance policy for a large number of individuals in Germany and abroad. Internationally, a deductible is unusual.
- Diversity is taken into account when executive positions are filled within the Company. However, the focus is on the expert qualifications offered by – female and male – candidates (deviation from Section 4.1.5 of the Code).
- At the beginning of the fiscal year 2010/2011, the compensation of the members of the Management Board did not comply with the recommendation laid down in Section 4.2.3 of the Code. The Management Board remuneration system of Kabel Deutschland Holding AG was revised in the fiscal year 2010/2011, following the IPO in March 2010. For a transitional period, the members of the Management Board received their remuneration

from Kabel Deutschland GmbH, which was compensated for paying the remuneration of the Management Board of Kabel Deutschland Holding AG via intercompany clearing. On May 19, 2010, the Supervisory Board of the Company passed a resolution on a new remuneration structure that meets all requirements of Section 87 of the German Stock Corporation Act and of the German Corporate Governance Code and was implemented on the basis of new management service agreements concluded with the members of the Management Board. Please refer to the Compensation Report for further details.

- The General Assembly exercised the option laid down in Section 4.2.4 of the Code to deviate by virtue of a shareholder resolution from the individualized disclosure of the remuneration and promises made or amended in the fiscal year for the early or regular termination of the contract of a Management Board member.

- According to Section 5.1.2 of the Code the Supervisory Board shall, together with the Management Board, ensure that there is a long-term succession planning. In addition, an age limit for members of the Management Board shall be specified. These items have not been implemented yet following the conversion into a stock corporation and the IPO. The Supervisory Board and the Management Board are going to address these issues in the future.

- Pursuant to Section 5.4.1 paragraphs 2 and 3 of the Code, the Supervisory Board shall specify concrete objectives regarding its composition and take these into account in its recommendations. The objectives of the Supervisory Board and the status of implementation shall be published in the Corporate Governance Report. These recommendations are deviated from. The composition of the Supervisory Board of Kabel Deutschland Holding AG is oriented toward the Company's interest and has to ensure the effective monitoring and counseling of the Management Board. As far as the composition of the Supervisory Board is concerned, great importance is therefore attached to the knowledge, capabilities and expert experience required from the individual Board members in order to complete their tasks properly. In addition to these selection criteria, we regard the aspects mentioned in Section 5.4.1 para. 2 of the Code as being worthwhile to be taken into account, and the Supervisory Board will do so at the time when recommendations are made, taking into consideration the respective company-specific situation. Specific objectives relating to the composition of the Supervisory Board are currently not defined. Accordingly, there is no publication of any such objectives.

- Deviating from the recommendation in Section 5.4.6 of the Code, the members of the Supervisory Board receive a fixed remuneration only. Kabel Deutschland Holding AG considers such fixed remuneration more suitable to secure in all respects the independent exercise of the Supervisory Board members’ controlling function.

- Furthermore, the Code recommends in Section 5.4.6 para. 3 subpara 1 that the compensation of the members of the Supervisory Board shall be reported individually in the Corporate Governance Report, subdivided according to components. As the remunera-

tion paid to the Supervisory Board is regulated by the rules of procedure, we do not consider an individualized disclosure to be necessary.

- Deviating from Section 5.6 of the Code, the Supervisory Board, which in its current configuration has only existed since May 2010, has not examined the efficiency of its activities yet but will do so in the fiscal year 2011/2012.
- Deviating from the recommendation in Section 7.1.2 of the Code, Kabel Deutschland Holding AG will not publish its preliminary reports within 45 days after the end of the respective reporting period. The efforts required to be in compliance with such time limit do not result in a noteworthy increase in transparency.

The wording of this declaration of compliance as well as the declaration from last year that is no longer applicable may also be found on Kabel Deutschland Holding AG's website (www.kabeldeutschland.com) by following the menu path: Company / Corporate Governance.

Transparency through communication

Transparency is an essential element of good corporate governance. Consequently Kabel Deutschland uses almost all available channels of communication to inform shareholders, prospective investors, and interested members of the public of the development of the Company's business and any special events or affairs on a regular basis. In particular the Company's website, www.kabeldeutschland.com, provides interested members of the public with a variety of information about the development of the Company's business in the past as well as prospects for the future. The Company's key dates are published in a financial calendar on its homepage. We also give members of the public an opportunity to register and receive corporate news in the form of an online newsletter. All press releases, investor relations communications and the financial reports (in English and German) may be viewed online. Our Investor Relations team is in regular contact with the capital market participants. When the quarterly reports are published, we hold telephone conference calls to inform investors and analysts about the development of the Company's business. Once a year we hold a Capital Markets Day. We also take part in regular roadshows and investor conferences. The comprehensive information offered to the public is complemented by pertinent press releases, regular interviews with analysts, and informational events.

Shareholders and Shareholders' Meeting

Kabel Deutschland Holding AG's shareholders can uphold their rights, in particular their right to obtain information, and exercise their voting rights at the Shareholders' Meeting. They can exercise their voting right at the Shareholders' Meeting in person or through a representative of their own choosing, e.g. through voting representatives appointed by the Company but bound to follow shareholders' instructions. To make it easier for shareholders to exercise their rights and to prepare them for the Shareholders' Meeting, we put the invitation, the agenda, reports, documentation and other information related to the Shareholders' Meeting on the Kabel

Deutschland Holding AG website (www.kabeldeutschland.com) under: Investor Relations / Shareholders‘ Meeting. Numbers attending and the results of the voting are published online immediately after the Shareholders’ Meeting. This promotes the exchange of information between Kabel Deutschland Holding AG and its shareholders. Around 66% of the share capital was represented when resolutions were adopted at the Shareholders’ Meeting held in Munich on 20 October 2010.

Accounting and auditing

Kabel Deutschland Group’s Consolidated Financial Statements and Group Management Report are prepared in accordance with International Financial Reporting Standards (IFRS) as applied in the European Union and Section 315a para. 1 German Commercial Code (*HGB*). Kabel Deutschland Holding AG’s separate financial statements are prepared in accordance with the provisions of the HGB and the supplementary provisions contained in the Articles of Association.

At Kabel Deutschland Holding AG’s Shareholders’ Meeting held on 20 October 2010, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor in accordance with the proposal of the Supervisory Board, as recommended by its Audit Committee, and following submission of a statement of its independence. As recommended by the Code, agreement was reached with the auditor that the Chairman of the Audit Committee would be advised immediately of any grounds for disqualification or partiality that arise in the course of the audit unless they are immediately resolved. Furthermore, the auditor has to report immediately on any significant determinations and events, which relate to the tasks performed by the Supervisory Board while the audit is being carried out. If facts are uncovered in the course of the audit that result in the declaration of compliance for the Code given by the Management Board and the Supervisory Board not being correct, the auditor must advise the Supervisory Board about this immediately and record it in the auditor’s report.

The auditor participated in advising the Audit Committee and the Supervisory Board as a whole about the annual and Consolidated Financial Statements for 2010/2011 and submitted a report to the Supervisory Board on the results of the audit of the annual financial statements and management report of Kabel Deutschland Holding AG as well as of the Consolidated Financial Statements and Group Management Report.

Effective compliance to secure corporate governance

Creation of an effective compliance system is an indispensable tool for good corporate governance, in order to guarantee compliance with applicable laws and with corporate policies and values. Compliance is a matter of top priority for Kabel Deutschland Holding AG, and is an essential part of the Management Board's managerial responsibilities.

Several years ago, Kabel Deutschland had already adopted a corporate Code of Conduct requiring all employees to abide by high legal and ethical standards.

Management staff of the Company likewise have agreed to follow the Code of Ethics and all ethical standards adopted by the Company.

To implement, manage and continue to develop the company-wide corporate compliance program at Kabel Deutschland, the Company appointed a Compliance Manager in fiscal year 2009/2010 already, who is primarily responsible for the main compliance tasks. The Compliance Manager informs employees on a regular basis of training sessions on relevant laws and corporate policies. The compliance management department is also available to answer and provide advice on specific compliance-related questions from employees and management staff.

The main tasks addressed in fiscal year 2010/2011 included the registering and evaluation of compliance risks, updating the compliance strategy, establishing and checking the material and legal situation in respect of notifications it received and reviewing the training concepts. At the compliance training sessions, the main focus is on those areas with potentially the greatest compliance risks. In other areas, compliance know-how is passed on by management staff to their employees through "train the trainer" measures. The training sessions attended by staff in person will in future be supplemented by a Group-wide interactive online learning program. Each member of staff is trained to take an active part in implementing the compliance program in their area of responsibility.

A compliance policy is being developed as part of compliance management. In addition, the Company is taking far-reaching preventative measures to ensure compliance with capital market and anti-corruption laws. The Company plans to complement the compliance policy through various events raising awareness of compliance issues, as well as with informational publications, in order to explain the laws involved in more detail and to provide examples that will be clear to all employees.

More than three years ago, Kabel Deutschland introduced a so-called whistle blowing program as part of the development of its anti-fraud management. In order to enable employees to report material compliance violations, openly or anonymously, an independent accounting firm has been retained to serve as an ombudsman for this program. An external firm of accountants has been appointed with this task. The ombudsman can generally be reached at any time and at no charge. In addition, the Compliance Manager is available to any employees of the Group who wish to report potential violations of applicable laws or policies.

Insider trading laws will shortly be supplemented by an insider trading policy giving information on the law applicable to, and the procedures for, the monitoring of insider trading. Individuals who must have access to insider information in order to perform their duties and responsibilities at Kabel Deutschland will be included in an insider register.

Adequate Control and Risk Management System

Risk Management

The risk management system is an integral component of all processes of Kabel Deutschland Holding AG. It is designed to assist in identifying unplanned developments early so they can be actively controlled by management.

Our risk environment can change quickly and unexpectedly as a result of various events and influences. It is therefore necessary to be able to use the tools implemented to react quickly to try to ensure that no situation can cause substantial damage to continued existence or have long-term impact on assets, financial position and earnings.

In general, the operating units are responsible for decisions relating to the identification and the taking of risks. Therefore, all managers perform an additional task as risk managers. The system is supplemented by the central risk management unit which carries out risk controlling. The separation of functions is thus ensured.

Risk controlling has process responsibility and produces the quarterly reports for the Management Board who, in turn, inform the Supervisory Board. These enable detailed assessment and full transparency of the risk situation. In addition to the regular standard reporting, immediate reporting is put in place if the early warning system shows a certain risk measure to exceed a critical value or if special circumstances demand investigations. Furthermore, risk controlling is responsible for the continuous development of the risk management system and for setting Group-wide standards. Risks which overlap departments are also monitored here.

Identified risks are closely monitored as part of the Group's risk management system so that countermeasures can be implemented if and when necessary.

Internal Control System

The Company uses an internal control system to ensure correct accounting. This guarantees prompt, standardized, correct and complete accounting and processing of business processes and transactions as well as the adherence to legal standards. Changes to accounting regulations are continually checked for relevance to, and effects upon, the financial reports of the Company and, where necessary, the internal policies and systems are amended accordingly. The organization of the internal control system includes organizational and technical measures e.g. agreement processes, automatic plausibility checks, separation of functions as well as the adherence to policies and regulations.

The internal control system is based on the COSO framework (Committee of the Sponsoring Organisations of the Treadway Commission) and the COBIT framework (Control Objectives for Information and Related Technology). All control-relevant business processes at Kabel Deutschland are part of a transparent central IT system. In addition, regular checks are made on those responsible for controls and processes.

Furthermore, the Internal Audit department is an important organ within the Kabel Deutschland control system. As part of its risk-oriented audits it also examines, among others, accounting-relevant processes and reports its findings.

Compensation of Management Board and Supervisory Board

Under Section 4.2.4 of the German Corporate Governance Code, the total compensation paid to each individual member of the Management Board, including any settlement payable in the event of termination as a member of the Management Board, need not be disclosed, if non-disclosure is resolved by a three-quarter majority of the Shareholders' Meeting. The Shareholders' Meeting of Kabel Deutschland Holding AG has exercised this option. The total compensation paid to each individual member of the Management Board is therefore not disclosed. The compensation of the Supervisory Board was determined by the Shareholders' Meeting and is governed by Article 12 of the Articles of Association of Kabel Deutschland Holding AG.

The basic components for the compensation of members of the Management Board and Supervisory Board are presented extensively in the Compensation Report. It forms part of the Corporate Governance Report.

Directors' dealings, shareholdings of members of the Management Board and Supervisory Board

Under Section 15a German Securities Trading Act (*WpHG*) any individuals performing managerial responsibilities at Kabel Deutschland, as well as any close associates of such individuals, are required to report within five business days any transactions involving stock of Kabel Deutschland or any derivative financial instruments based on stock of Kabel Deutschland.

In fiscal year 2010/2011, the following transactions were reported to the Company:

Date **Place**	**Name**	**Reason for the notification requirement**	**Description of the financial instrument (FI) / ISIN**	**Type of transaction**	**Unit number**	**Price per unit in EUR**	**Trading volume in EUR**
11.10.2010 OTC	Basil Management Inc.	Company closely associated to a member of the supervisory board (Tony Ball)	Bearer shares with no par value / DE000KD88880	Sale	257,242	27.50	7,074,155
08.03.2011 OTC	Basil Management Inc.	Company closely associated to a member of the supervisory board (Tony Ball)	Bearer shares with no par value / DE000KD88880	Sale	415,000	38.71	16,064,650

Beyond this legal reporting obligation Section 6.6 of the Code provides that the ownership of shares in the company or related financial instruments by Management Board and Su-

pervisory Board members shall be reported if these directly or indirectly exceed 1% of the shares issued by the company. Collectively, all members of the Supervisory Board and the Management Board of Kabel Deutschland Holding AG directly or indirectly hold less than 1% of the shares of the Company. The foregoing information is valid as of the cut-off date of 31 March 2011.

Stock option plans; securities-based incentive systems

Effective from fiscal year 2010/2011 onwards a new compensation structure for the Management Board of Kabel Deutschland Holding AG was introduced, which includes a new long-term, success-oriented variable part of the compensation comprising virtual performance shares and a one-time grant of virtual stock options. For details see the Compensation Report.

Consolidated Financial Statements

Kabel Deutschland Holding AG
Unterfoehring

For the Fiscal Year Ended
March 31, 2011

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Financial Position as of March 31, 2011, as of March 31, 2010[1] and as of April 1, 2009[1]

Assets	Note	March 31, 2011	March 31, 2010 [1]	April 1, 2009 [1]
		€	T€	T€
Current Assets				
Cash and Cash Equivalents	3.1	28,334,713.07	271,345	52,103
Trade Receivables	3.2	83,030,036.62	87,955	106,579
Receivables from Shareholders		0.00	0	1,613
Inventories	3.3	16,243,783.81	12,447	15,929
Receivables from Tax Authorities	3.4	364,858.77	1,398	5,212
Other Current Financial Assets	3.5	9,839,000.44	9,512	36,462
Prepaid Expenses	3.5	11,986,865.19	15,397	13,095
Total Current Assets		149,799,257.90	398,054	230,993
Non-Current Assets				
Intangible Assets	3.6	673,184,627.60	749,314	903,954
Property and Equipment	3.7	1,158,502,436.45	1,193,166	1,214,055
Equity Investments in Associates	3.8	13,169,360.60	9,022	5,630
Deferred Tax Assets	4.9	1,372,968.00	208	293
Prepaid Expenses	3.5	18,268,382.39	15,727	17,191
Total Non-Current Assets		1,864,497,775.04	1,967,437	2,141,123
Total Assets		2,014,297,032.94	2,365,492	2,372,116

Equity and Liabilities	Note	March 31, 2011	March 31, 2010 [1]	April 1, 2009 [1]
		€	T€	T€
Current Liabilities				
Current Financial Liabilities	3.11.1	208,528,032.24	23,084	39,522
Trade Payables		266,177,978.92	239,329	261,042
Other Current Provisions	3.13	34,521,279.09	16,918	40,442
Liabilities due to Income Taxes	4.9	85,151,508.54	45,109	23,127
Deferred Income	3.10	238,598,960.06	240,335	241,688
Other Current Liabilities[1] [2]	3.9	106,114,593.81	95,859	95,314
Total Current Liabilities		939,092,352.66	660,634	701,134
Non-Current Liabilities				
Non-Current Financial Liabilities[3]	3.11.2	2,546,208,595.27	3,092,025	3,047,737
Deferred Tax Liabilities	4.9	64,610,465.86	115,115	119,753
Provisions for Pension	3.12	44,594,399.91	39,443	35,309
Other Non-Current Provisions	3.13	23,199,350.03	29,069	25,995
Other Non-Current Liabilities[1] [4]	3.14	28,934,406.53	15,499	76,925
Deferred Income		673,792.91	1,426	1,626
Total Non-Current Liabilities		2,708,221,010.51	3,292,577	3,307,345
Equity				
Subscribed Capital	3.15	90,000,000.00	90,000	99
Capital Reserve[1]		126,495,478.93	126,495	65,043
Cash Flow Hedge Reserve		0.00	0	-59
Asset Revaluation Surplus		995,193.70	1,173	1,352
Accumulated Deficit[1]		-1,850,798,634.94	-1,805,684	-1,703,152
		-1,633,307,962.31	-1,588,015	-1,636,716
Non-controlling Interests[1]		291,632.08	296	353
Total Equity (Deficit)		-1,633,016,330.23	-1,587,719	-1,636,363
Total Equity and Liabilities		2,014,297,032.94	2,365,492	2,372,116

[1] The audited consolidated statement of financial position as of March 31, 2010 (including the beginning of the period as of April 1, 2009) has been adjusted in accordance with the application of the retroactive amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" and the retroactive change due to IAS 32 in regard to non-controlling interests. See note 2.2.

[2] Included in Other Current Liabilities are Financial Liabilities. See note 3.9.

[3] Included in Non-Current Financial Liabilities are € 0.00 for Senior Notes as of March 31, 2011 (March 31, 2010: T€ 677,562; April 1, 2009: T€ 680,130).

[4] Included in Other Non-Current Liabilities are Financial Liabilities. See note 3.14.

The accompanying notes to this consolidated statement of financial position form an integral part to these consolidated financial statements.

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Income

for the Period from April 1, 2010 to March 31, 2011 and from April 1, 2009 to March 31, 2010[1]

	Note	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010[1]
		€	T€
Revenues	4.1	1,598,891,638.35	1,501,550
Cost of Services Rendered[1] thereof depreciation/amortization T€ 288,845 (prior year T€ 242,154)	4.2	-801,468,067.18	-736,170
Other Operating Income	4.3	12,341,508.94	14,570
Selling Expenses[1] thereof depreciation/amortization T€ 176,108 (prior year T€ 181,304)	4.4	-467,380,414.06	-448,512
General and Administrative Expenses[1] thereof depreciation/amortization T€ 25,201 (prior year T€ 26,707)	4.5	-135,430,430.01	-130,075
Profit from Ordinary Activities		**206,954,236.04**	**201,362**
Interest Income	4.7	4,264,054.76	4,601
Interest Expense[1]	4.7	-272,667,044.41	-223,658
Income from Associates	4.8	4,147,068.22	3,392
Loss before Taxes		**-57,301,685.39**	**-14,303**
Benefit/Taxes on Income	4.9	12,009,823.79	-25,788
Net loss for the period		**-45,291,861.60**	**-40,091**
Attributable to:			
Equity holders of the parent		-45,292,642.67	-40,051
Non-controlling interests[1]	4.10	781.07	-40
		-45,291,861.60	**-40,091**
Earnings per Share:			
Basic Earnings per Share	4.11	-0.50	-0.45
Diluted Earnings per Share	4.11	-0.50	-0.45

[1] The audited consolidated statement of income for the period from April 1, 2009 to March 31, 2010 has been adjusted in accordance with the application of the retroactive amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" and the retroactive change due to IAS 32 in regard to non-controlling interests. See note 2.2.

The accompanying notes to this consolidated statement of income form an integral part to these consolidated financial statements.

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Comprehensive Income

for the Period from April 1, 2010 to March 31, 2011 and from April 1, 2009 to March 31, 2010[(1)]

	April 1, 2010 - March 31, 2011 €	April 1, 2009 - March 31, 2010[(1)] T€
Net loss for the period[(1)]	**-45,291,861.60**	**-40,091**
Changes in fair value of hedging instruments	0.00	85
Income tax	0.00	-26
Other comprehensive income	**0.00**	**59**
Total comprehensive income	**-45,291,861.60**	**-40,032**
Attributable total comprehensive income to:		
Equity holders of the parent	-45,292,642.67	-39,992
Non-controlling interests[(1)]	781.07	-40

[(1)] The audited consolidated statement of comprehensive income from April 1, 2009 to March 31, 2010 has been adjusted in accordance with the application of the retroactive amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" and the retroactive change due to IAS 32 in regard to non-controlling interests. See note 2.2.

The accompanying notes to this consolidated statement of comprehensive income form an integral part to these consolidated financial statements.

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Cash Flows

for the Period from April 1, 2010 to March 31, 2011 and from April 1, 2009 to March 31, 2010[(1)]

	Note	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010[(1)]
		T€	T€
1. Cash flows from operating activities			
Net loss for the period[(1)]		-45,292	-40,091
Adjustments to reconcile net loss to cash provided by operations:			
Benefit / Taxes on income		-12,010	25,788
Interest expense[(1)]		272,667	223,658
Interest income		-4,264	-4,601
Accretion / Depreciation and amortization on fixed assets		490,153	450,165
Loss on disposal / sale of fixed assets		3,382	3,454
Income from associates		-4,147	-3,392
Compensation expense relating to share-based payments[(1)]		17,373	8,936
		717,862	663,917
Changes in assets and liabilities:			
Increase (-) / decrease (+) of inventories		-3,797	3,482
Increase (-) / decrease (+) of trade receivables		4,925	18,624
Increase (-) / decrease (+) of other assets		-1,817	4,257
Increase (+) / decrease (-) of trade payables		26,298	-22,310
Increase (+) / decrease (-) of other provisions		9,789	-17,250
Increase (+) / decrease (-) of deferred income		-2,488	-1,553
Increase (+) / decrease (-) of provisions for pensions		3,052	2,221
Increase (+) / decrease (-) of other liabilities		-1,413	-138
Cash provided by operations		752,411	651,250
Income taxes paid (-) / received (+)		1,478	-2,545
Net cash from operating activities		753,889	648,705
2. Cash flows from investing activities			
Cash received from disposal / sale of fixed assets		1,585	1,025
Cash paid for investments in intangible assets		-76,636	-78,695
Cash paid for investments in property and equipment		-260,359	-248,483
Cash received (+) / paid (-) for acquisitions, net of cash acquired	1.3	-31,746	53,885
Interest received		1,091	3,115
Net cash used in investing activities		-366,065	-269,153
3. Cash flows from financing activities			
Cash received from / payments to shareholders		0	29,304
Cash payments to non-controlling interests[(1)]		-6	-16
Cash received non-current financial liabilities	3.11	640,000	199,000
Cash repayments of non-current financial liabilities	3.11	-1,056,126	-199,000
Cash payments for reduction of finance lease liabilities	3.7	-9,666	-8,858
Interest and transaction costs paid[(1)]		-205,036	-180,740
Net cash used in financing activities		-630,834	-160,310
4. Cash and cash equivalents at the end of the period			
Changes in cash and cash equivalents (subtotal of 1 to 3)		-243,010	219,242
Cash and cash equivalents at the beginning of the period		271,345	52,103
Cash and cash equivalents at the end of the period	3.1	28,335	271,345
Additional Information			
Investments relating to finance lease		7,631	0

[(1)] The audited consolidated statement of cash flow for the period from April 1, 2009 to March 31, 2010 has been adjusted in accordance with the application of the retroactive amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" and the retroactive change due to IAS 32 in regard to non-controlling interests. See note 2.2.

The accompanying notes to this cash flow statement form an integral part to these consolidated financial statements.

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Changes in Equity

for the Period from April 1, 2009 to March 31, 2011

	Note	Attributable to equity holders of the parent							
		Subscribed capital	Capital reserve	Cash flow hedge reserve	Asset Revaluation Surplus	Accumulated deficit	Total	Non-controlling Interests	Total Equity (Deficit)
		€	€	€	€	€	€	€	€
Balance as of April 1, 2009		**99,000.00**	**50,123,702.91**	**-58,674.13**	**1,351,681.06**	**-1,713,798,763.24**	**-1,662,283,053.40**	**8,527,064.01**	**-1,653,755,989.39**
Changes due to the amendments to IFRS 2 and IAS 32 [(1)]		0.00	14,919,794.32	0.00	0.00	10,647,280.60	25,567,074.92	-8,173,987.13	17,393,087.79
Balance as of April 1, 2009		**99,000.00**	**65,043,497.23**	**-58,674.13**	**1,351,681.06**	**-1,703,151,482.64**	**-1,636,715,978.48**	**353,076.88**	**-1,636,362,901.60**
Net loss for the period [(1)]		0.00	0.00	0.00	0.00	-40,050,967.57	-40,050,967.57	-40,149.58	-40,091,117.15
Changes in other comprehensive income (net of tax)		0.00	0.00	58,674.13	0.00	0.00	58,674.13	0.00	58,674.13
Total comprehensive income (loss) for the period		*0.00*	*0.00*	*58,674.13*	*0.00*	*-40,050,967.57*	*-39,992,293.44*	*-40,149.58*	*-40,032,443.02*
Increase from the company's own funds		89,900,000.00	0.00	0.00	0.00	-89,900,000.00	0.00	0.00	0.00
Additions relating to share-based payment [(1)]	5.5	0.00	61,451,981.70	0.00	0.00	0.00	61,451,981.70	0.00	61,451,981.70
Transactions with parents		1,000.00	0.00	0.00	0.00	27,239,970.58	27,240,970.58	0.00	27,240,970.58
Dividend distribution to non-controlling interests [(1)]		0.00	0.00	0.00	0.00	0.00	0.00	-16,470.85	-16,470.85
Reclassification of Asset Revaluation Surplus		0.00	0.00	0.00	-178,243.68	178,243.68	0.00	0.00	0.00
Balance as of March 31, 2010 / April 1, 2010		**90,000,000.00**	**126,495,478.93**	**0.00**	**1,173,437.38**	**-1,805,684,235.95**	**-1,588,015,319.64**	**296,456.45**	**-1,587,718,863.19**
Net loss for the period		0.00	0.00	0.00	0.00	-45,292,642.67	-45,292,642.67	781.07	-45,291,861.60
Total comprehensive income (loss) for the period		*0.00*	*0.00*	*0.00*	*0.00*	*-45,292,642.67*	*-45,292,642.67*	*781.07*	*-45,291,861.60*
Dividend distribution to non-controlling interests		0.00	0.00	0.00	0.00	0.00	0.00	-5,605.44	-5,605.44
Reclassification of Asset Revaluation Surplus		0.00	0.00	0.00	-178,243.68	178,243.68	0.00	0.00	0.00
Balance as of March 31, 2011		**90,000,000.00**	**126,495,478.93**	**0.00**	**995,193.70**	**-1,850,798,634.94**	**-1,633,307,962.31**	**291,632.08**	**-1,633,016,330.23**

[(1)] The audited consolidated statement of changes in equity as of April 1, 2009 and as of March 1, 2010 has been adjusted in accordance with the application of the retroactive amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" and the retroactive change due to IAS 32 in regard to non-controlling interests. See note 2.2.

The accompanying notes to this consolidated statement of changes in equity form an integral part to these consolidated financial statements.

Notes to the Consolidated Financial Statements for Kabel Deutschland Holding AG as of March 31, 2011

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1. General Information

Kabel Deutschland Holding AG (hereinafter referred to as "KDH AG" or the "Company") and its consolidated Group Entities (together "KDH" or the "Group" and individually the "Group Entities") is the largest cable network operator in Germany in terms of residential units that can be connected to KDH's network (''homes passed'') and subscribers.

By resolution of the Shareholders' Meeting of February 19, 2010, the shareholders resolved to convert Kabel Deutschland Holding GmbH (hereinafter referred to as "KD HoldCo") into an AG and to increase the subscribed capital of KD HoldCo from the company's own resources by T€ 89,900 from T€ 100 to T€ 90,000. KDH AG exists as a German stock corporation (Aktiengesellschaft) with a subscribed capital of T€ 90,000, registered together with the capital increase in the commercial register since March 4, 2010. KDH AG's registered office is in Unterfoehring, Betastrasse 6 - 8 (commercial register of Munich HRB 184452), Germany.

On March 22, 2010, the Company executed an initial public offering and Cable Holding S.A., Luxembourg ("LuxCo") as the sole shareholder sold 38.33 % of its shares into the public. In the fiscal year ended March 31, 2011 LuxCo sold additional shares reducing its share to 21.92 % as of the balance sheet date March 31, 2011. The Company is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880.

KDH offers a variety of television and telecommunications services to its subscribers, including Basic Cable services, Premium-TV services, broadband Internet access, fixed-line phone, mobile phone and mobile data services.

KDH AG is the ultimate management and holding company of the Group. As the parent company of the Group, it performs the typical tasks of a holding company such as the strategic development of the Group, financing activities and the provision of services for its affiliated companies. The Group's business is primarily conducted by the relevant operating subsidiaries, the most important being Kabel Deutschland GmbH ("KDG") and Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS").

In order to meet its obligations, KDH AG will be dependent on receiving payments from its subsidiaries which have limitations on distributions to KDH AG.

The consolidated financial statements of the Group as of and for the year ended March 31, 2011 comprise KDH AG, its subsidiaries and interests in associates.

The annual consolidated financial statements of the Group were authorized for issuance by the Management Board in accordance with IAS 10 on May 24, 2011.

1.1 Acknowledgement

The consolidated financial statements of the Group for the two years ended March 31, 2011 and March 31, 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU), as well as in accordance with Section 315a para. 1 German Commercial Code ("HGB"). All IFRSs issued by the IASB, effective at the time of preparing the consolidated financial statements and applied by the Group, have been adopted for use in the European Union (EU) by the European Commission. The consolidated financial statements of KDH thus also comply with IFRS as issued by the IASB and take into account the additional disclosures required by Section 315a para. 1 HGB.

1.2 Basis of Preparation

The Group's fiscal year is comprised of the twelve month period ending March 31.

The consolidated financial statements and notes have been prepared and are presented in Euros, which is the functional currency of the Company and each of its consolidated entities and all values are rounded to the nearest thousand (T€) except where otherwise stated. Totals in tables were calculated on the basis of precise figures and rounded to T€. The Group's financial statements have been prepared using consistent accounting and consolidation methods for all periods presented, except those noted in Section 2.2. The Group's consolidated statement of income has been prepared using the cost of sales method under IFRS. The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and liabilities related to the Long-Term Incentive Plan ("LTIP").

The preparation of financial statements in conformity with International Financial Reporting Standards requires judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

With respect to key judgments and estimation uncertainty, refer to note 2.17.

1.3 Consolidation

Scope of Consolidation

In addition to the parent company, KDH AG, the consolidated financial statements as of March 31, 2011 include all companies in which KDH AG holds a direct or indirect interest of more than 50 % of the outstanding voting rights and/or are under the control of KDH AG as defined by IAS 27 „Consolidated and Separate Financial Statements".

Intercompany transactions, balances and intercompany profit or losses on transactions between KDH AG and its subsidiaries are eliminated in consolidation. The accounting policies of the Group Entities are consistent with the policies adopted by KDH AG. Acquisitions are accounted for using the acquisition method.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and ceases to be fully consolidated from the date on which the Group looses control. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group had control.

Companies in which KDH AG has significant influence but not control over the business and the financial policies as defined by IAS 28 "Investments in Associates", are recorded in the consolidated financial statements using the equity method. Intercompany profits and losses of associated companies are eliminated in consolidation in relation to their shareholding ratio.

Business Combination and Goodwill

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. Where there is a loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting year during which the Group had control.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the

acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Share Acquisitions

The cable operator TeleColumbus GmbH and KDVS continue to dispute whether and to which extent the purchase price for the network assets acquired on April 30, 2008 has to be further adjusted downwards for costs incurred by some acquired companies for certain central functions such as customer care, IT, finance and human resources. On October 6, 2010, the arbitration court (Schiedsgericht) decided in a partial arbitration award that the neutral expert's decision (Schiedsgutachten) issued under the respective Share Purchase Agreement in May 2009, stating that these costs must not be accounted for under the purchase price formula, is inequitable and therefore not binding. On the grounds of the award the arbitration court states that the relevant costs have to be taken into account in finding the final purchase price. As the parties could not agree on a settlement proposed by the arbitration court before the award was given, the amount of the further purchase price adjustment will now be decided by the arbitration court within the next months.

On January 31, 2011, the Group acquired 100 % of the shares and the voting rights of BMH Berlin Mediahaus GmbH. Before closing the acquisition the Group did not have any

previous ownership of the acquired company. The acquired company has ownership of Level 4 in-house networks. This acquisition will increase the Group's marketed customer base and will generate further revenues beginning from fiscal year 2012.

The purchase consideration transferred of T€ 27,309 represents the total identifiable net assets at fair value and has been allocated to software and licenses and other contractual and legal rights of T€ 20,405, property and equipment of T€ 6,416, cash and cash equivalents of T€ 811 and other liabilities of T€ -323.

From the date of acquisition until fiscal year ended March 31, 2011, the acquired company has generated revenues of T€ 251 and a net profit of T€ 227. If the business combination had been effective at the beginning of the fiscal year, the positive impact on consolidated revenues and consolidated result would have been T€ 1,130 and T€ 900, respectively.

Cash outflow on acquisition:

	in T€
Total purchase consideration transferred (acquisition cost)	27,309
Total contingent consideration (acquisition cost) - not yet paid	-6,610
Cost associated with the acquisition - paid	-52
Subtotal	20,647
Net cash acquired with the acquisition	-811
Net cash outflow from the acquisition	**19,836**

As part of the purchase agreement with the previous owner of BMH Berlin Mediahaus GmbH a contingent consideration has been agreed. There will be additional cash payments to the previous owner of T€ 6,610 if the previous owner will successfully renegotiate additional contracts with the former signal delivery supplier. As at the acquisition date, the fair value of the contingent consideration was estimated at T€ 6,610. As of March 31, 2011, the expected probable outcome is unchanged.

T€ 52 of legal fees and other transaction costs related to the acquisition have been expensed and are included in general and administrative expenses.

Asset Deals

As of November 30, 2010, the Group acquired approximately 62 thousand subscribers, both, indirect and direct, located in the city of Osnabrueck and in the area of Mainz and the major part of the associated network infrastructure from PrimaCom for a total purchase consideration transferred of T€ 5,328. The total identifiable net assets at fair value resulted in an increase in customer list of T€ 3,428 and an increase of technical equipment of T€ 1,900.

As of December 21, 2010, the Group acquired from VHB/GAGFAH CATV level 4

networks and signal delivery agreements for a total purchase consideration transferred of T€ 6,674. According to the purchase agreements from December 16 and December 21, 2010, the transfer to the Group was effective on January 1, 2011. The total identifiable net assets at fair value have been allocated in the amount of T€ 5,404 to intangible assets (signal delivery rights) and in the amount of T€ 1,270 to technical equipment (CATV level 4 networks).

As of March 31, 2011, the contingent consideration transferred for both asset deals was T€ 2,230 and is based on the final number of customer contracts transferred from the previous owner.

1.4 Currency Translation

The functional and reporting currency of KDH AG is the Euro.

Foreign currency transactions were converted to Euros at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies existing as of the balance sheet date are translated to Euros at the exchange rate of the European Central Bank on the balance sheet date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. These currency differences are recognized in the consolidated statement of income.

Non-monetary assets and liabilities denominated in foreign currencies existing as of the balance sheet date which are to be carried at fair value were converted to Euros at the European Central Bank rate as of the date at which the fair value was determined. The Group used the following exchange rates (spot rates):

	March 31, 2011	March 31, 2010
€ 1	US $ 1.4207	US $ 1.3479

2. Accounting and Valuation Methods

2.1 Accounting Standards Recently Issued by the IASB

The consolidated financial statements of KDH AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), as well as with the regulations under commercial law as set forth in Section 315a para. 1 HGB. The Group therefore applied all IFRSs and IFRIC (now IFRS interpretation committee) interpretations issued by the IASB, London, which are effective as of March 31, 2011, adopted by the EU and applicable to the Group. The designation IFRS also includes all valid IAS. All interpretations of the IFRIC, formerly the SIC, were also applied.

Accounting Standards recently issued by the IASB and applied by the Group

In April 2009, the IASB issued “Improvements to IFRSs” as the second pronouncement within the Annual Improvements Project. It contains amendments to twelve existing standards or interpretations. Unless otherwise specified in the respective standard, the amendments are effective for financial years beginning on or after January 1, 2010. The amendments are not expected to have a material impact on the presentation of the Group’s results of operations, financial position or cash flows, except those noted in Section 2.2.

The amendments to IFRS 2 “Group Cash-Settled Share-Based Payment Transactions” have been issued in June 2009 and are becoming effective retroactively for financial years beginning on or after January 1, 2010. These amendments clarify the accounting for group-settled share-based payment transactions. In such arrangements, a subsidiary receives goods or services from employees or suppliers for which payment is made by the parent or another entity in the group. The amendments clarify that an entity that receives goods or services in a share-based payment transaction must account for those goods and services no matter which entity and in which form – either in cash or in shares – settles the transaction. In addition to this clarification, the IASB furthermore incorporated the interpretations IFRIC 8 “Scope of IFRS 2” and IFRIC 11 “IFRS 2 – Group and Treasury Transactions” into IFRS 2 and clarified that a “group” has the same meaning for purposes of IFRS 2 than in the context of IAS 27. The Group has applied the relevant transitional provisions in IFRS 2 (see 2.2).

The revised standards of IFRS 3 “Business Combinations” and IAS 27 “Consolidated and Separate Financial Statements” were issued in January 2008 and become effective for financial years beginning on or after July 1, 2009. IFRS 3 (revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the

subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 “Statement of Cash Flows”, IAS 12 “Income Taxes”, IAS 21 “The Effects of Changes in Foreign Exchange Rates”, IAS 28 “Investment in Associates” and IAS 31 “Interests in Joint Ventures”. The Group applies the revised standards of IFRS 3 prospectively as of April 1, 2010. For further explanations to the Groups Consolidated Financial Statements please refer to Section 1.3.

In January 2009, the IFRIC issued the interpretation IFRIC 18 “Transfers of Assets from Customers” which becomes effective for transfers of assets from customers received on or after July 1, 2009. The IFRIC clarifies the requirements of IFRSs for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer or provide the customer with ongoing access to a supply of goods or services (such as supply of electricity, gas or water). In some cases, the entity receives cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both). Based on an analysis of the impact of applying IFRIC 18 on the presentation of its results of operations, financial position or cash flows IFRIC 18 does not have any effects on the presentation of its results of operations, financial position or cash flows since no assets are transferred in such a way that IFRIC 18 is applicable.

The following standards and interpretations have been issued by the IASB and endorsed by the EU and are effective for these financial statements but have no effect on the financial statements of the Group or the Notes thereon:

Pronouncement	**Date of issue by the IASB**	**Title**
Amendments to IAS 32	October 2009	Financial Instruments: Presentation - Classification of Rights Issues
Amendments to IAS 39	July 2008	Financial Instruments: Recognition and Measure-ment: Eligible Hedged Items
IFRIC 16	October 2008	Hedges of a Net Investment in a Foreign Operation
IFRIC 17	November 2008	Distributions of Non-Cash Assets to Owners
IFRS 1	July 2009	Additional Exemptions
IFRIC 9	April 2009	Reassessment of Embedded Derivatives

Accounting Standards recently issued by the IASB and not yet applied by the Group

The Group does not intend to apply any of the following recently issued standards or interpretations before their effective date.

The Group has not applied any of the following standards or interpretations that have been issued and have been endorsed by the EU as of May 24, 2011 but are not effective for the Group as of March 31, 2011.

The revised IAS 24 "Related Party Disclosures" was issued in November 2009 and becomes effective retroactively for financial years beginning on or after January 1, 2011. Previously, entities that are controlled or significantly influenced by a government had been required to disclose information about all transactions with entities that are controlled or significantly influenced by the same state. The revised standard still requires disclosures that are important to users of financial information. However, in the future, information that is costly to produce or that is of little value for users of financial statements will be exempt from this requirement. Only information or transactions that are individually or collectively significant are still to be disclosed. In addition, the definition of a related party was simplified and a number of inconsistencies were eliminated. The adoption of IAS 24 revised is not expected to have a material impact on the presentation of the Group's results of operations, financial position or cash flows.

In May 2010, the IASB issued further "Improvements to IFRSs" as the third pronouncement within the Annual Improvements Project. It contains amendments to six existing standards and one interpretation. Unless otherwise specified in the respective standard, the amendments are effective for financial years beginning on or after January 1, 2011. The adoption of these amendments will not have an impact on the presentation of the Group's results of operations, financial position or cash flows.

The following standards and interpretations have been issued by the IASB, endorsed by the EU and are not yet effective for these financial statements and will have no effect on the financial statements of the Group or the Notes thereon:

Pronouncement	Date of issue by the IASB	Title
Amendment to IFRIC 14	November 2009	Prepayments of a Minimum Funding Requirement
IFRIC 19	November 2009	Extinguishing Financial Liabilities with Equity Instru-ments

The Group has not applied any of the following IFRSs and IFRIC interpretations that have been issued but have not yet been endorsed by the EU as of May 24, 2011 and are not effective as of March 31, 2011.

In November 2009, the IASB issued IFRS 9 ''Financial Instruments''. This standard is the first phase of the IASB's three-phase project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 amends the classification and measurement requirements for financial assets, including some hybrid contracts. It uses a single approach to

determine whether a financial asset is measured at amortized cost or fair value, replacing the different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the different impairment methods in IAS 39. The new standard is applicable for annual reporting periods beginning on or after January 1, 2013; early adoption is permitted. The European Financial Reporting Advisory Group postponed its endorsement advice, to take more time to consider the output from the IASB project to improve accounting for financial instruments. The Group is currently assessing the impacts of the adoption on the Group's Consolidated Financial Statements.

In October 2010, IFRS 9 "Financial Instruments – Classification and Measurement" was reissued and becomes effective for annual periods beginning on or after January 1, 2013. The IASB has issued requirements on the accounting for financial liabilities. These requirements will be added to IFRS 9 "Financial Instruments" and complete the classification and measurement phase of the IASBs project to replace IAS 39. They follow the IASBs November 2009 issue of IFRS 9, which prescribed the classification and measurement of financial assets. The new requirements address the problem of volatility in profit or loss ("P&L") arising from an issuer choosing to measure its own debt at fair value. This is often referred to as the "own credit" problem. The IASB decided to maintain the existing amortized cost measurement for most liabilities, limiting change to that required to address the own credit problem. With the new requirements, an entity choosing to measure a liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in the other comprehensive income ("OCI") section of the income statement, rather than within the P&L. The Group is currently assessing the impacts of the adoption on the Group's Consolidated Financial Statements.

In October 2010, the IASB issued amendments to IFRS 7 "Financial Instruments: Disclosures – Transfers of Financial Assets". These amendments will only become effective for financial years beginning on or after July 2011. The Group is currently assessing the impacts on the Group's Consolidated Financial Statements.

In December 2010, the IASB issued amendments to IAS 12 "Income Taxes". These amendments will become effective for financial years beginning on or after January 1, 2012. The amendments provide an exception to the general principle in IAS 12 that the measurement of deferred tax assets and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of an asset. The adoption of these amendments will not have an impact on the presentation of the Group's results of operations, financial position or cash flows.

In December 2010, the IASB issued amendments to IFRS 1 "First time adoption of IFRS". The Amendments provide guidance for entities emerging from severe hyperinflation that are either resuming the presentation of financial statements or presenting IFRS-compliant

financial statements for the first time. The amendments will not have an impact on the presentation of the Group's results of operations, financial position or cash flows.

In April 2011, IFRS 10 "Consolidated Financial Statements" was issued and becomes effective for annual periods beginning on or after January 1, 2013. This standard replaces the consolidation guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities, irrespective of the nature of the nature of the investee. The Group is currently assessing the impacts of the adoption on the Group's Consolidated Financial Statements.

In April 2011, the IASB issued IFRS 11 "Joint Arrangements". The standard is effective for annual periods beginning on or after January 1, 2013. IFRS 11 will introduce new accounting requirements for joint arrangements, replacing IAS 31 Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities will be removed. Additionally, IFRS 11 will eliminate jointly controlled assets to now only differentiate between joint operations and joint ventures. The Group is currently assessing the impacts of the adoption on the Group's Consolidated Financial Statements.

In April 2011, IFRS 12 "Disclosures of Involvement with Other Entities" was issued and becomes effective for annual periods beginning on or after January 1, 2013. IFRS 12 will require enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities. The Group is currently assessing the impacts of the adoption on the Group's Consolidated Financial Statements.

In May 2011, IASB issued "IFRS 13 Fair Value Measurement". These amendments will become effective for financial years beginning on or after January 1, 2013. IFRS 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to measure the fair value of financial and non-financial assets and liabilities when required or permitted by IFRS. The Group is currently assessing the impacts of the adoption on the Group's Consolidated Financial Statements.

The IASB issued various other pronouncements. These recently adopted pronouncements as well as pronouncements not yet adopted did not have a material impact on the Group's consolidated financial statements.

2.2 Changes in Accounting Policies

In June 2009, the IASB issued amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions". These amendments are effective retroactively for financial years

beginning on or after January 1, 2010. Since the Group had certain Management Participation Programs ("MEP") in place, the Group evaluated the effects of the first-time application of those amendments to its financial statements.

As a result of the application of the amendments to IFRS 2, the MEP at the Group had to be accounted for as equity-settled retroactively in accordance with IAS 8.

The Group has applied the relevant transitional provisions in IFRS 2. Based on the transitional provisions for IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" the Group had to apply the amendments retroactively for liabilities arising from share-based payment transactions existing at the effective date of the respective amendments to IFRS 2. Comparative information had to be changed including the opening balance of retained earnings in the earliest period presented.

The implications of the retroactive application of the accounting rules for equity-settled share-based payment transactions on the consolidated financial statements are summarized below:

	Cumulative impact of accounting changes as of and for the period ended		Impact of accounting changes as of and for the period ended
	March 31, 2010	April 1, 2009	March 31, 2010
	T€	T€	T€
Decrease in Personnel Expense			**6,733**
thereof Cost of Services Rendered			325
thereof Selling Expenses			168
thereof General and Administrative Expenses			6,240
Decrease of Other Non-Current Liabilities related to MEP	**-23,288**	**-25,567**	**2,279**
Decrease of Capital Reserve	**5,908**	**14,920**	**-9,012**
Decrease of Accumulated Deficit	**17,380**	**10,647**	

As of and for the period ended March 31, 2011, no further effects on the consolidated statement of financial position or the consolidated statement of income were required to be recorded since all the interests relating to share-based payment transactions have fully vested and the fair value of equity-settled share-based payments transactions is not adjusted after grant date.

The corrective change in the consolidated financial statements in regard to IAS 32 are based on reconsidering the terms and conditions agreed between the Group and the third party shareholders of Urbana Teleunion Rostock GmbH & Co. KG in determining whether the Group has finally an obligation to settle potential shareholder cancellations. Accordingly the Group has reclassified T€ 8,085 and T€ 8,174 from non-controlling interests to other current liabilities as of the period ended March 31, 2010 and the opening balance as of April 1, 2009, respectively.

2.3 Segment Reporting

Based on the Group's changing internal organizational structure and the converging economic characteristics the Group has two segments as of March 31, 2011 (TV Business and Internet and Phone) representing the internal management reporting. In the previous fiscal year the Group reported four segments (Basic Cable, Premium TV, Internet and Phone and TKS). The Group reported the TKS segment within the existing core segments TV Business and Internet and Phone beginning with these financial statements as of March 31, 2011.

In the context of ongoing technical developments, the nature of products and services reflected in the Group's segments are becoming more and more comparable in their economic and functional characteristics and are increasingly sold on a bundled basis and/or using similar technical platforms and sales structures. Together with this development, the target customer groups for those products and services are also becoming more and more aligned. The aggregation of the segments did not impact the financial results.

The segment reporting in 5.1 of these notes to the consolidated financial statements and the comparative information thereto has been changed accordingly.

2.4 Cash and Cash Equivalents

Cash and cash equivalents are primarily comprised of cash on hand and other short-term, highly liquid investments with an original maturity of three months or less. Cash on hand and at banks are carried at nominal value.

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.5 Trade Receivables

Trade receivables are disclosed at their nominal amount less bad debt allowances for any amounts deemed uncollectible. The Group considers evidence of impairment for receivables both in form of specific and general allowances. All individually significant receivables are assessed for specific allowances (e.g. due to the probability of insolvency or significant financial difficulties of the debtor). All individually significant receivables found not to be specifically impaired are assessed for general allowances that have been incurred but not yet identified. Receivables that are not individually significant are not tested specifically for impairment but assessed for general allowances by grouping together receivables with similar risk characteristics.

The carrying amount of receivables is reduced through use of an allowance account if necessary. Doubtful debts are written off when they are assessed as uncollectible.

2.6 Inventories

Raw materials, consumables, supplies, finished goods and merchandise are recorded at the lower of cost or net realizable value. Cost is generally determined using a weighted average cost formula in accordance with IAS 2.

2.7 Financial Instruments

Recognition and Write off of Financial Instruments

Financial assets and liabilities are recognized when the Group enters into a contractual relationship with the respective counterparty or issuer. A financial asset is written off when:

- the rights to receive cash flows from the asset expire;
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

A financial liability is written off when the obligation under the liability is discharged, canceled or expired.

Where an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a write off of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recorded in the

consolidated statement of income.

2.7.1 Financial Assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are initially recognized they are measured at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, reevaluates this designation at each financial year-end. The Group has the following non-derivative financial assets: financial assets at fair value through profit or loss and loans and receivables. All purchases and sales of financial assets are recognized on the trade date, which is the date that the Group commits to purchase the asset.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit and loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit and loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit and loss are measured at fair value, and changes therein are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest method less any impairment losses. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are extinguished or impaired as well as through the amortization process.

Loans and receivables are comprised of trade and other receivables (see 2.5).

Cash and cash equivalents are comprised of cash balances and call deposits with original maturities of three months or less (see 2.4).

2.7.2 Financial Liabilities

Financial liabilities (loans) are initially recognized at fair value net of any directly

attributable transaction costs. In subsequent periods, liabilities are measured at amortized cost using the effective interest method with the exception of derivative financial instruments which are measured at their fair market value.

2.7.3 Derivative Financial Instruments including Hedge Accounting

Derivative financial instruments are used exclusively for the purpose of managing foreign currency and interest rate risks arising from financing activities. On initial designation of the hedge, the Group formally documents the relationship between the hedging instruments and hedged items, including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at inception of the hedge relationship and on an ongoing basis, whether the hedging instruments are expected to be “highly effective” in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated.

In accordance with IAS 39 “Financial Instruments: Recognition and Measurement”, all derivative financial instruments are accounted for at fair value irrespective of the purpose or the intention for which they were incurred. Depending on whether it is a fair value hedge or a cash flow hedge, changes in the fair value of the derivative financial instruments for which hedge accounting is used are either reported in the statement of income or in the statement of changes in equity under cash flow hedge reserve. In the case of a fair value hedge, the gains or losses from the measurement of derivative financial instruments at fair value and the gains or losses related to the underlying contracts are recognized in the consolidated statement of income. In the case of changes in the fair value of cash flow hedges which are used to offset future cash flow risks arising from underlying transactions or planned transactions and which have proven to be 100 % effective in accordance with IAS 39, unrealized gains and losses are initially recognized in equity as part of the cash flow hedge reserve.

If the cash flow hedge is not 100 % effective, the ineffective portion of changes in the fair value of the derivative designated as a cash flow hedge is recognized in the consolidated statement of income. If hedge accounting cannot be used by the Group, the change in the fair value of derivative financial instruments is recorded in the consolidated statement of income.

2.7.4 Equity Investments in Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds – directly or indirectly - between 20 and 50 percent of the voting power of another entity.

Investments in associates are accounted for using the equity method at the investor’s share of equity pursuant to IAS 28 “Investments in Associates”. The Group’s share of income,

reduced by distributions and by the amortization associated with the purchase accounting is disclosed in the fixed asset register as a change in equity investment.

2.8 Intangible Assets

2.8.1 Goodwill

Goodwill corresponds to the difference between the consideration transferred and the fair value of the assets and liabilities acquired in a business combination. Goodwill is not amortized, but instead tested for impairment annually, as well as whenever there are events or changes in circumstances ("triggering events") which suggest that the carrying amount may not be recoverable. Goodwill is carried at cost less accumulated impairment losses.

2.8.2 Customer List

In connection with the initial acquisition of the cable business by the Group in March 2003, parts of the purchase price have been allocated to the acquired customer list. Further additions to the customer list during the twelve months ended March 31, 2011 and in previous years are primarily related to the acquisition of level 4 companies and subscribers in conjunction with both share and asset deals. The fair value of the customer lists at acquisition has been estimated using the multi-period excess earnings method. The weighted remaining useful life of the customer lists is 4.60 years and 4.76 years as of March 31, 2011 and March 31, 2010, respectively.

2.8.3 Other Intangible Assets

Intangible assets that have been acquired as part of an acquisition of a business are capitalized at fair value if they can be reliably measured at the acquisition date.

Intangible assets which are purchased separately are recorded at cost. Computer software is also recorded at cost as an intangible asset.

The Group recognizes intangible assets developed internally (consisting of software used by the Group) to the extent that the criteria in IAS 38 "Intangible Assets" are met. Development costs for internally generated intangible assets are recognized at cost to the extent KDH can demonstrate the technical feasibility of completing the asset, how the asset will generate future economic benefit, the availability of resources to complete the asset and the ability to reliably measure the expenditure during the development. The expenditures capitalized include the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and – as far as applicable – attributable borrowing costs. If the requirements for capitalization are not fulfilled, development costs are expensed as incurred.

The Group recognizes subscriber acquisition costs incurred to obtain new subscribers if the costs are directly attributable to obtaining specific contracts, are incremental, can be measured reliably and meet the definition and recognition criteria of an intangible asset in accordance with IAS 38. Subscriber acquisition costs incurred to obtain new contracts without an initial contract period ("open-ended contracts") are expensed as incurred.

Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and any accumulated impairment loss.

2.8.4 Subsequent Expenses

The cost of significant changes and additions are included in the carrying amount of the intangible asset if they qualify for recognition as an intangible asset and it is probable that future economic benefits in excess of the originally assessed standard of performance will be realized by the Group. Significant additions are depreciated over the remaining useful life of the related asset.

2.8.5 Amortization of Intangible Assets

The estimated useful life of customer lists is based on the average number of terminations and the term of the average contract life of individual end users who generate significant contribution margins.

The amortization of customer lists and other intangible assets with definite useful lives is based on the straight-line method over the assets' estimated useful lives. Amortization begins when the intangible asset is ready for use.

The Group recognizes subscriber acquisition costs incurred to obtain new subscribers as part of the intangible assets if relevant preconditions are fulfilled (see 2.8.3). The Group amortizes these costs over the minimum contractual period except for contracts where there is reliable past evidence regarding the expected customer relationship period.

The amortization expense is recognized in the statement of income in the expense category consistent with the function of the intangible assets.

The useful lives are estimated as follows:

- Customer list 8.5 years
- Subscriber Acquisition Costs 1 to 8.5 years
- Software, licenses and other intangible assets 1 to 10 years

The intangible assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

2.9 Property and Equipment

2.9.1 General

Property and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Rebates, trade discounts and bonuses are deducted from the purchase price.

For technical equipment located on leased property, historical costs include the present value of estimated future costs of dismantling and removing the items and restoring the site on which the items are located after termination of the lease agreement.

2.9.2 Leases

Operating lease

A lease is accounted for as an operating lease when substantially all the risks and rewards incidental to the ownership of the leased item remain with the lessor. Operating lease payments are therefore recorded on a straight-line basis over the lease term as an expense in the consolidated statement of income.

Operating lease for Customer Premises Equipment ("CPE")

The Group offers products that contain signal delivery and the right to use hardware devices. The hardware devices are a necessary precondition for the connection to the Group's Internet & Phone services as well as digital TV signals. The Group leases the necessary equipment to the customers ("Customer Premise Equipment" or "CPE"), normally bundled with the delivery of services to be received using these CPE's. These leases, for which KDH is the lessor, are classified as an operating lease in accordance with IFRIC 4 and IAS 17 (see also 2.17.1). Therefore, the Group capitalizes the CPE as fixed assets based on acquisition cost and the cost of returning the asset at the end of the lease. These assets are depreciated using the straight-line method over the useful life.

Finance lease

In accordance with IAS 17 "Leases", assets leased under finance lease agreements are recognized at the lower of fair value at the inception of the lease or the present value of the minimum lease payments. The assets are depreciated using the straight-line method over the shorter of the estimated useful life or over the lease period. The obligations related to future

lease payments are recognized as liabilities. Lease payments are apportioned between the finance charges and reductions of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

2.9.3 Subsequent Expenses

Repair and maintenance charges ("cost of day-to-day servicing") are expensed as incurred. The cost of significant renovations and additions are included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance will be realized by the Group. Significant renovations are depreciated over the remaining useful life of the related asset.

2.9.4 Depreciation and Disposal of Fixed Assets

Depreciation is calculated based on the straight-line method over each asset's estimated useful life as follows:

Buildings on non-owned land	3 to 10 years
Technical equipment and machines	3 to 20 years
Other equipment, furniture and fixtures	3 to 15 years

In case of disposal of an item of property and equipment, gains or losses are determined by comparing the proceeds from disposal with the carrying amount of property and equipment. These gains or losses are recognized within other operating income or expense.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

2.10 Equity

Issued capital and capital reserves are stated at nominal value. Capital reserves are set up for additional paid in capital and for changes relating to share-based payments if applicable. Incremental costs directly attributable to the issue of shares are deducted from equity, net of any tax effects.

2.11 Impairment

The carrying amount of intangible assets, property and equipment is assessed at each balance sheet date to determine whether there is any objective evidence of impairment.

For the purpose of impairment testing, assets that cannot be tested individually are

grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of other assets or groups of assets ("cash-generating units" or "CGUs").

If such evidence exists or when annual impairment testing is required, the recoverable amount (see 2.11.1) is determined. Impairment is necessary when the carrying amount of an asset or the related cash-generating unit exceeds the recoverable amount. The corresponding difference is expensed.

Goodwill

Goodwill is tested for impairment annually (as of March 31) and whenever circumstances indicate that the carrying amount may be impaired. The determination of the recoverable amount of a cash generating unit to which goodwill is allocated involves the use of estimates by management and is influenced, among other factors, by the volatility of capital, economic and market conditions. The Company generally uses the fair value less cost to sell method based on discounted cash flow calculations to determine the recoverable amount. The discounted cash flow calculations use five year projections that are based on financial plans approved by management. Cash flow projections consider past experience and represent management's best estimate about future developments reflecting current uncertainties. Cash flows after the planning period are extrapolated using individual growth rates. Key assumptions on which management has based its determination of fair value less costs to sell include estimated growth rates, weighted average cost of capital and tax rates. These estimates, including the methodology used, can have a material impact on the respective values and ultimately the amount of any goodwill impairment. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. Where the recoverable amount of the CGU is less than their carrying amount, an impairment loss is recognized. Impairment losses for goodwill are not reversed in subsequent periods.

Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are written off when they are assessed as uncollectible.

2.11.1 Determination of Recoverable Amount

The recoverable amount of an asset or CGU is the greater of its fair value less cost to sell and its value in use. Value in use is determined by discounting the estimated future cash flows to be derived from continuing use of the asset until its ultimate disposal. The discount rate

is based on a pre-tax interest rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For assets to which no cash flows can be directly attributed, the recoverable amount is determined for the CGU to which the asset belongs.

2.11.2 Reversal of Impairment Loss

Impairment losses on assets are reversed when assumptions relating to the recoverable amount of the assets change in a way that the expected recoverable amount is increased. Impairment losses are only reversed up to the carrying amount of the asset which would have been recorded if the asset had been subject to standard depreciation without impairment.

2.12 Trade Payables and Other Liabilities

Trade payables and other liabilities are recognized at amortized cost.

2.13 Employee Benefits

2.13.1 Defined Benefit Plan

Under the Group's pension plans, Group Entities provide employees post-employment benefits under a defined benefit plan. The benefits are primarily unfunded.

The present value of future claims of participants is estimated using actuarial methods based on the amount of future benefit that employees have earned in return for their service in the current and prior periods. The liabilities to be recognized in the consolidated statement of financial position result from the present value of the defined benefit obligation adjusted for any actuarial gains or losses, and less any past service cost not yet recognized. The discount rate is determined by reference to the capital markets and takes into account the expected maturity of the obligation. KDH engaged qualified external actuaries to perform the necessary actuarial calculations. The obligation is determined using the projected unit credit method ("PUC-method").

When the benefits of the pension plan are improved, the share of the increased benefit relating to the employees' previous years of service will be recognized as an expense on a straight-line basis over the period until the benefits become vested. If the benefits have already vested, the prior service cost is expensed immediately.

In measuring the obligations arising from the defined benefit plans, actuarial gains and losses arising after April 1, 2003 are not recognized in the consolidated statement of income until the cumulative outstanding amounts exceed a corridor of 10 % ("corridor approach") of the defined benefit obligation as of the measurement date. The portion of the amount exceeding the

corridor is amortized to the consolidated statement of income over the remaining average service period of the employees entitled to pensions.

2.13.2 Share-based Payments

The Group applies IFRS 2 "Share-Based Payment" to its share-based payment transactions. Under IFRS 2, plans which result in share-based payment transactions have to be accounted for as cash-settled if the participant will receive a payment in cash upon settlement rather than the underlying equity instruments. For such cash-settled share-based payment transactions, IFRS 2 requires the entity to account for the share-based payments to management as personnel expense and a corresponding increase in other liabilities.

During the fiscal year ended March 31, 2011, the Group had in place a Long-Term Incentive Plan ("LTIP") including two share-based payment components – a virtual performance share program with annual grant ("LTIP I") and a one-time grant of virtual stock options ("LTIP II"). The costs of the cash-settled virtual performance shares issued under LTIP I have been measured initially with the share price of the KDH share at grant date. The costs of the cash-settled virtual stock options under LTIP II have originally been measured at fair value of the options at the grant date using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. This is due to the fact that typically, it is not possible to reliably estimate the fair value of employee services received. The fair value of both the virtual performance and the virtual option components of the LTIP are expensed over the vesting period taking into consideration the vesting conditions with recognition of a corresponding liability.

For the existing LTIP the services received during the vesting period and, therefore, the corresponding liabilities, are remeasured at each balance sheet date up to and including the settlement date with changes in fair value recognized in the consolidated statement of income.

2.14 Other Provisions

Other provisions are recognized in the consolidated statement of financial position pursuant to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Non-current other provisions are stated at their discounted settlement value as of the balance sheet date using pre-tax rates where the effect of the time value of money is material.

2.15 Revenue and Other Operating Income

Revenue is recognized to the extent it is probable that the economic benefits will flow to

the Group and revenue can be measured reliably. The relevant types of revenue for KDH are recognized as follows:

2.15.1 Installation and network connection

Revenue from the installation of the cable and network connection is recognized when the services have been rendered, the costs incurred can be measured reliably and the Group is not obliged to provide any future network connection or installation services.

2.15.2 Rendering of services

Revenue generated by the delivery of analog and digital TV signals, digital pay TV packages and internet and phone services, as well as carriage fees paid by television broadcasters, are recognized when services have been provided, the costs incurred can be measured reliably and the Group is not obliged to provide any future services. Prepayments are accounted for by deferring the received payments and amortizing them straight-line over the service period.

When free months are offered to customers in relation to a subscription, the Group recognizes the total amount of billable revenue in equal monthly installments over the term of the contract, provided that the Group has the contractual and enforceable right to deliver the customer with the products after the promotional period. If free months are granted without a contract at the beginning of the subscription period, the Group does not recognize revenues during the promotional period as the customer's continuance is not assured.

2.15.3 Sale of goods

Revenue from the sale of digital receivers, cable modems, and other goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. If the Group acts as an agent, revenue is only recognized in the amount of the sales commissions.

2.15.4 Multiple Element Arrangements

For bundled goods and services in multiple element arrangements the Group recognizes revenue for each element on the basis of the relative fair value of each item in the transaction if there is evidence of fair value.

The Group's multiple element arrangements primarily comprise bundled products comprising hardware leasing and service elements. Revenue regarding the hardware leasing component is recognized in conjunction with the revenue recognition principles applicable to such leases (see 2.17.1). Revenue regarding service components is recognized according to

IAS 18.

Multiple element arrangements with components from different segments are allocated to the respective segments based on their relative fair value.

2.16 Income Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount of current income tax assets and liabilities are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is

not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

2.17 Key Judgments and Estimation Uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires judgments and estimations to be made which have an effect on the carrying amounts of recognized assets and liabilities, income and expenses and contingent liabilities. In some cases, the actual values may differ from the judgments and estimations. Changes are recognized in the consolidated statement of income as soon as better information becomes available.

2.17.1 Key Judgments

In the process of applying KDH's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Derivatives

The Group had entered into interest rate swaps, interest rate caps and currency swaps to hedge its risks resulting from exposure to changes in interest rates and foreign exchange rates. All of these derivative instruments have been accounted for in accordance with IAS 39 at fair value irrespective of the purpose or the intention for which they were used. There are no interest rate swaps, interest rate caps and currency hedges in place as of March 31, 2011. The cross currency swaps had been terminated in parallel to the entire redemption of the KDG US Dollar Senior Notes in December 2010. See also Section 5.6.

KDH as the lessor in operating leases

The Group offers products that contain signal delivery and the right to use hardware devices (see also Section 2.9.2). The hardware devices (CPE) are a necessary precondition for the signal delivery to the customer. Since the fulfillment of these arrangements is dependent on the use of the specific asset delivered to the customer and the arrangements convey a right to use the asset, these contracts containing signal delivery as well as the right to use the necessary CPE include an embedded lease in accordance with IFRIC 4 in which the Group

entities are the lessor.

Hardware devices are recognized as equipment in accordance with IAS 16 taking into account the costs of returning the hardware at the end of the lease term and amortized over their useful life.

KDH as the lessee in operating leases

In certain cases KDH is the lessee in lease agreements that have been classified as operating leases in accordance with IAS 17. These lease agreements primarily relate to space in cable ducts of Deutsche Telekom AG (hereinafter referred to as "DTAG") and fiber optic connection lines as well as backbone networks in certain areas for the transmission of Internet, phone and digital TV services. The Group has determined that it retains no significant risks and rewards of ownership neither from the cable ducts nor from the fiber optic connection lines or the backbone networks and, therefore, accounts for the leases as operating leases.

Finance lease

The Group has leased parts of its network infrastructure in order to transmit video and audio signals via level 3 and 4 networks and via transponders. The Group has determined that specific rights have been transferred to the Group and that the lease term covers the major part of the economic life. The Group acts as the lessee. Therefore, the group has classified and accounted for the leases as finance leases according to IAS 17.

2.17.2 Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that involve a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Derivatives

The fair values of the derivative financial instruments of KDH cannot be defined based on quoted prices since quoted prices are not readily and regularly available for those instruments. Therefore, the fair values of the derivative financial instruments as of the balance sheet date have been estimated at the net present values (discounted by market yield curves) of the future payments and using standard discounted cash flow models in accordance with Level 2 as defined in IFRS 7 ("fair value hierarchy"). As of March 31, 2011 there were no derivative financial instruments outstanding. As of March 31, 2010, the total fair value for derivative financial instruments amounted to a liability of T€ 61,190.

Share-based payments

During the fiscal year 2011, the Group had in place a Long-Term Incentive Plan ("LTIP")

including virtual performance shares to be granted annually and a one-time grant of virtual stock options. The virtual performance shares and the virtual stock options are classified as cash-settled share-based payment transactions and accordingly revalued at every reporting date. The basis for the valuation of the virtual performance shares is the share price of the KDH shares at the reporting date. The virtual stock options are revalued based on the fair value of the options using a Black-Scholes calculation. The determination of the resulting liability depends additionally on the expected target achievement of the performance conditions and is based on the expected allocation at the end of the vesting period.

The Group recognized expenses with respect to the two components of LTIP introduced April 1, 2010 in an amount of T€ 17,373 for the year ended March 31, 2011. For the year ended March 31, 2010 no expenses have been recognized based on this plan, since the new compensation structure has taken effect as of April 1, 2010.

Internally Generated Software

The Group recognized intangible assets developed internally (consisting of software used by the Group) to the extent the criteria of IAS 38 are met. Development costs for internally generated intangible assets are recognized at cost to the extent the assets are economically usable and the costs can be reliably measured. As of March 31, 2011 and March 31, 2010, respectively, T€ 10,867 and T€ 10,423 of costs for internally generated software were capitalized.

Customer List

The customer list is primarily amortized on a straight-line basis over 8.5 years. The estimated useful life is based on the term of the average contract life. The book value of the customer list amounted to T€ 208,026 and T€ 318,509 as of March 31, 2011 and March 31, 2010, respectively.

Trade Receivables

Trade receivables are assessed for general allowances based on estimates regarding the probability of collection. These estimates are determined by taking into account historical evidence relating to the collectability of KDH’s trade receivables by grouping them into different age buckets. Depending on the time for which trade receivables are overdue, the percentage of general allowances has proven to increase with increasing overdue time. The estimates used for general allowances are revised at each balance sheet date and adjusted if necessary. As of March 31, 2011 and March 31, 2010 the carrying amount of trade receivables amounted to T€ 83,030 and T€ 87,955.

Provision for Pensions

With respect to the actuarial calculation of the provision for pensions, the Group estimated the future salary increases, future pension increases and the discount rate. As of

March 31, 2011 and March 31, 2010, the provision for pensions amounted to T€ 44,594 and T€ 39,443, respectively net of plan assets.

Asset Retirement Obligations

The major part of the amount of the accrual is based on an estimate of the costs expected for the demolition and restoration of the network cables primarily located in leased cable ducts. Expectations regarding the lessor waiving asset retirement performance requirements are considered in the calculation of best estimate of the obligation related to the leased cable ducts under IFRS. Approximately 94 % of Group's obligations are related to technical equipment, including different kinds of cable and signal transmitting and receiving technology in cable ducts of DTAG. KDH assumes that 25 % of the technical equipment will be replaced by other technologies after 10 years, 9 % will be replaced after 15 years and the remaining 66 % of the technical equipment is expected to be replaced after 30 years. The estimated replacement dates have been changed compared to last year since the Group is changing its network infrastructure to distribute TV- and IP-signals through fiber optic backbones. As a consequence the Group will anticipate the termination of contracts for certain leased lines used to deliver Internet and Phone services and of certain contracts for satellite transponders currently used to distribute the Group's TV signals. The remaining 6 % of the asset retirement obligations are divided into accruals for furniture, fixtures and miscellaneous restoration obligations. The asset retirement obligations related to the aforementioned demolition and restoration amounted to T€ 25,880 and T€ 25,197 as of March 31, 2011 and March 31, 2010, respectively.

The Group is also exposed to costs when customers return CPE at the end of the lease term. The amount of the accrual for such costs is based on an estimate of the expected costs. Obligations related to these costs amounted to T€ 3,884 and T€ 3,732 as of March 31, 2011 and March 31, 2010, respectively.

3. Notes to the Consolidated Statement of Financial Position

3.1 Cash and Cash Equivalents

	March 31, 2011	March 31, 2010
	T€	T€
Cash at banks	28,308	271,311
Cash on hand	27	34
	28,335	271,345

Cash and cash equivalents are primarily comprised of cash at banks and cash on hand. Cash held at banks of KDG and KDVS in an amount of T€ 26,001 and T€ 266,745 was primarily pledged in accordance with the Senior Credit Facility Agreement and corresponding amendments (see 3.11 Financial Liabilities) as of March 31, 2011 and March 31, 2010, respectively. The decrease resulted primarily from the substantial debt reduction in the current fiscal year (see 3.11 Financial Liabilities).

3.2 Trade Receivables

	March 31, 2011	March 31, 2010
	T€	T€
Gross trade receivables	112,259	122,682
Bad debt allowance	-29,229	-34,727
Trade receivables	83,030	87,955

	Balance at Beginning of the period	Provision for Bad debt	Deduction/Write-Offs and other charges	Balance at End of the period
	T€	T€	T€	T€
Fiscal Year ended March 31, 2011 Allowance for doubtful accounts	-34,727	-3,471	8,970	-29,229
Fiscal Year ended March 31, 2010 Allowance for doubtful accounts	-53,245	-7,420	25,938	-34,727

Gross trade receivables and bad debt allowance decreased primarily due to improvements in the collection process.

As of March 31, the analyses of trade receivables that were not impaired were as follows:

in T€	Neither past due nor impaired	Net carrying amount past due but not impaired at the reporting date					Total
		less than 30 days	31 - 60 days	61 - 90 days	more than 90 days	Total past due	
March 31, 2011	44,989	19,640	5,517	7,261	5,623	38,041	83,030
March 31, 2010	44,344	19,301	9,512	10,299	4,499	43,611	87,955

Receivables with an invoice amount of in total T€ 15,697 and T€ 23,090, excluding VAT, at March 31, 2011 and March 31, 2010, respectively, were individually determined to be impaired and were written off by 100 %.

Accounts receivable past due but not impaired are expected to ultimately be collected.

Also no indications of defaults are recognizable for accounts receivable that are neither past due nor impaired.

Trade receivables of KDVS with a carrying amount of T€ 78,651 and T€ 81,771 were pledged as security in accordance with the Senior Credit Facility Agreement and corresponding amendments (see Section 3.11 Financial Liabilities) as of March 31, 2011 and March 31, 2010, respectively.

3.3 Inventories

	March 31, 2011	March 31, 2010
	T€	T€
Raw materials, consumables and supplies	3,616	3,829
Work in process	144	114
Finished goods and merchandise	12,483	8,504
thereof carried at net realizable value	*89*	*72*
	16,244	12,447

Depending upon specified use, CPE, included above in finished goods and merchandise, is recognized as capital expenditures or operational expenditures at the time the item is put into service. The Group capitalizes the CPE as fixed assets when it is leased to the customer. The Group expenses CPE when it is purchased by the customer. Costs for maintenance and substitution of CPE are also expensed.

The total amount of inventories recognized as operational expenditures amounted to T€ 16,843 and T€ 13,278 for the years ended March 31, 2011 and March 31, 2010, respectively.

3.4 Receivables from Tax Authorities

Receivables from tax authorities relate to corporate income tax, trade tax and solidarity tax contributions and amounted to T€ 365 and T€ 1,398 as of March 31, 2011 and March 31, 2010, respectively.

3.5 Other Current Financial Assets and Current and Non-Current Prepaid Expenses

	March 31, 2011	March 31, 2010
	T€	T€
Other current financial assets		
Payments in advance for commission fees	2,452	2,250
Deposits	2,243	2,107
Creditors with debit balance	998	1,120
Miscellaneous other receivables	4,146	4,035
Other current financial assets	9,839	9,512
Current prepaid expenses		
Network leases	4,927	7,850
Transaction cost Tranche B Senior Credit Facility	0	1,116
Insurance	110	747
Software support	2,222	1,288
Maintenance	2,000	659
Other	2,728	3,737
Current prepaid expenses	11,987	15,397
Non-current prepaid expenses		
Network leases	18,268	14,611
Transaction cost Tranche B Senior Credit Facility	0	1,116
Non-current prepaid expenses	18,268	15,727

Other current financial assets are comprised of financial assets in accordance with IAS 32 in the amount of T€ 5,939 and T€ 5,333 as of March 31, 2011 and March 31, 2010, respectively.

3.6 Intangible Assets

Software and Licenses and other Contractual and Legal Rights

Software and licenses primarily consist of software licenses for and costs related to standard business software, the customer care and billing system and software licenses related to KDH's fixed-line phone services. The software is being amortized on a straight-line basis over three to six years.

The Group capitalizes directly attributable sales commissions to customer contracts related to its sales agents and the cost of external call center representatives if they generate future contractual revenue streams. The amortization period of these capitalized costs is 8.5 years for cable access contracts, which is based on the estimated average life of a Basic Cable customer relationship, and primarily 12 months for Premium-TV and Internet and Phone contracts which is based on the fixed term period of those customer contracts. Amortization is calculated based on the straight-line method. For the fiscal years ended March 31, 2011 and March 31, 2010 sales commissions in an amount of T€ 43,665 and T€ 44,552, respectively, were capitalized. The amortization of sales commissions was T€ 33,358 and T€ 36,614 for the fiscal years ended March 31, 2011 and March 31, 2010, respectively.

Internally Generated Software

For the fiscal years ended March 31, 2011 and March 31, 2010 approximately T€ 4,222 and T€ 5,063, respectively, of costs for internally developed software were capitalized. Included in costs for internally developed software for the fiscal year ended March 31, 2011, are T€ 1,414 for closed projects and T€ 2,808 for running projects. These amounts relate to costs incurred in the further and new development of company-specific software applications.

The remaining useful life of all internally developed software is between 0.1 and 4.0 years.

Customer List

For the years ended March 31, 2011 and March 31, 2010 the Group recorded additions in the customer list of T€ 3,958 and T€ 280, respectively. The addition in the current fiscal year primarily relates to the asset deal with PrimaCom (see 1.3). The remaining useful life of the customer list, resulting from the various acquisitions is between 0.5 – 8.3 years.

Goodwill

For the year ended March 31, 2011 the Group recorded no changes in goodwill due to acquisitions. The goodwill recognized totaled T€ 287,273 as of March 31, 2011 and March 31, 2010, respectively.

For further information relating to intangible assets, reference is made to the fixed asset

register in Appendix 1 and Appendix 2.

3.7 Property and Equipment

Property and equipment is primarily comprised of network and IT assets, CPE as well as parts of the network infrastructure and transponders both under finance lease agreements. As of March 31, 2011 the Group's total property and equipment amounted to T€ 1,158,502 (prior year: T€ 1,193,166). This sum primarily comprises technical and IT equipment related to cable networks including data centers, IP- and IT-platforms totaling to T€ 1,118,960 and includes additions in the amount of T€ 259,358.

Included in the above mentioned paragraph are the following items:

Asset Retirement Obligation

In many cases KDH leases space in the cable ducts of DTAG to house KDH's cable network. Related to these leases, KDH is subject to contractual asset retirement obligations for its network cables. The original costs were estimated at T€ 17,477 and were capitalized as of April 1, 2003 in connection with the transfer of the business from DTAG. Further additions related to new asset retirement obligations were recognized subsequently and were T€ 502 and T€ 1,269 for the years ended March 31, 2011 and March 31, 2010, respectively. Depreciation is charged over the expected useful life of the respective assets which resulted in a depreciation expense of T€ 1,831 and T€ 1,569 for the years ended March 31, 2011 and March 31, 2010, respectively. The increase in the current year depreciation includes in the amount of T€ 363 expenses related to the Group's restructuring of the network infrastructure and the related shortening of the useful life of certain leased lines.

In addition KDH is exposed to costs of returning CPE at the end of the lease term. During the fiscal year ended March 31, 2011 T€ 1,305 (prior year: T€ 1,298) were capitalized as additions and T€ 1,180 (prior year: T€ 1,108) have been charged as depreciation for these costs of returning of CPE.

Operating Lease for CPE

The assets are depreciated over the useful life of 3 years for modems, receivers and digital video recorders ("DVR") and of 5 years for smartcards using the straight-line method. CPE is presented in the Fixed Asset Schedule as part of technical equipment. As of March 31, 2011 and March 31, 2010, the net carrying amount of total CPE (including modems, receivers, DVRs and smartcards) amounted to T€ 85,003 and T€ 78,591, respectively.

The future minimum lease payments under non-cancellable operating leases for CPE are as follows:

	2011	2010
	Minimum lease payments	Minimum lease payments
	T€	T€
Within one year *	9,636	8,248
After one year but not more than five years	139	81
After five years	0	0
Total minimum lease payments	9,775	8,329

* This is primarily due to the fact that the non-cancellable term for most of these operating leases is 12 months; the useful life might be longer.

Finance Lease

As of March 31, 2011, the Group has finance leases with various maturity dates. There is an option to extend the contract duration related to the lease of certain transponders by another five year period by mutual agreement of the parties, which must be reached at least six months before the expiry of the first five year period.

As of March 31, 2011 and March 31, 2010, the net carrying amount of the leased assets totaled T€ 13,398 and T€ 16,619, respectively. Additions in the amount of T€ 7,631 were recorded due to new finance lease contracts. In the fiscal years ended March 31, 2011 and March 31, 2010, the Group recorded depreciation expense of T€ 10,852 and T€ 8,259, respectively. The Group also recorded interest expense related to these finance leases of T€ 1,487 and T€ 1,808 for the fiscal years ended March 31, 2011 and March 31, 2010, and paid T€ 9,666 and T€ 8,858 to reduce the financial liability, respectively.

Additionally, incidental expenses related to these finance leases in the amount of T€ 2,333 (prior year: T€ 2,330) have been expensed in the fiscal year ended March 31, 2011.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2011		2010	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	T€	T€	T€	T€
Within one year	11,780	10,669	10,665	9,535
After one year but not more than five years	5,295	3,022	10,851	10,443
After five years	6,323	4,252	0	0
Total minimum lease payments	23,398	17,943	21,516	19,978
Less amounts represen-ting finance charges	5,455		1,538	
Present value of minimum lease payments	17,943		19,978	

For further information relating to property and equipment, reference is made to the fixed asset registers in Appendix 1 and Appendix 2.

3.8 Equity Investments in Associates

The carrying value of equity investments in associates is increased by the share of income attributable to the Group and reduced by dividends received. Net additions from associates amounted to T€ 4,147 and T€ 3,392 for the fiscal years ended March 31, 2011 and March 31, 2010, respectively, and reflect KDH's share of income recorded by associates. The fiscal year of all associates is the period from January 1 to December 31. As of KDH's balance sheet date financial information for associates is not available for the prior year and can not be reliably estimated. Therefore, the amounts disclosed in the following table are for the associate's fiscal years ended December 31, 2009 and December 31, 2008, respectively.

Associates' accumulated balance sheets	Dec. 31, 2009	Dec. 31, 2008
	T€	T€
Assets	81,735	74,115
Liabilities	49,533	51,763

Associates' accumulated revenue and profit	Jan. 1 - Dec. 31, 2009	Jan. 1 - Dec. 31, 2008
	T€	T€
Revenue	46,898	45,653
Profit	10,009	7,062

For further information relating to financial assets, reference is made to the fixed asset register in Appendix 1 and Appendix 2.

3.9 Other Current Liabilities

	March 31, 2011	March 31, 2010
	T€	T€
Liabilities for personnel expenses	40,688	38,114
Liabilities to silent and limited partners	21,715	21,457
Finance leases	10,669	9,535
Value added and employment taxes	7,411	12,478
Debtors with credit balances	911	810
Miscellaneous other liabilities	24,720	13,464
	106,115	95,859

In the fiscal year ended March 31, 2011 the Group's liabilities to silent and limited partners include the fair value of the contribution of the silent and limited partnerships acquired in connection with the acquisition from TeleColumbus and interest payments attributable to these silent and limited partners. Almost half of the miscellaneous other liabilities are related primarily to the contingent purchase price obligations for the acquisition of BMH Berlin Mediahaus GmbH and the assets from VHB/GAGFAH amounting to T€ 9,499 as of March 31, 2011.

Other current liabilities are comprised of financial liabilities in accordance with IAS 32 in the amount of T€ 46,730 and T€ 35,676 as of March 31, 2011 and March 31, 2010, respectively.

3.10 Deferred Income

Deferred income primarily consists of customer prepayments on a quarterly, semi-annual or annual basis.

3.11 Financial Liabilities (current and non-current) and Senior Notes

3.11.1 Current Financial Liabilities

	March 31, 2011	March 31, 2010
	T€	T€
PIK Loan - voluntary prepayment	200,000	0
Accrued interest related to		
PIK Loan	6,113	0
Senior Credit Facility	2,415	2,248
Senior Notes	0	20,836
Current financial liabilities	208,528	23,084

On March 31, 2011, notice to the PIK Loan lenders were given to voluntarily prepay T€ 200,000 and related interest to partly redeem the PIK Loan on April 7, 2011.

The Senior Notes were redeemed and cancelled on October 20, 2010, December 17, 2010 and January 7, 2011, respectively.

3.11.2 Non-Current Financial Liabilities

As of March 31, 2011, the Senior Notes, the Senior Credit Facility and the PIK Loan have developed as follows:

	March 31, 2011	March 31, 2010
	T€	T€
Senior Notes	0	738,752
Senior Credit Facility	2,018,604	1,643,000
PIK Loan	527,605	710,272
	2,546,209	3,092,025

After the final redemption of the Senior Notes on January 7, 2011, KDH has two different types of non-current financial liabilities in place.

Senior Credit Facility

	March 31, 2011	March 31, 2010
	T€	T€
Senior Credit Facility Tranche A	1,125,000	1,150,000
Senior Credit Facility Tranche B	0	0
Senior Credit Facility Tranche C	535,000	535,000
Senior Credit Facility Tranche D	400,000	0
Senior Credit Facility	2,060,000	1,685,000
Accrued financing and transaction costs	-41,396	-42,000
Senior Credit Facility, net of financing and transaction cost	2,018,604	1,643,000

On May 12, 2006 KDVS entered into a Senior Credit Facility. This agreement was comprised of two facilities, a fully drawn T€ 1,150,000 term loan facility (“Tranche A”) and a T€ 200,000 revolving credit facility (“Tranche B”). According to the original agreement, Tranche A and Tranche B mature on March 31, 2012. On July 19, 2007 KDVS amended the Senior Credit Facility and increased Tranche B to T€ 325,000 under the same terms and conditions as the original Tranche B. The Senior Credit Facility is secured by all the assets of KDVS and a first priority pledge on 100 % of the shares of KDVS owned by KDG GmbH.

The revolving credit facility (Tranche B) may be borrowed, repaid and reborrowed up until one month prior to the final maturity date. Borrowings under Tranche B may be used for general corporate purposes. As of March 31, 2011 no amounts (T€ 0) were outstanding under Tranche B.

On October 22, 2007, KDVS signed a T€ 650,000 senior add-on facility (“Tranche C”), which ranks pari passu with Tranche A and Tranche B. As of May 9, 2008, the Tranche C commitment was reduced to T€ 535,000. Tranche C was drawn on May 9, 2008 in the amount of T€ 535,000 and remains fully drawn. Tranche C was originally scheduled to mature in March 2013.

On February 1, 2010 and December 3, 2010 the Group effectively reached agreements on several amendments to its Senior Credit Facility with 97.4 % and 97.0 % of the lenders consenting to the requested amendments, respectively.

As part of these two amendment processes, 88 % of the original Tranche A lenders, 69% of the original Tranche B lenders and 92 % of the original Tranche C lenders agreed to an extension of their existing Tranche A, Tranche B and Tranche C exposures from the original maturity dates until March 31, 2014 in return for an increased margin (see table below).

On August 31, 2010, KDVS paid back T€ 25,000 of Tranche A of the Senior Credit Facility. Financing and transaction costs relating to the prepayment were recorded as interest

expense and amounted to T€ 477.

On December 10, 2010 a new T€ 400,000 Term Loan Tranche D with a final maturity of December 2016, ranking pari passu with existing outstandings under the Group's Senior Credit Facilities, was fully syndicated. The floating rate loan was priced at EURIBOR plus 400 bps margin at an issue price of 99.75 %. The Group paid an additional 0.75 % fee to the arrangers of the financing. All financing and transaction costs were capitalized. The draw down date for Term Loan Tranche D was January 4, 2011. Proceeds were used to retire a portion of the Group's Senior Notes.

The following table shows the composition and the maturities of the Senior Credit Facility on March 31, 2011:

Senior Credit Facility	Notional amount in T€	Margin	Commitment Fee	Effecitve Margin	Maturity
Tranche A					
non consent	36,385	1.75%		1.75%	March 2012
consent	100,365	2.25%		2.25%	March 2012
subtotal	*136,750*				
consent and extended	988,250	2.25%	1.25%	3.50%	March 2014
Total Tranche A	**1,125,000**				
Tranche B (revolving credit facility, margins for drawn commitments) [1]					
non consent	12,806	1.75%		1.75%	March 2012
consent	88,164	2.25%		2.25%	March 2012
consent and extended	224,030	2.25%	1.25%	3.50%	March 2014
Total Tranche B	**325,000**				
Tranche C					
non extended	38,457	3.25%		3.25%	March 2013
extended	496,543	3.25%	0.25%	3.50%	March 2014
Total Tranche C	**535,000**				
Tranche D	400,000	4.00%		4.00%	December 2016
Total Tranche D	**400,000**				

[1] Fees for undrawn commitment: 1.40% for consent and extended portion and 0.625% for remaining portion
Amount drawn as of the balance sheet date T€ 0

Interest rates on the Senior Credit Facility are based on one, two, three or six month EURIBOR plus a margin. The margin on Tranche A and B of the Senior Credit Facility for non-extending lenders is based on the ratio of consolidated senior net borrowings to consolidated EBITDA (as defined in the Senior Credit Facility Agreement and Amendments) as follows:

Ratio of consolidated senior net borrowings to consolidated EBITDA (as defined in the Senior Credit Facility Agreement)	Margin (% per annum)
Greater than 4:1	2.000
Less than or equal to 4:1, but greater than 3.5:1	1.875
Less than or equal to 3.5:1	1.750

As of March 31, 2011, the ratio of consolidated senior net borrowings to consolidated EBITDA amounted to 2.76:1. Therefore, the applicable margin was EURIBOR plus 1.75 % as of March 31, 2011.

The effective margin (margin including impact of commitment fee) on the extended portion of Tranche A and the extended portion of Tranche C is also based on the ratio of consolidated senior net borrowings to consolidated EBITDA (as defined in the Senior Credit Facility Agreement and Amendments) as follows:

Ratio of consolidated senior net borrowings to consolidated EBITDA (as defined in the Senior Credit Facility Agreement)	Margin (% per annum)
Greater than 2:1	3.500
Less than or equal to 2:1	3.250

The Senior Credit Facility contains several affirmative and negative covenants. As part of the December 2010 amendment the consolidated senior net borrowings to consolidated EBITDA covenant had been reset to 'less than 3.50:1 throughout the lifetime of the Senior Credit Facility. The current financial covenants include but are not limited to the following:

Covenant Test	Requirement as of March 31, 2011
Consolidated EBITDA to net interest	Greater than 2.75:1
Consolidated senior net borrowings to consolidated EBITDA	Less than 3.50:1

The consolidated EBITDA to net interest thresholds adjust over time, becoming more restrictive. As of March 31, 2011 the Group's ratio of EBITDA to net interest amounted to 4.08:1. The ratio of consolidated senior net borrowings to consolidated EBITDA amounted to 2.76:1.

In addition, the Senior Credit Facility contains certain negative covenants significantly restricting KDH's ability to, among other things:

- incur additional indebtedness;
- pay dividends or make other distributions;

- make certain other restricted payments and investments;
- create liens;
- impose restrictions on the ability of KDH's subsidiaries to pay dividends or make other payments to KDH;
- transfer or sell assets;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliates.

Mandatory prepayments of the Senior Credit Facility are required (i) in full upon a change of control (generally triggered if a person or group other than Providence Equity Partners ("Providence") or its affiliates gains control of more than 30% of the total voting rights of the Company) or a sale of substantially all of the assets of the businesses, (ii) in part from the receipt of proceeds from certain third parties, including in connection with asset sales. The public offering of shares in KDH AG did not generate primary proceeds to Kabel Deutschland GmbH nor to its direct holding company as would be relevant for a mandatory prepayment under the Senior Credit Facility, as LuxCo received all the net proceeds.

At March 31, 2011 T€ 1,125,000 was outstanding under Tranche A at an average interest rate (effective interest rate excluding any commitment fee) of 3.175 %; T€ 535,000 was outstanding under Tranche C at an interest rate of 4.198 %, and T€ 400,000 was outstanding under Tranche D at an interest rate of 4.948 % and no outstandings under Facility B. The Group has no interest derivative instruments in place as of March 31, 2011.

Senior Notes

	March 31, 2011	March 31, 2010
	T€	T€
Notes issued	0	755,553
Accrued financing and transaction cost	0	-24,089
Foreign exchange rate effect	0	-53,902
Currency hedge	0	61,190
	0	738,752

On July 2, 2004 KDG issued T€ 250,000 of 10.75 % Senior Notes (Euro Notes) due in 2014 and TUS $ 610,000 of 10.625 % Senior Notes (US Dollar Notes) due in 2014 (together the 2014 Senior Notes). With respect to the 2014 Senior Notes, the Company entered into hedge

agreements with various banks swapping 100 % of the US Dollar denominated principal (TUS $ 610,000) and interest payments into Euro denominated principal (T€ 505,553) and interest payments at a fixed rate of 11.1695 % (before July 1, 2009: 10.2046 %) until July 1, 2011.

T€ 24,000 and T€ 226,000 of the Euro Senior Notes were redeemed at a redemption price of 103.583 % on October 20, 2010 and January 7, 2011, respectively. T$ 465,000 and T$ 145,000 of the US Dollar Notes were redeemed at a redemption price of 103.542 % on December 17, 2010 and January 7, 2011, respectively.

As a result the entire principal amounts of the T€ 250,000 Euro Senior Notes and the T$ 610,000 Dollar Senior Notes were redeemed as of March 31, 2011, the governing indenture was discharged.

Synchronized with the various redemption dates the Group also terminated the related currency hedges and all the corresponding effects were recorded in the statement of income. The total impact of the currency hedges including the non-recurring impact related to the early termination amounted to T€ 6,778 for the fiscal year ended March 31, 2011.

The swaps had been accounted at fair value through profit or loss. Accordingly the changes in fair value for the new swaps and the currency translation of the US-Dollar Tranche of the 2014 Senior Notes in accordance with IAS 21 have been recognized in the statement of income.

PIK Loan

The PIK Loan due on November 19, 2014 developed as follows:

	March 31, 2011	March 31, 2010
	T€	T€
Amount payable	515,387	696,069
Accrued interest	15,754	20,546
Accrued financing and transaction costs	-3,536	-6,342
	527,605	710,272

Effective May 19, 2006 KDH entered into a PIK Loan in the amount of T€ 480,000. The PIK Loan matures on November 19, 2014 and bears interest at a rate of six month EURIBOR plus a margin of 7.00 % p.a. plus 0.0017 % in mandatory costs.

The PIK interest is paid on May 19 and November 19 of each year through the issuance of additional PIK Loans under the same terms and conditions and is a non-cash payment in kind.

The PIK Loan contains several covenants limiting, among other things, KDH's ability to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make certain other restricted payments and investments;
- create liens;
- impose restrictions on the ability of KDH's subsidiaries to pay dividends or make other payments to KDH;
- enter into transactions with affiliates; and
- enter into certain lines of business.

There is no security granted in favor of the PIK Loan. Mandatory prepayments of the PIK Loan are required in case of (i) a change of control and (ii) receipt of proceeds from certain asset sales. The Group is also entitled, at KDH's option, to prepay the PIK Loan, in whole or in part, at any time without penalty. The agreement governing the PIK Loan provides for events of defaults which, if any of them occurs, would permit or require the principal of and accrued interest on the PIK Loan to become or to be declared due and payable.

Since July 27, 2010 the Group has re-acquired T€ 38,183 of its outstanding PIK Loan for an average price of 97 % of the principal value (T€ 36,686 before last interest capitalization date on November 19, 2010). Financing and transaction costs in the amount of T€ 302 relating to the re-acquisition were recorded in interest expense.

On March 31, 2011, notice to the PIK Loan lenders was given to voluntarily prepay T€ 200,000 and related interest to partly redeem the PIK Loan on April 7, 2011. After this prepayment an amount of T€ 527,605 is outstanding under the PIK Loan.

In the fiscal year ended March 31, 2011 financing and transaction costs in the amount of T€ 1,372 were additionally amortized and recorded in interest expense caused by the redemption of T€ 200,000 of the Groups outstanding PIK Loan on April 7, 2011, see Section 5.8.

3.12 Provisions for Pension

The Group has several defined benefit pension plans for different groups of employees (collective agreement ("CA") employees, non-collective agreement ("NCA") employees and other). The majority of the plans are average salary plans, which are in accordance with regulations applicable for public servants. These plans were continued with substantially the same terms upon the purchase of the business from DTAG. The plans for other employees represent individual commitments.

The annual contributions for CA and NCA employees amount to 2.5 % of their contractually agreed annual fixed salaries. The annual contributions for NCA employees increase by 9 % of salaries lying above the income threshold for contributions to the statutory pension scheme. Each contribution is translated into an insured sum.

The insured sum is calculated by multiplying the contribution by the respective age factor of the employee and is credited to a pension account. From the age of 61 to the onset of retirement, each employee receives an additional annual bonus sum amounting to 6 % of the most recent pension account balance. The contribution rates for individual pension commitments are determined on an individual basis.

The following tables summarize the components of net benefit expense recognized in the statement of income and amounts recognized in the statement of financial position for the defined benefit plans:

Net benefit expenses recognized in the consolidated statement of income

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Current service cost	4,084	3,502
Interest expenses	2,099	1,913
Net actuarial losses	0	-8
Plan disbursements	-29	-137
Net benefit expense	6,154	5,269

The expenses arising from the accrual of interest on pension obligations are recorded in interest expense.

The recognized expense is recorded in the following items in the statement of income:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Cost of services rendered	949	918
Selling expenses	1,825	1,525
General and administrative expenses	1,310	1,050
Other	-29	-137
Interest expense	2,099	1,913
	6,154	5,269

Benefit Liability

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Defined benefit obligation	46,066	40,382
Fair value of plan assets	-580	0
	45,486	40,382
Unrecognized actuarial gains (-) / losses (+)	-892	-939
Benefit liability	44,594	39,443

The corresponding defined benefit obligations within the funded pension plan amounts to T€ 580; the fair value of the plan assets of T€ 580 has been originated by a contractual change resulting into the qualification as plan assets in March 2011.

Changes in the present value of the defined benefit obligation are as follows:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Defined benefit obligation at April 1	40,382	32,257
Current service cost	4,084	3,501
Interest cost	2,099	1,913
Actual benefit payments	-272	-222
Retransfers to DTAG	-180	-1,050
Actuarial gains (-) / losses (+)	-47	3,983
Defined benefit obligation at March 31	46,066	40,382

The principal assumptions used in determining pension benefit obligations for the Group plans are shown below:

Underlying actuarial assumptions

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	%	%
Discount rate as of March 31	5.25	5.24
Future salary increases	3.25	3.25
Future pension increases [1)]	1.00 - 1.50	1.00 - 1.50
Staff turnover	6.02	6.10

[1)] Fixed due to contractual agreements

Amounts for the current and the previous four periods are as follows:

	March 31, 2011	March 31, 2010	March 31, 2009	March 31, 2008	March 31, 2007
	T€	T€	T€	T€	T€
Defined benefit obligation	46,066	40,382	32,257	29,119	29,149
Plan assets	-580	0	0	0	0
Deficit	45,486	40,382	32,257	29,119	29,149
Experience adjustments on plan liabilities	19	-26	-1,366	-626	210

3.13 Other Provisions (current and non-current)

	Balance as of April 1, 2010	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2011
	T€	T€	T€	T€	T€	T€
Jubilee payments	140	-11	0	9	0	138
Asset retirement obligations (including CPE)	28,929	-200	-2,530	1,345	2,219	29,763
Restructuring	6,383	-753	-890	14,422	0	19,162
Legal fees and litigation costs	91	-21	-39	0	0	31
Other	10,444	-2,032	0	215	0	8,627
Total provisions	45,987	-3,017	-3,459	15,991	2,219	57,721

As of March 31, 2011 other provisions can be segregated into current obligations (T€ 34,521) and non-current obligations (T€ 23,199).

	Balance as of April 1, 2009	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2010
	T€	T€	T€	T€	T€	T€
Jubilee payments	179	-50	0	11	0	140
Asset retirement obligations (including CPE)	25,815	-222	-55	1,157	2,234	28,929
Restructuring	26,573	-16,145	-4,112	67	0	6,383
Legal fees and litigation costs	193	-76	-87	61	0	91
Other	13,676	-4,784	-7	1,559	0	10,444
Total provisions	66,436	-21,277	-4,261	2,855	2,234	45,987

As of March 31, 2010 other provisions can be segregated into current obligations (T€ 16,918) and non-current obligations (T€ 29,069).

Provisions for Asset retirement obligation

All asset retirement obligation calculations as of March 31, 2011 utilize an inflation rate of 1.98 % (20-year-OECD-average ("OECD" - Organisation for Economic Co-operation and Development); prior period: 2.06 %).The obligation is accreted to the expected payment amount using the effective interest method.

Additions for new asset retirement obligations recognized in the fiscal years ended March 31, 2011 and March 31, 2010 increased the provision by T€ 1,194 and T€ 269, respectively.

For obligations related to the returning of CPE an inflation rate and an risk-free interest refinancing rate were utilized, which were depending on the expected time until returning. The inflation rate varies between 1.37 % for a maturity of 3 years and 1.64 % for a maturity of 5 years and the interest rate varies between 2.83 % for a maturity of 3 years and 3.58 % for a maturity of 5 years. The obligation is also accreted to the expected payment amount using the effective interest method.

Additions for new CPE obligations recognized in the fiscal years ended March 31, 2011 and March 31, 2010 increased the provision by T€ 151 and T€ 888, respectively.

Provisions for Restructuring

Based on the ending balance of T€ 6,383 at March 31, 2010 the Group recorded in the fiscal year ended March 31, 2011 an effect of T€ 1,643 related to utilizations and reversals of provisions in connection with the reorganization of the technical department and certain other smaller restructuring programs. In March 2011 the Group established a restructuring accrual in the amount of T€ 11,114 primarily in conjunction with termination fees related to leased lines currently in use which will be replaced with regional backbones and T€ 3,308 for the restructuring of certain functions of the Finance department. As of March 31, 2011 the total provision for restructuring amounted to T€ 19,162 and is planned to be utilized in the next fiscal year.

Other

As of March 31, 2010 T€ 10,444 remained in other provisions. During the fiscal year ended March 31, 2011 T€ 2,032 were utilized primarily for onerous contracts and payments of legal fees regarding the ongoing dispute related to the acquisition from TeleColumbus. As of March 31, 2011 the remaining total of T€ 8,627 is primarily related to the ongoing dispute regarding the acquisition from TeleColumbus.

3.14 Other Non-current Liabilities

	April 1, 2010 - March 31, 2011 T€	April 1, 2009 - March 31, 2010 T€
Liabilities related to share-based payments [1]	17,373	0
Finance leases	7,274	10,444
Smartcard provider	3,131	5,055
Other	1,156	0
	28,934	15,499

[1] It is referred also to Section 2.2.

Other non-current liabilities are comprised of financial liabilities of T€ 10,405 and T€ 15,499 as of March 31, 2011 and March 31, 2010, respectively.

3.15 Equity

Subscribed Capital

As of March 31, 2011 KDH AG's subscribed capital is T€ 90,000 and consists of 90,000,000 no par value bearer shares with a pro rata amount of € 1.00 each. KDH AG's subscribed capital is fully paid in.

KD HoldCo's subscribed capital changed as follows in the past two fiscal years. The registered subscribed capital of KD HoldCo at the time of formation on January 19, 2005 (formerly Kabel Deutschland GmbH & Co. KG) was T€ 100. By resolution of the Shareholders' Meeting of February 19, 2010, the subscribed capital of KD HoldCo was increased from the Company's own resources by T€ 89,900 from T€ 100 to T€ 90,000. Since its change of legal form as resolved by the same shareholders' resolution, registered together with the capital increase in the commercial register on March 4, 2010, the Company has existed as a German stock corporation (Aktiengesellschaft) with a subscribed capital of currently T€ 90,000.

Every share confers to one vote at the Shareholders' Meeting.

Authorized Capital and Contingent Capital

As of March 31, 2011 KDH AG has the following authorized capital and contingent capital in place:

	amount in T€	no par value bearer shares in thousands	purpose
Authorized Capital 2010/I	45,000	45,000	Increase in subscribed capital (until February 18, 2015) *
Contingent Capital 2010/I	45,000	45,000	Granting bearer shares to holders or creditors of convertible and/or warrant bonds (to be issued until March 14, 2015) *

* subject to the approval of the Supervisory Board

Authorized Capital

In connection with the resolution on the change of legal form, on February 19, 2010, the shareholders also passed a resolution for authorized capital. Subject to the approval by the Supervisory Board, the Management Board shall be authorized to increase the registered subscribed capital of the Company on one or more occasions through February 18, 2015 by a total amount of up to T€ 45,000 by issuing up to 45,000,000 new no par value bearer shares against contributions in cash and/or in kind with the possibility to exclude the subscription rights of the shareholders under certain preconditions (‘‘Authorized Capital 2010/I’’).

The Management Board is also authorized to determine, with the consent of the Supervisory Board, the further details of the capital increases under the Authorized Capital 2010/I and its implementation.

Contingent Capital

On March 15, 2010, the shareholders passed a resolution for contingent capital. The registered subscribed capital of the Company is increased conditionally by up to T€ 45,000 by issuing up to 45,000,000 new no-par value bearer shares (‘‘Contingent Capital 2010/I’’). The conditional capital increase serves the purpose of granting no par value bearer shares to the holders or creditors of convertible and/or warrant bonds (together the “Bonds”), which are issued by the Company or an Affiliated Company until March 14, 2015 against contribution in cash based on the authorization granted by the general shareholders meeting on March 15, 2010 and which provide for a conversion or option right to no-par value bearer shares in the Company or stipulate a conversion obligation. The new no-par value bearer shares from Contingent Capital 2010/I may be issued only at a conversion or option price which meets the requirements stipulated in the authorization granted by the general meeting on March 15, 2010. The conditional capital increase shall be carried out only to the extent that option or conversion rights are exercised or the holders or creditors required to convert their Bonds, fulfill their conversion obligation and to the extent that no compensation in cash is granted and that no shares owned by the Company or new shares issued out of the authorized capital are used to satisfy the conversion or option rights or conversion obligations. The new no-par value bearer shares shall participate in the profit from the beginning of the fiscal year in which they are

issued due to the exercise of option or conversion rights or the fulfillment of conversion obligations. The Management Board shall be authorized to determine the further details of the conditional capital increase and its execution.

Capital reserve

For the fiscal year ended March 31, 2011 the capital reserve remained unchanged from the previous year and amounts to T€ 126,495. The capital reserve represents primarily the consideration of share based payments of prior years. In the period ended March 31, 2010, the capital reserve increased by T€ 61,452.

Cash flow hedge reserve

Changes in the fair value of the currency cash flow hedges are recognized directly in equity under cash flow hedge reserve. The accumulated amount is released to profit or loss insofar as the hedged transaction affects profit or loss of the relevant year. In the fiscal year ended March 31, 2010, the amount of T€ 59 was fully released.

Asset Revaluation Surplus

During the fiscal year ended March 31, 2009, KDH acquired additional shares of Kabelcom Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mbH and Kabelcom Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mbH, RKS Niedersächsische Kabel-Servicegesellschaft mbH & Co. KG and RKS Niedersächsische Kabel-Service-Beteiligungsgesellschaft mbH. These acquisitions resulted in control of KDH over those four entities from that point on and therefore constituted a step acquisition. The difference of the proportionate fair values for acquired assets as of the original acquisition date in 2003 and the proportionate value of those assets at the date of transfer of control due to additional acquired shares in 2008 is presented in an asset revaluation surplus. The asset revaluation surplus in equity relates directly to the identifiable asset customer lists acquired in these step acquisitions and are therefore transferred directly to retained earnings as the asset is amortized.

Accumulated deficit

For the years ended March 31, 2011 and March 31, 2010, the accumulated deficit was T€ 1,850,799 and T€ 1,805,684, respectively.

Non-controlling interests

Non-controlling interests (minority interests) are the portion of equity ownership in a subsidiary not attributable to the parent company, which has a controlling interest and consolidates the subsidiary's financial results with its own. Dividends distributed to non-controlling interests amounted to T€ 6 (prior year: T€ 16) in the fiscal year ended March 31, 2011.

The Group has reclassified T€ 8,085 from non-controlling interests to other current liabilities as of the period ended March 31, 2010, due to reconsiderations of the terms and conditions agreed between the Group and the third party shareholders of Urbana Teleunion Rostock GmbH & Co. KG in determining whether the Group has finally an obligation to settle potential shareholder cancelations.

4. Notes to the Consolidated Statement of Income

4.1 Revenues

Revenues were generated in Germany as follows:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
TV Business revenues	1,132,902	1,123,064
Internet and Phone Business revenues	465,990	378,486
Total revenues	1,598,892	1,501,550

The allocation of revenues to the different reportable segments reflects the changes to segment reporting described and explained in more detail in Section 2.3 (Segment Reporting). Therefore, revenues formerly separated into Basic Cable Revenues (T€ 904,757 for the fiscal year ended March 31, 2010) and Premium-TV Revenues (T€ 213,538 for the fiscal year ended March 31, 2010) have been aggregated to TV Business Revenues for the fiscal year ended March 31, 2010. TKS revenues of T€ 41,294 have been shown separately in the prior year.

Included in TV-Business revenues are Basic Cable subscriptions fees in the amount of T€ 880,109 and T€ 894,277 for the fiscal year ended March 31, 2011 and March 31, 2010, respectively.

4.2 Cost of Services Rendered

Cost of services rendered primarily comprises cost related to KDH's revenue generating business activities and consists of costs and expenses related to the operation and maintenance of KDH's network and other costs directly associated with the distribution of products and services over the Group's network. The largest cost components are expenses associated with service level agreements. Cost of services rendered includes four categories of expenses as follows:

	April 1, 2010 - March 31, 2011 T€	April 1, 2009 - March 31, 2010 T€
Cost of materials and services	389,617	379,948
Thereof:		
Service level agreements ("SLAs") renting and leasing DTAG [1]	*162,888*	*159,995*
Thereof cable ducts	*103,278*	*103,303*
Content costs	*52,281*	*49,829*
Phone and interconnection charges	*42,478*	*37,033*
Connectivity and other network costs [2]	*28,179*	*27,799*
Maintenance and repair	*27,699*	*28,343*
Other expenses [3]	*64,614*	*76,948*
Restructuring network infrastructure	*11,479*	*0*
Personnel expenses	39,601	32,505
Thereof:		
Non-cash expenses /income related to long-term incentive programs [4]	*2,031*	*-27*
Restructuring income	*-589*	*-2,651*
Depreciation and amortization	288,845	242,154
Thereof:		
Intangible assets	*9,452*	*8,933*
Tangible assets	*279,393*	*233,221*
Other cost and expenses	83,405	81,564
Total cost of services rendered	**801,468**	**736,170**

[1] In order to separate lease costs consistently from other network expenses and to provide comparability to other peer companies, energy expenses in the amount of T€ 22,096 for the fiscal year ended March 31, 2010 have been reclassified to other expenses. Network expenses such as expenses for the lease of fiber optic systems and rented space for technical operations from third party vendors other than DTAG of T€ 5,837 for the fiscal year ended March 31, 2010 are shown in connectivity and other network costs.

[2] For the fiscal year ended March 31, 2010 network expenses such as expenses for the lease of fiber optic systems and rented space for technical operations from third party vendors other than DTAG of T€ 5,837 are shown in connectivity and other network costs.

[3] Energy expenses in the amount of T€ 22,096 for the fiscal year ended March 31, 2010 have been reclassified to other expenses.

[4] Will be cash settled under certain conditions at the end of the program. See Section 5.5.

4.3 Other Operating Income

In the fiscal year ended March 31, 2011 other operating income decreased by T€ 2,228 to T€ 12,342 from T€ 14,570 and primarily consists of other service income, especially commissions for shared advertising measures (T€ 3,472); returned direct debit fees (T€ 2,313), recoveries related to damaged property (T€ 923) and various other positions with minor amounts.

4.4 Selling Expenses

Selling expenses are expenses incurred to support the Group's sales and marketing effort with respect to KDH's products and services and are divided into four categories as

follows:

	April 1, 2010 - March 31, 2011 T€	April 1, 2009 - March 31, 2010 T€
Cost of materials and services	31,998	23,851
Personnel expenses	91,879	84,174
Thereof:		
Non-cash expenses related to long-term incentive programs [1]	*4,061*	*970*
Restructuring income	*-82*	*-481*
Depreciation and Amortization	176,108	181,304
Thereof:		
Intangible assets	*150,371*	*153,403*
Tangible assets	*25,737*	*27,901*
Other cost and expenses	167,395	159,183
Total selling expenses	**467,380**	**448,512**

[1] Will be cash settled under certain conditions at the end of the program. See Section 5.5.

4.5 General and Administrative Expenses

General and administrative expenses are comprised of expenses that are not directly allocated to cost of services rendered or to selling expenses. General and administrative expenses are divided into three categories as follows:

	April 1, 2010 - March 31, 2011 T€	April 1, 2009 - March 31, 2010 T€
Personnel expenses	67,897	56,191
Thereof:		
Non-cash expenses related to long-term incentive programs [1]	*11,281*	*7,993*
Restructuring expenses /income	*2,902*	*-84*
Depreciation and Amortization	25,201	26,707
Thereof:		
Intangible assets	*20,057*	*20,908*
Tangible assets	*5,143*	*5,799*
Other cost and expenses	42,333	47,178
Total general and adminstrative expenses	**135,430**	**130,075**

[1] Will be cash settled under certain conditions at the end of the program. See Section 5.5.

4.6 Personnel Expenses

Personnel expenses are comprised of the following:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Wages and Salaries	169,041	144,332
Social Security	30,336	28,536
	199,377	172,869

Included in wages and salaries:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Non-cash expenses related to long-term incentive programs	17,373	8,936
Thereof:		
Cost of services rendered	2,031	-27
Selling expenses	4,061	970
General and administrative expenses	11,281	7,993
Restructuring	2,230	-3,216
Thereof:		
Cost of services rendered	-589	-2,651
Selling expenses	-82	-481
General and administrative expenses	2,902	-84

For further information regarding restructuring plans see Section 3.13.

Included in social security inter alia

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Personnel expenses related to defined benefit pensions plan	4,084	3,493
Thereof:		
Cost of services rendered	949	918
Selling expenses	1,825	1,525
General and administrative expenses	1,310	1,050
Statutory social security contribution	22,721	21,257
Thereof:		
Cost of services rendered	6,158	5,719
Selling expenses	10,574	10,151
General and administrative expenses	5,990	5,387

For the fiscal years ended March 31, 2011 and 2010, social security included T€ 11,826 and T€ 11,383, respectively, for expenses related to the governmental pension scheme.

During the years ended March 31, 2011 and March 31, 2010 an average of 2,714 and 2,648, respectively, people were employed.

Average number of employees by functions	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
Network and Infrastructure	865	822
Call Center and Technical Service Center	700	701
Sales and Marketing	654	627
Overhead	495	498
Total	2,714	2,648

4.7 Financial Results

Interest Expense

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Interest Expenses on financial instruments that are not at fair value through profit or loss		
Senior Notes	83,633	82,123
Senior Credit Facility	75,882	55,561
PIK Loan	57,719	58,676
Amortization of Capitalized Finance Fees	52,397	20,739
Finance Lease	1,487	1,808
Other	3,895	4,472
Interest Expenses on financial instruments that are at fair value through profit or loss	-6,778	-2,963
Interest Expense on provisions and non-financial liabilities		
Pensions	2,099	1,913
Asset Retirement Obligations	2,318	1,234
Other	15	94
Total Interest Expense	**272,667**	**223,658**

Interest expenses include interest accrued on bank loans, the Group's 2014 Senior Notes, amortization of financing fees, interest on finance leases and other. The increase in interest expenses is primarily due to the Group's debt restructuring. The debt restructuring comprises the redemption of the Group's 2014 Senior Notes in various steps, the partial re-acquisition of T€ 38,183 of the PIK Loan (which includes T€ 1,497 interest) and the partial repayment of Tranche A of the Senior Credit Facility (see Section 3.11 Financial Liabilities). After the end of the fiscal year, on April 7, 2011, the Group re-acquired a further T€ 200,000 of the PIK Loan resulting in accelerated amortization of capitalized financing and transaction costs in the fiscal year ended March 31, 2011 in line with KDH AG's notice to the PIK Loan lenders.

The increase in interest expenses for the Senior Credit Facility was driven by a higher average senior debt level outstanding, higher commitment fees and interest margins related to the amendments to the Senior Credit Facility in February and November 2010 as well as a higher EURIBOR level.

Interest expenses on financial instruments at fair value through profit or loss include effects from fair value measurement of such financial instruments as well as net interest payments to the counterparties of interest rate swaps in the prior year.

(See the definition of all terms above in Section 3.11 and 5.6).

Interest Income

Interest income for the fiscal years ended March 31, 2011 and March 31, 2010 amounted to T€ 4,264 and T€ 4,601, respectively, and is primarily related to interest income on bank deposits. Of the total interest income, amounts of T€ 1,667 and T€ 1,335 relate to non-financial assets and liabilities primarily in connection with tax refunds.

4.8 Income from Associates

Income from associates for the fiscal years ended March 31, 2011 and March 31, 2010 amounts to T€ 4,147 and T€ 3,392, respectively.

4.9 Benefit/Taxes on Income

Major components of income tax expense for the years ended March 31, 2011 and March 31, 2010 are:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Consolidated statement of income		
Current income tax		
Current income tax charge	51,076	31,638
Prior year income tax charge (+) / release (-)	-11,211	-1,284
Deferred income tax		
Relating to origination and reversal of temporary differences and tax loss carry forwards	-51,875	-4,566
Income tax expense (+) / income (-) reported in consolidated statement of income	-12,010	25,788

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Consolidated statement of changes in equity		
Deferred income tax		
Net deferred income on revaluation of hedges	0	14,308
Net loss / profit on revaluation of financial instruments	0	-14,296
Income tax benefit (-) / expense (+) reported in equity	0	12

The anticipated tax rate of 30.3 % is based on the corporate income tax rate of 15 %, a solidarity surcharge of 5.5 % on corporate income tax and a trade tax rate of 14.5 %.

A reconciliation of income taxes for the fiscal years ended March 31, 2011 and March 31, 2010 using a combined statutory rate of 30.3 % for corporate and trade tax to actual income tax expense as recorded on the statement of income, is as follows:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Loss (-) before income tax	-57,302	-14,303
Notional tax income at KDH's statutory income tax rate of 30.3% (2010: 30.3%)	-17,362	-4,334
Adjustments in respect of current income tax of previous years	-11,211	-1,284
Unrecognized tax losses	-26,241	-6,175
Non-deductible expenses	43,284	38,229
Tax-free income portions	-1,460	-1,248
Other	980	600
Income tax benefit (-) / expense (+) according to the statement of income	-12,010	25,788

Deferred income taxes

Deferred income taxes at March 31, 2011 and March 31, 2010 relate to the following:

	Consolidated balance sheet		Consolidated statement of income	
	2011	2010	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€	T€	T€
Deferred income tax liabilities				
Debt issuance cost	13,615	22,623	-9,008	202
Fair value adjustments customer list	41,181	51,157	-9,976	-11,083
Depreciation on tangible assets	62,122	77,914	-15,792	-11,721
Asset retirement obligation	0	5,287	-5,287	-743
Intangible assets	3,498	3,154	139	570
Financial instruments	0	16,332	-16,332	16,332
Revenue recognition	19,915	16,645	3,270	975
Other	0	0	0	-73
Gross deferred income tax liabilities	140,331	193,112		
Offsetting with deferred tax assets	-75,721	-77,997		
Net deferred income tax liability	64,610	115,115		
Deferred income tax assets				
Tangible assets	1,872	525	-1,347	-184
Derivatives	0	18,541	18,541	-15,661
Receivables	3,909	3,405	-504	3,828
Other accruals	12,294	6,695	-5,599	496
Provision for pensions	1,950	1,914	-36	-121
Finance Lease contracts	1,342	1,018	-324	181
Tax loss carryforwards	55,727	46,107	-9,620	12,436
Gross deferred income tax assets	77,094	78,205		
Offsetting with deferred tax liabilities	-75,721	-77,997		
Net deferred income tax asset	1,373	208		
Deferred income tax charge			-51,875	-4,566

For the years ended March 31, 2011 and March 31, 2010, deferred tax assets on corporate income tax loss carry forwards of KDH in the amount of T€ 345,564 and T€ 280,916, respectively and trade tax loss carry forwards of KDH in the amount of T€ 7,194 and T€ 11,417, respectively were recognized. In accordance with IAS 12, the Group has assessed that the deferred tax assets for the trade tax loss carry forwards are probable to be realized under consideration of the German minimum taxation rules.

Deferred tax assets on further corporate income tax loss carry forwards of KDH in an amount of approximately T€ 254,000 and T€ 368,000, respectively for the years ended

March 31, 2011 and March 31, 2010 and trade tax loss carry forwards in the amount of approximately T€ 337,000 and T€ 303,000 as well as interest carry forwards under the new German interest barrier rules in the amount of T€ 328,000 and T€ 212,000, respectively, have not been recognized due to uncertain recoverability since KDH is unable to set off tax loss carry forwards against positive income within the Group.

Liabilities due to Income Taxes

The liabilities due to income taxes of T€ 85,152 and T€ 45,109, respectively for the years ended March 31, 2011 and March 31, 2010 in the consolidated statement of financial position relate to corporate and trade tax.

4.10 Profit attributable to Non-Controlling Interests

Profit attributable to non-controlling interests is comprised of KDH's portion of the profit attributable to the different minority shareholders in the Group's fully consolidated subsidiaries. Profit attributable to non-controlling interests amounted to T€ 1 compared to a loss of T€ 40 for the fiscal years ended March 31, 2011 and March 31, 2010, respectively. The total profit attributable to non-controlling interests is comprised of gains amounting to T€ 3 (prior year: T€ 1) and losses amounting to T€ 2 (prior year: T€ 41) and is attributable to Kabelcom Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mbH, Kabelcom Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mbH and Verwaltung Urbana Teleunion Rostock GmbH.

The Group has recorded T€ 1,288 and T€ 1,481 as of the period ended March 31, 2011 and 2010, respectively as interest expense. The prior year amount was formerly presented as profit attributable to non-controlling interests (for details see Section 2.2).

4.11 Earnings per Share

Basic and diluted earnings per share are calculated in accordance with IAS 33 as follows:

Basic Earnings per Share		**Diluted Earnings per Share**	
in T€	**2011**	in T€	**2011**
Loss attributable to the equity holders of the parent	-45,293	Loss attributable to the equity holders of the parent	-45,293
Reconciling items	0	Reconciling items	0
Adjusted net loss (basic)	*-45,293*	*Adjusted net loss (basic)*	*-45,293*
		Dilutive effects on net loss	0
		Net loss (diluted)	*-45,293*
Number of no par value bearer shares issued	90,000,000	Number of no par value bearer shares issued	90,000,000
Instruments affecting earnings per share	0	Instruments affecting earnings per share	0
Adjusted weighted average number of no par value bearer shares (basic)	*90,000,000*	*Adjusted weighted average number of no par value bearer shares (basic)*	*90,000,000*
		Dilutive shares	0
		Weighted average number of no par value bearer shares (diluted)	90,000,000
Basic Earnings per Share	**-0.50**	**Diluted Earnings per Share**	**-0.50**

Basic Earnings per Share		**Diluted Earnings per Share**	
in T€	**2010**	in T€	**2010**
Loss attributable to the equity holders of the parent	-40,051	Loss attributable to the equity holders of the parent	-40,051
Reconciling items	0	Reconciling items	0
Adjusted net loss (basic)	*-40,051*	*Adjusted net loss (basic)*	*-40,051*
		Dilutive effects on net loss	0
		Net loss (diluted)	*-40,051*
Number of no par value bearer shares issued	90,000,000	Number of no par value bearer shares issued	90,000,000
Instruments affecting earnings per share	0	Instruments affecting earnings per share	0
Adjusted weighted average number of no par value bearer shares (basic)	*90,000,000*	*Adjusted weighted average number of no par value bearer shares (basic)*	*90,000,000*
		Dilutive shares	0
		Weighted average number of no par value bearer shares (diluted)	90,000,000
Basic Earnings per Share	**-0.45**	**Diluted Earnings per Share**	**-0.45**

5. Other Notes

5.1 Segment Reporting

For the purposes of segment reporting, the Group's activities are split into operating segments in accordance with IFRS 8. The Group has two segments which are managed and reviewed separately and the reconciliation (representing the headquarter function and financing activities). These operating segments are defined based on the internal differentiation between the different products and service offerings of the Group. The business activities of KDH AG and its subsidiaries focus on the operation of cable television networks in Germany. Risks and rewards do not differ within the German cable network business. Therefore, a geographical segmentation is not suitable for the Group. Accordingly, the focus of review of the chief operating decision maker is based on a product and service differentiation which is reflected in the segment reporting.

The measurement principles used by the Group in preparing this segment reporting are the same as for the consolidated financial statements and therefore based on IFRS as adopted by the EU. These measurement principles are also the basis for the segment performance assessment.

There are no significant relationships between the individual segments, and therefore no intersegment relationships need to be eliminated. Any intrasegment relationships have been eliminated. It is also referred to Section 2.3.

TV Business

The Group's TV Business consists of Basic Cable and Premium-TV products and services.

The Group's Basic Cable are delivered in both the analog and digital spectrum. The current analog cable access offering consists of up to 36 television and 36 radio channels while the current digital cable access offering consists of up to 120 digital free television channels and more than 70 digital radio stations. KDH provides these Basic Cable services primarily via individual contracts with customers or collective contracts with landlords, housing associations and contracts with Level 4 network operators. Revenues are primarily generated from subscription fees.

In addition we provide Premium-TV products primarily to direct subscribers. The Group offers pay TV packages. All activities related to those packages are bundled in the Premium-TV products and services.

The pay-TV packages are branded ‘‘Kabel Digital Home’’, which offers currently more than 35 channels within seven genres, and ‘‘Kabel Digital International’’, which offers 41 channels grouped in nine different foreign languages. Moreover, the Group offers a High Definition (“HD”) pay-TV package which is branded “Kabel Digital Home HD”. It currently

contains 6 channels broadcasted in HD and another 30 Standard Definition ("SD") channels from the regular Kabel Digital Home package. The Group's customers can also subscribe to KDH's Digital Video Recorder (DVR) product, ''Kabel Digital+'', which allows several convenient viewing functions including the ability to pause real-time programs and to record up to four programs at one time to be watched by the customers at a later time at their convenience.

The Group's Premium-TV products generate revenues primarily through pay-TV subscription fees, Digital Video Recorder ("DVR") subscription services and from carriage fees which are generated from both public and private broadcasters (including the German pay-TV operator Sky Deutschland).

Internet and Phone

The Internet and Phone segment offers broadband Internet access, fixed-line and mobile phone and mobile data services to those homes which can be connected to KDH's upgraded network. In the past KDH offered broadband Internet access products with download speeds between 6 Mbit/s and 32 Mbit/s with no time or data volume restrictions. Since early 2010, the Group has offered speeds of up to 100 Mbit/s in selected cities where the network was fully DOCSIS 3.0 capable. In addition, the Group offers mobile phone and data services via a contractual relationship with a German mobile network operator.

Revenues for Internet and Phone include recurring revenues from monthly subscription and usage fees and phone interconnection revenues generated by phone traffic of third party carriers' customers being terminated in KDH's network, as well as non-recurring revenues from installation fees and the sale of CPE.

Reconciliation

Reconciliation includes all headquarter functions of the Group such as managing directors, legal and regulatory, finance, human resources, internal audit, corporate communication, investor relations, purchasing, and IT which are not allocated to the operating segments.

Segment information by business segment is as following:

	TV-Business		Internet and Phone		Reconciliation		Total Group	
	April 1 - March 31		April 1 - March 31		April 1 - March 31		April 1 - March 31	
	2011	2010	2011	2010	2011	2010	2011	2010
	T€		T€		T€		T€	
Revenues	1,132,902	1,123,064	465,990	378,486	0	0	1,598,892	1,501,550
Recurring revenues	*987,797*	*994,342*	*436,034*	*347,842*	*0*	*0*	*1,423,831*	*1,342,183*
Non-recurring revenues	*145,105*	*128,723*	*29,956*	*30,644*	*0*	*0*	*175,060*	*159,367*
Profit or loss from ordinary activities	242,903	283,870	101,566	46,264	-137,515	-128,773	206,954	201,362
Interest income	0	0	0	0	4,264	4,601	4,264	4,601
Interest expense	0	0	0	0	-272,667	-223,658	-272,667	-223,658
Income from associates	0	0	0	0	4,147	3,392	4,147	3,392
Profit or loss before taxes	242,903	283,870	101,566	46,264	-401,771	-344,438	-57,302	-14,303
Depreciation and amortization	322,287	295,927	140,508	125,594	27,358	28,645	490,153	450,166
Additions fixed assets	193,152	81,144	165,306	168,936	25,869	29,036	384,327	279,116

The decrease in profit from ordinary activities as well as in profit before taxes in the fiscal year ended March 31, 2011 compared to the prior year in the Group's TV-Business segment resulted primarily from higher non-cash expenses such as higher depreciation and amortization in the amount of T€ 26,360 and accruals related to the restructuring of the network infrastructure amounting to T€ 11,114 in the fiscal year ended March 31, 2011.

	TV-Business April 1 - March 31		Internet and Phone April 1 - March 31		Reconciliation April 1 - March 31		Total Group April 1 - March 31	
	2010	2009	2010	2009	2010	2009	2010	2009
	T€		T€		T€		T€	
Revenues	1,123,064	1,108,140	378,486	262,192	0	0	1,501,550	1,370,331
Recurring revenues	*994,342*	*990,738*	*347,842*	*243,454*	*0*	*0*	*1,342,183*	*1,234,192*
Non-recurring revenues	*128,723*	*117,401*	*30,644*	*18,738*	*0*	*0*	*159,367*	*136,139*
Profit or loss from ordinary activities	283,870	278,289	46,264	-11,254	-128,773	-130,074	201,362	136,962
Interest income	0	0	0	0	4,601	3,513	4,601	3,513
Interest expense	0	0	0	0	-223,658	-305,679	-223,658	-305,679
Accretion/Depr. on Investment	0	0	0	0	0	76	0	76
Income from associates	0	0	0	0	3,392	14,052	3,392	14,052
Profit or loss before taxes	283,870	278,289	46,264	-11,254	-344,438	-418,113	-14,303	-151,078
Depreciation and amortization	295,927	283,288	125,594	89,754	28,645	29,612	450,166	402,654
Additions fixed assets	81,144	449,660	168,936	297,822	29,036	32,949	279,116	780,432

5.2 Impairment Testing of Goodwill

Goodwill acquired through business combinations has been allocated to the TV Business and Internet and Phone cash generating units which are also reportable operating segments for impairment testing.

Carrying amount of goodwill allocated to each of the cash generating units:

	TV Business		Internet and Phone		Total	
March 31	2011	2010	2011	2010	2011	2010
	T€		T€		T€	
Goodwill	220,339	220,339	66,934	66,934	287,273	287,273

Disclosures on Impairment Tests

The Group performed its annual goodwill impairment test as of March 31, 2011 and considered the relationship between the market capitalization of KDH and the book value of KDH's equity, among other factors, when reviewing for indicators of impairment. As of March 31, 2011, the market capitalization of the Group was above the book value of KDH's equity and gave neither an indication for a potential impairment of goodwill nor for an impairment of assets of any operating segment.

The recoverable amount of the two cash generating units has been determined based on a fair value less costs to sell calculation using cash flow projections covering a five-year period.

The following paragraphs summarize key assumptions used to determine fair values less costs to sell for impairment tests regarding cash generating units to which a significant amount of goodwill is allocated.

The weighted average cost of capital after tax used for calculation of the recoverable amount for all cash generating units was determined at 7.3 % for the fiscal year ended March 31, 2011.

The measurement of the cash generating units is founded on projections that are based on financial plans that have been approved by management and are also used for internal purposes. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the planning horizon are extrapolated using in the terminal value a growth rate of 1 % for the fiscal year ended March 31, 2011. The key assumptions on which management has based its determination of fair value less costs to sell include the following assumptions that were primarily derived from internal sources and in particular reflect past experience: development of revenue, customer acquisition and retention costs, churn rates, capital expenditure, market share, and growth rates. These key assumptions are based on management estimates of how the business will perform in the future given the anticipated environment in the German cable industry. Discount rates were determined on the basis of external figures derived from the capital market. Any significant future changes in the aforementioned assumptions would have an impact on the fair values of the cash-generating units.

On the basis of information available at the balance sheet date and expectations with respect to the market and competitive environment, the recoverable amounts were estimated to be higher than the carrying amounts and management did not identify any impairments.

With regard to the assessment of fair value less costs to sell for the two units, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the respective unit to materially exceed its recoverable amount.

5.3 Other Financial Obligations and Contingencies

Leasing and Rental Obligations

KDH has entered into several long-term service agreements with DTAG. These agreements include but are not limited to usage and access agreements for underground cable ducts, fiber optic cables, co-location facilities and energy. The agreements have primarily fixed prices, either based on a monthly or unit basis, and are valid for up to 30 years. However, KDH can terminate the agreements with a notice period of 12 to 24 months.

The financial obligations as of March 31, 2011 and March 31, 2010 include the obligations arising due to the earliest possible termination date of KDH and are as follows:

Type of obligation in T€	March 31, 2011 Due up to 1 year	Due between 1 and 5 years	Due more than 5 years	Total	March 31, 2010 Due up to 1 year	Due between 1 and 5 years	Due more than 5 years	Total
1. Agreements with DTAG and subsidiaries	235,632	380,165	90,011	705,808	225,454	321,629	64,724	611,807
2. License, rental and operating lease commitments	50,315	49,346	25,394	125,055	57,220	66,112	2,604	125,936
3. Other	37,565	6,534	550	44,649	11,417	4,651	826	16,894
Total	323,512	436,045	115,955	875,512	294,091	392,392	68,154	754,637

The lease payments for cable ducts are T€ 103,278 and T€ 103,303 for the fiscal years ended March 31, 2011 and March 31, 2010, respectively. While the Group has the legal right to cancel the agreements for the lease of the cable ducts with a notice period of 12 to 24 months, the technological requirements to replace leased capacity represent economic penalties which would result in the reasonably assured renewal of the leases for a certain period of time. Originally Management expected that for 30 % of the leased capacity, the economic penalties would require renewal of the contracts for 15 years, when the Group believed it would have the ability to replace the capacity. This resulted in a non-cancelable lease term of estimated 15 years for this portion of the leased cable ducts. Due to the technical restructuring in the fiscal year ended March 31, 2011 approximately two thirds of the 30 % of the leased capacity were cancelled ahead of schedule, and the remaining portion retained its 15 years lease term. For the remaining 70 %, the lease term is expected to include all renewal periods under the agreement, resulting in a non-cancelable lease term through March 31, 2033, after which time the lease can be canceled at the option of DTAG. As of March 31, 2011 and 2010 the total financial obligations for cable ducts amounted to T€ 1,807,139, and T€ 1,910,404, respectively.

In the fiscal years ended March 31, 2011 and March 31, 2010, KDH had leasing expenses amounting to T€ 176,836 and T€ 175,142, respectively, including the majority of the expenses related to the SLAs.

Contingencies

On December 23, 2008 the collecting society GEMA filed arbitration proceedings against KDG and KDVS claiming information about the number of subscribers of the Pay-TV package Kabel Digital Home and claiming for damages due to an alleged copyright infringement from the launch date of the package until now. The Group believes that these claims are either unjustified since the content owners licensed any required rights to KDVS or are obliged to indemnify KDVS in case of an infringement of third party rights. The amount of the claim for damages has not yet been quantified. GEMA and the Group are currently negotiating bilaterally about a possible settlement. For this reason GEMA and the Group decided to defer the proceedings until end of May 2011.

General Risks

In the course of its business activities, the Group faces general economic risks due to relationships with customers, suppliers and employees. In addition, general risks exist regarding obligations under legal and tax authorities. Currently there are no proceedings related to these risks.

5.4 Related Parties

In accordance with IAS 24, persons or companies which are in control of or controlled by KDH must be disclosed, unless they are already included as consolidated companies in KDH's consolidated financial statements. Control exists if a shareholder owns more than one half of the voting rights in KDH or, by virtue of an agreement, has the power to control the financial and operating policies of KDH's management.

The disclosure requirements under IAS 24 also extend to transactions with associated companies as well as transactions with persons who have significant influence on KDH's financial and operating policies, including close family members and intermediate entities. Significant influence is deemed to be exerted by persons holding an interest in KDH of 20 % or more, a seat on the management board or the supervisory board, or other key management positions.

The transactions of KDH Group with associated companies are all attributable to the ordinary activities of these respective entities.

LuxCo is the largest shareholder of KDH. At the beginning of the fiscal year LuxCo held the majority stake approximating 61.67 % before it reduced its shareholding to 43.68 % on October 4, 2010 and further to 21.92 % on March 8, 2011. Therefore, LuxCo has to be regarded as a related party under IAS 24 at least until October 4, 2010 and further, until the end of the fiscal year, it had significant influence due to the remaining shareholding. LuxCo itself is dependent on various other entities all having their corporate seat in George Town, Grand Cayman, (the "Cayman Entities"). Therefore, KDH's relationship to these Cayman Entities is also considered as dependent.

Related Party Transactions

The Group entities conducted the following transactions based on deliveries and services rendered with related parties in the fiscal years ended March 31, 2011 and 2010:

On May 19, 2010 KDH AG and Providence Equity LLP, an affiliated undertaking of LuxCo or the Cayman Entities, respectively, concluded upon an agreement about consultancy services to be provided by Providence Equity LLP, in particular with regard to the regular review and further development of KDH's strategy, financing issues, increase of operative and organisational efficiency and excellence, optimisation of processes, the continued analysis of

financial development and the development of the yearly budget. As remuneration Providence Equity LLP receives a monthly lump sum fee amounting to T€ 10. As of March 31, 2011, an amount of T€ 126 for consultancy services including out-of-pocket expenses in the amount of T€ 22 was accrued.

LuxCo recharged professional services related to the conversion/foundation of KDH AG which are to be borne by KDH AG in the amount of T€ 36 to KDH AG. This goes back to services rendered by a law firm related to the IPO and the conversion as well as the corresponding foundation of KDH AG which were altogether invoiced to LuxCo.

In April and May 2007, KDVS, as lender, entered into two loan agreements with the Cayman Cable Holding L.P. ("Cayman Cable") as borrower. As of September 1, 2009, the two agreements were replaced by a new revolving loan agreement up to € 35 million with an interest rate of 12 % per annum. Pursuant to a transfer agreement dated January 20, 2010, with the consent of KDVS, LuxCo replaced Cayman Cable as the borrower effective January 21, 2010. As of March 26, 2010, the principal amount outstanding under this loan agreement was € 25.8 million and the accrued interest was € 1.7 million. Principal and interest were completely repaid on that date.

On September 1, 2009, KDVS as lender and LuxCo as borrower entered into a loan agreement about the aggregate amount of € 2.5 million. Interest was payable at a rate of 12 % per annum. As of March 26, 2010, the principal amount outstanding under this loan agreement was € 1.1 million and the accrued interest amounted to T€ 75. Principal and interest were completely repaid on that date.

KDH AG and Cayman Cable entered into a loan agreement dated February 15, 2007, pursuant to which the Cayman Cable borrowed an aggregate amount of € 2.9 million. The parties replaced this agreement with a new loan, under which interest is paid in kind, effective as of September 1, 2009 under which the Cayman Cable borrowed a principal amount of € 2.9 million, which was already paid to it under the prior loan agreement. Interest was payable at a rate of 12 % per annum. Pursuant to a transfer agreement dated January 20, 2010, with the consent of KDH AG all obligations under the loan were transferred from the Cayman Cable to LuxCo effective January 21, 2010. As of March 26, 2010, the principal amount outstanding under this loan agreement was € 2.6 million and the accrued interest amounted to T€ 186. Principal and interest were completely repaid on that date.

As of September 1, 2009, KDH AG as lender and LuxCo as borrower entered into a loan agreement for a loan of € 0.8 million. Interest was payable at a rate of 12 % per annum. As of March 26, 2010 the principal amount outstanding under this loan agreement was € 0.8 million and the accrued interest amounted to T€ 53. Principal and interest were completely repaid on that date.

KDVS sold goods and services to Kabelfernsehen Muenchen Servicenter GmbH & Co. KG of T€ 3,730 and T€ 4,022 in the fiscal years ended March 31, 2011 and 2010 and had no

outstanding receivables due from Kabelfernsehen Muenchen Servicenter GmbH & Co. KG. These sold goods and services relate to signal delivery agreements with Kabelfernsehen Muenchen Servicenter GmbH & Co. KG in the ordinary course of business.

Transactions with Members of the Management Board

The following information concerning the compensation of the members of the Management Board comprises the disclosures required by law under the German Commercial Code (HGB) as well as the information specified in the guidelines set out in the German Corporate Governance Code.

Management Board

As of March 31, 2011 the Management Board of KDH AG comprises four members who also hold offices as managing directors of KDG.

In total, Management remuneration for performing services for KDH AG and its subsidiaries was T€ 11,030 and T€ 6,360 for the fiscal years ended March 31, 2011 and March 31, 2010, respectively. This includes total short-term employee benefits received (comprising annual fixed salaries, variable annual bonuses and various typical fringe benefits) of T€ 3,499 and T€ 2,923, as well as deferred pension benefits in the amount of T€ 311 and T€ 306 for the fiscal years ended March 31, 2011 and March 31, 2010, respectively. Additionally, KDH has recorded non-cash share-based benefit expenses (included in the above mentioned total amount) based on the Group's Long-Term Incentive Plan (LTIP) in the fiscal year ended March 31, 2011 in the amount of T€ 7,220. In the fiscal year ended March 31, 2010, KDH recorded non-cash share-based benefit expenses (included in the above mentioned total amount) based on the Management Equity Participation Programs (MEP) in the amount of T€ 3,131.

The total compensation of the members of the Management Board for the fiscal year ended March 31, 2011 is comprised of different components: (i) an annual fixed salary paid out in equal monthly installments, (ii) deferred pension benefits, (iii) a variable annual bonus subject to the attainment of certain performance targets, (iv) various typical fringe benefits and, (v) non-cash share-based benefits based on the participation in the Group's Long-term Incentive Plan (LTIP).

By resolution of the Annual General Meeting of March 15, 2010, KDH has availed itself of the exemption granted under Section 314 para. 2 HGB in conjunction with Section 286 para. 5 HGB. Accordingly, the compensation of the members of the Management Board does not have to be disclosed individually and by amount of the individual components as required by Section 314 para.1 No. 6 (a) sentences 5 to 9 HGB (in the statutory version as applicable until August 4, 2009 and for financial statements for periods beginning before January 1, 2010). Further details regarding the compensation system relating to the members of the Management Board are set out in the Group Management Report.

Former Members of Management and their surviving dependents

In the fiscal year ended March 31, 2011 former managing directors of the Group and their surviving dependents received pension payments in a total amount of T€ 11 (prior year: T€ 11). For the fiscal year ended March 31, 2011 pension liabilities in a total amount of T€ 113 related to former managing directors were recorded (prior year: T€ 116).

Supervisory Board

For members of the Supervisory Board, remuneration in the amount of T€ 452 has been expensed for the fiscal year ended March 31, 2011. The Supervisory Board was formed in the context of the transformation of KD HoldCo into a stock corporation on February 19, 2010. Members of the Supervisory Board who serve as regular members, chairman, or vice-chairman of the Supervisory Board or are a member of a committee for only part of a fiscal year are compensated on a pro rata basis.

Further details regarding the compensation system relating to the members of the Supervisory Board are set out in the Group Management Report.

Other transactions with Members of the Management Board

Some members of the Management Board obtained loans in the past from Cayman Cable which have been transferred to LuxCo in a total amount of T€ 2,160 with interest rates ranging from 5 % to 5.5 % p.a. These loans have been repaid during the fiscal years ended March 31, 2010 and 2011. Therefore, as of March 31, 2011 no loans were outstanding (prior year: outstanding principal amount T€ 808). Interest payable for the fiscal year ended March 31, 2011 amounted to T€ 38 (prior year: T€ 123).

5.5 Long-Term Incentive Plan (“LTIP”)

As of the beginning of the fiscal year ended March 31, 2011, a new compensation structure for KDH AG and its subsidiaries in conformity with the requirements of the German Stock Corporation Act (Aktiengesetz, ”AktG”) and German Corporate Governance Code has taken effect.

With this new compensation structure taking effect on April 1, 2010, KDH AG and its subsidiaries have introduced a new long-term, performance-based variable compensation component, the Long-Term Incentive Plan ("LTIP"). This new LTIP compensation scheme comprises two stock-based components – the annual grant of virtual performance shares (“LTIP I”) and the one-time grant of virtual stock options (“LTIP II”) – for both, members of the Management Board and selected members of Senior Management.

The Company applies IFRS 2 “Share-Based Payment” to the LTIP compensation components. Under IFRS 2, plans which result in share-based payment transactions have to be accounted for as cash-settled if the interest holder will receive a payment in cash upon

settlement rather than the underlying equity instruments. Due to the characteristics of newly introduced LTIP components comprising virtual performance shares and virtual stock options, the Group will have to settle these plans in cash rather than in its own shares.

The amendments to IFRS 2 "Group Cash-Settled Share-Based Payment Transactions" issued in June 2009 have no effect with regard to the classification of the LTIP components since KDH AG or its subsidiaries themselves are the settling entities. For cash-settled share-based payment transactions, IFRS 2 requires the settling entities to account for share-based payments to employees as personnel expense and a corresponding increase in other non-current liabilities.

Virtual performance shares (LTIP I)

On the basis of the first LTIP component, members of the Management Board have been allotted 80,000 virtual performance shares for the fiscal year ended March 31, 2011, each of which has been granted with a grant price of € 22 per share (share price at IPO) resulting in a total value of T€ 1,760 at grant date. Additionally, the Management Board has been entitled by the Supervisory Board to allot up to 109,000 virtual performance shares to members of Senior Management (grant price of € 22 per share resulting in a total value of all allotted shares of T€ 2,398 at grant date). The grant date for all virtual performance shares issued as one component of the LTIP has been April 1, 2010. In the third quarter, the Management Board – entitled by the Supervisory Board – has allotted 3,500 additional virtual performance shares to members of Senior Management retroactively with effect as of April 1, 2010. The total value of these additional virtual performance shares at grant date was T€ 77. The virtual performance shares will be due for payout four years from grant ("Vesting Period"), provided that certain performance targets are reached within this Vesting Period. Performance targets have been defined based on the total shareholder return of KDH AG stock relative to the MDAX during the four-year Vesting Period. If the development of the total shareholder return of KDH AG stock during the Vesting Period corresponds to the development of the MDAX, the performance target has been reached with 100 % vesting. In this case, 100 % of the virtual performance shares are paid out. The relevant stock price is the price of KDH AG stock on the date of vesting (average volume-weighted stock price during the last 30 trading days preceding the vesting date). If the development of the total shareholder return of KDH AG stock beats the development of the MDAX over the four-year Vesting Period by up to 40 %-points, the number of virtual performance shares due for payout will increase up to 200 % (i.e., twice the virtual performance shares originally granted). If the total shareholder return of KDH AG stocks fall 20 %-points short of the development of the MDAX only 50 % of the originally granted virtual performance shares are vested and settled. Straight-line interpolation will be applied between the upper and lower thresholds. The performance target is not reached, and virtual performance shares are not paid out and are forfeited, if the development of the total shareholder return of KDH AG stock falls short of the development of the MDAX by more than 20 %-points during the Vesting Period. Also if the development of the total shareholder return of KDH AG stock falls below the development of the MDAX over the four-year Vesting Period and, at the same time, the price of

KDH AG stock plus any paid dividends, has dropped below the price of KDH AG stock at the time of grant.

In the event of unusual developments, the Supervisory Board may limit the number of virtual performance shares subject to pay out.

The fair value of these virtual performance shares is based on observable market prices, namely the price of KDH AG stock at the Frankfurt Stock Exchange at each reporting date. Based on the contractual basis, no other elements have to be included in the valuation of the virtual performance shares. The share price (and any dividend payments) is the only factor determining the fair value of such virtual performance shares.

For the fiscal year ended March 31, 2011, the Group has recognized total personnel expenses of T€ 3,640 related to the virtual performance shares based on changes in the fair value and vesting including the effect from the additional grant in the quarter ended December 31, 2010. Fair value changes resulted primarily from the increase in the share value of KDH AG shares to € 37.40 as of March 31, 2011 and the increased number of virtual performance shares expected to be allotted due to the above-average performance of the KDH AG share compared to the MDAX.

The total liability due to virtual performance shares issued as an element of LTIP and recognized in the consolidated statement of financial position as of March 31, 2011 amounted to T€ 3,640. This liability was recorded in other non-current liabilities.

Virtual Stock Options (LTIP II)

Members of the Management Board have been granted 800,001 virtual stock options on a single occasion with a grant date as of April 1, 2010. Additionally, the Management Board has been entitled by the Supervisory Board to grant such virtual stock options also to selected members of Senior Management. The total number of virtual stock options that can be granted to such managers has been initially 1,090,000. In the third quarter, the Management Board – entitled by the Supervisory Board – has allotted 35,000 additional virtual stock options to selected members of Senior Management retroactively with effect as of April 1, 2010. The virtual stock options will vest in tranches. After two years 40 % vest, on the third anniversary an additional 30 % and on the fourth anniversary the remaining 30 %, provided that in each case particular performance targets are reached. Performance targets have been defined based on operating performance (EBITDA) and share price performance. Catch-up vesting is allowed if the share price performance exceeds the relevant performance target at a later point in time and the managers are still employed by the Group. Provided that the relevant performance targets are reached, virtual stock options may for the first time be exercised after four years within a two-year exercise period (which may under exceptional circumstances be extended by up to two years at the discretion of the Supervisory Board or, with respect to the Senior Management, the Management Board). If virtual stock options are exercised, the difference between the price of KDH AG stock on the grant date (“Strike Price”) and the volume-weighted

average closing price of KDH stock in XETRA trading over the last 30 days prior to the exercise date will be paid out.

In the event of unusual developments, the Supervisory Board may limit the number of virtual stock options subject to pay out.

The following table summarizes the information regarding the virtual stock options granted as part of the LTIP:

	LTIP Virtual Stock Options	
	Number of Virtual Stock	Weighted Average Exercise
		€
Outstanding as of April 1, 2010	**0**	**-**
Granted	1,925,001	22.00
Forfeited	0	-
Exercised	0	-
Expired	0	-
Outstanding as of March 31, 2011	**1,925,001**	**22.00**
Exercisable as of March 31, 2011	0	-

All virtual stock options outstanding as of March 31, 2011 have an exercise price as of that date of € 22.00 and a remaining contractual life of 5.00 years.

The measurement of the fair value of the virtual stock options at grant date and each consecutive date is based on the Black-Scholes Option Pricing Model. The main parameters are the fair value of the KDH AG stock based on the observable market price at Frankfurt Stock Exchange, expected volatility of the values of the KDH AG stock, the estimated term of the options and the risk free interest rate on the valuation dates (based on the estimated average life of the options of six years). Expected future dividend payments have been included in the calculation as far as applicable.

The information on how the fair value of the virtual stock options has been measured is summarized in the following table:

LTIP Virtual Stock Options

Grant Date	Number of Virtual Stock Options	Risk Free Interest Rate at Grant Date	Fair Value of Options at Grant Date	Grant Value	Fair Value of Options at Measurement Date
		%	T€	T€	T€
April 1, 2010	1,925,001	2.51	11,373	42,350	36,623

For the fiscal year ended March 31, 2011, the Group has recognized personnel expenses of in total T€ 13,733 related to the virtual stock options based on changes in the fair value and vesting including the effect from the additional grant in the quarter ended December 31, 2010. Fair value changes resulted primarily from the underlying increased fair value due to

the increase in the share value of KDH AG shares to € 37.40 as of March 31, 2011.

The total vested liability due to virtual stock options issued as an element of LTIP and recognized in the consolidated statement of financial position as of March 31, 2011 amounted to T€ 13,733. This liability was recorded in other non-current liabilities.

5.6 Financial Instruments

KDH is exposed to market risks primarily from changes in interest rates. Until the full redemption of the US Dollar denominated Senior Notes on January 7, 2011, KDH was also exposed to changes in currency exchange rates. These market risks can impact KDH's operating results and overall financial condition. KDH manages its exposure to these market risks through its operating and financing activities and, when deemed appropriate or required by other agreements, through hedging strategies that utilize derivative financial instruments. The main strategy is to avoid or to mitigate risks, e.g. currency risk by entering into currency swaps or the risk of variable interest payments by entering into interest rate swaps and buying caps. Derivative instruments are only used to hedge existing or prospective transactions.

Of KDH's financial instruments, only the Senior Notes bore fixed interest and a fair value interest rate risk, whereas the bank loans bear variable interests and cash flow interest rate risks.

The Group had incurred debt that was denominated in US Dollars and Euros, primarily via bond issues and bank borrowings. The total notional amount of debt denominated in US Dollar was TUS $ 0 and TUS $ 610,000 as of March 31, 2011 and March 31, 2010, respectively. As a result, KDH was exposed to risks from changes in exchange rates until the full redemption of the US Dollar denominated Senior Notes. The Group is still exposed to risks from changes in interest rates.

Risks were initially hedged by way of naturally closed positions in which the values or the cash flows of primary financial instruments were matched in terms of maturity and amounts. Any residual risks were mitigated by way of conventional derivative financial instruments, if deemed necessary.

As of the balance sheet date KDH had no derivative financial instruments in place. In the previous year notional amounts of derivative financial instruments amounted to T€ 505,553, consisting of currency swaps in the maturity bracket of one to five years, which related to the US Dollar denominated Senior Notes.

Currency Swaps

On July 2, 2004 KDG issued T€ 250,000 of 10.75 % Senior Notes (Euro Notes) due in 2014 and TUS $ 610,000 of 10.625 % Senior Notes (US $ Notes) due in 2014 (together the 2014 Senior Notes). With respect to the 2014 Senior Notes, the Company entered into hedge agreements with various banks swapping 100 % of the US-Dollar denominated principal (TUS $ 610,000) and interest payments into Euro denominated principal (T€ 505,553) and interest payments at a fixed rate of 11.1695 % (before July 1, 2009: 10.2046 %) until July 1, 2011.

KDH originally entered into a derivative agreement swapping 100 % of the US Dollar denominated principal and interest payments into Euro denominated principal and interest payments at a fixed rate over five consecutive years with various banks. The agreed exchange rate is US $ 1.2066 for each Euro. The weighted average Euro fixed rate was 10.2046 % and these cross currency swaps matured on July 1, 2009.

In 2009 KDH negotiated new swap agreements which effectively prolonged the original currency hedges by two years until July 2011. By March 31, 2010 100 % of the US Dollar denominated principal and interest payments with respect to the Group's 2014 Senior Notes were swapped into Euro at the same rate of US $ 1.2066 for each Euro. The new swap agreements ran from July 2009 until July 2011 with a weighted average Euro fixed rate of 11.1695 %.

As of March 31, 2010 the existing currency swaps have been accounted at fair value through profit or loss. Accordingly the changes in fair value for the new swaps and the currency translation of the US Dollar Tranche of the Senior Notes in accordance with IAS 21 have been recognized through profit or loss. The original currency swaps that matured on July 1, 2009 were accounted for using cash flow hedge accounting. Changes in the fair value of the currency swaps were recognized directly in equity under cash flow hedge reserve. The accumulated amount was released to profit or loss insofar as the hedged transaction was ineffective or affected profit or loss of the year.

Synchronized with the redemption of the US Dollar Senior Notes the Group also terminated the related currency hedges and all the corresponding effects were recorded in the statement of income in the fiscal year ended March 31, 2011. The total impact on profit amounts to T€ 6,778 for the fiscal year ended March 31, 2011. Since January 7, 2011 KDH has no currency hedging instruments in place.

Interest Rate Swaps and Caps

From April 1 until April 30, 2009 and from May 1 until June 27, 2009 KDH had been invested in interest rate swaps and caps with total notional amounts of T€ 756,091 and T€ 506,091, respectively.

Since July 2009 KDH has no interest hedging instruments in place.

Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It arises principally from receivables of customers. The exposure to credit risk is influenced primarily by the individual characteristics of each customer. The maximum exposure to credit risk of financial assets including trade receivables amounts to T€ 117,304.

For all payments underlying the financial instruments, collateral like guarantees must be requested, credit ratings/references obtained and a track record of prior business relations used in order to minimize the credit risk depending on the nature and extent of the respective payments. Without taking into account any collateral or other credit enhancements, the carrying amount of financial assets of T€ 117,304 represents the maximum exposure to credit risk.

Impairment losses are recognized for any credit risks associated with the financial assets. The credit risk associated with derivative financial instruments is minimized in that only counterparties with top credit ratings are selected. For this reason, the general credit risk relating to the derivatives used by the Group is not considered to be significant. No concentration of credit risks from business relations with individual debtors is evident.

Interest Rate Risk

As of balance sheet date all of KDH's financial liabilities of T€ 2,775,387 are exposed to variable interests and cash flow interest rate risks. Hence, any significant increase in base rates will directly lead to a significant increase of KDH's interest expenses. Therefore, KDH closely tracks the interest rate environment and is prepared to engage into interest rate hedging transactions when deemed to be favorable.

Interest rates on the Senior Credit Facility of T€ 2,060,000 are based on one, two, three or six month EURIBOR. Interest rates on the PIK Loan of T€ 715,387 are based on six month EURIBOR. Until June 2009 KDH's interest payment risk was mitigated by the derivatives described.

Liquidity risk

Liquidity risk represents the risk that liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In order to ensure liquidity the Group has unused Senior Credit Facilities and other lines of credit amounting to T€ 325,000 at March 31, 2011 and March 31, 2010. Future cash outflows arising from financial liabilities that are recognized in the consolidated statement of financial position are presented in the following table. This includes payments to settle the liabilities and interest payments as well as cash outflows from cash settled derivatives with a negative market value in the prior year. Financial liabilities that are repayable on demand are included on the basis of the earliest date of repayment according to the contractual terms. Deviating from this only the Group's financial liabilities related to the PIK Loan reflect voluntary interest prepayment dates. Based on the contractual terms the PIK Loan

and related interest had to be repaid in the amount of T€ 206,389 within one year and of T€ 716,113 between three and five years. The re-acquisition of T€ 200,000 of the PIK Loan at par value plus related accrued interest on April 7, 2011 is included in the up to one year period. Cash flows for variable interest liabilities are determined with reference to the market conditions at the balance sheet date.

March 31, 2011	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	**Total**
	T€	T€	T€	T€	**T€**
PIK Loan	265,377	86,586	542,867	0	**894,830**
Senior Credit Facility	117,026	1,887,929	439,772	0	**2,444,727**
Trade payables	266,178	0	0	0	**266,178**
Finance lease liabilities	11,780	3,109	2,186	6,323	**23,398**
Other financial liabilities	39,490	3,017	143	0	**42,650**
Total	**699,851**	**1,980,641**	**984,968**	**6,323**	**3,671,783**

March 31, 2010	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	After 5 years	**Total**
	T€	T€	T€	T€	**T€**
PIK Loan	60,403	153,385	884,622	0	**1,098,410**
Senior Notes	83,343	166,686	859,731	0	**1,109,760**
Senior Credit Facility	77,635	417,071	1,542,059	0	**2,036,765**
Trade payables	239,329	0	0	0	**239,329**
Finance lease liabilities	10,665	10,851	0	0	**21,516**
Other financial liabilities	26,477	0	0	0	**26,477**
Derivative financial liabilities	8,558	57,647	0	0	**66,205**
Total	**506,410**	**805,640**	**3,286,412**	**0**	**4,598,462**

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating to reduce risks from its highly leveraged financing structure by steering the ratios of senior net borrowings to EBITDA and EBITDA to net interest (see Section 3.11.2). KDH keeps in close contact with its lenders and rating agencies in order to be as transparent as possible for the investors. The Group is constantly in discussions with banks and other financial experts to monitor capital market conditions and to find ways to optimize KDH's capital structure.

The Group's ability to make payments and to refinance its debt, as well as to fund future operations and capital expenditures, will depend on future operating performance and the ability to generate sufficient cash. Accordingly the Group manages its capital structure and makes adjustments to it in light of changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the years ended March 31, 2011 and 2010 respectively.

Carrying amounts and Fair Values of Financial Instruments

The following table presents the carrying amounts and fair values of financial assets and liabilities in accordance to the definitions and categories of IAS 39 described under Section 2.7.

	Category according to IAS 39	March 31, 2011		March 31, 2010	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
		T€		T€	
Financial assets measured at cost or amortized cost					
Cash and cash equivalents	LaR	28,335	28,335	271,345	271,345
Trade receivables	LaR	83,030	83,030	87,955	87,955
Other current financial assets	LaR	5,939	6,363	5,333	5,333
Total loans and receivables	LaR	117,304	117,728	364,633	364,633
Financial liabilities measured at cost or amortized cost					
Current financial liabilities	FLAC	208,528	208,528	23,084	23,084
Trade payables	FLAC	266,178	266,178	239,329	239,329
Other financial liabilities	FLAC	39,192	39,192	31,533	31,533
PIK Loan	FLAC	527,605	527,605	710,272	710,272
Senior Notes	FLAC	0	0	677,562	739,646
Senior Credit Facility	FLAC	2,018,604	2,018,604	1,643,000	1,643,000
Total financial liabilities measured at amortized cost	FLAC	3,060,107	3,060,107	3,324,780	3,386,864
Other current financial liabilities					
Finance lease liabilities	n/a	10,669	10,756	9,535	9,629
Other non-current liabilities					
Finance lease liabilities	n/a	7,274	7,282	10,444	10,478
Financial liabilities measured at fair value through profit and loss					
Non-current financial liabilities					
Derivatives without a hedging ralationship	FLHfT	0	0	61,190	61,190
Total financial liabilities measured at fair value through profit and loss		0	0	61,190	61,190

The terms have the following respective meanings:

“LaR” refers to Loans and Receivables
“FLAC” refers to Financial Liabilities Measured at Amortized Cost
“FLHfT” refers to Financial Liabilities Held for Trading

The carrying amounts of the Group’s cash and cash equivalents, trade receivables and payables, short-term loans, as well as other current liabilities, in view of their short terms as of March 31, 2011 and 2010, are effectively equal to their fair values as they have interest rates

based on variable interest rates that change in line with the market. Using a discounted cash flow analysis based on the current lending rate for an identical loan term, the fair value of the Group's long-term, fixed-rate liabilities is estimated as the net present value of future payments, using yield curves obtained by banks and money market observations. Due to the complexity inherent in such an estimate, the estimate may not necessarily reflect actual market values. Different market assessments or procedures may therefore significantly influence the fair value estimate. For derivatives the Group used the hierarchy level 2 as valuation technique for determining and disclosing the fair value of financial instruments. Level 2 valuation technique is characterized as other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

The following table shows net gains or losses of financial instruments according to categories of IAS 39 recognized in the Consolidated Statement of Income:

	Fiscal Year Ended March 31,	
	2011	2010
	(in T€)	
Loans and Receivables	-18,140	-19,116
Financial assets and liabilities at fair value through profit or loss	9,060	-51,686
Financial liabilities measured at amortized cost	-31,175	53,902
	-40,255	**-16,900**

Net losses on loans and receivables contain primarily changes in allowances for trade receivables, gains or losses on write offs as well as recoveries of amounts previously written off.

Net gains (prior year: losses) on financial assets and liabilities at fair value through profit or loss include the effects from the fair value measurement of the derivatives that are not part of a hedge accounting relationship. For the fiscal year ended March 31, 2011, the derivatives consist of Currency Swap.

Net losses (prior year: gains) on financial liabilities measured at amortized cost include effects from foreign currency translation and from early settlement.

Based on the cancellation of the currency swaps no derivative financial instruments have to be recorded as of March 31, 2011. The fair values of the derivative financial instruments as of the balance sheet date March 31, 2010 have been estimated as net present values (discounted by market yield curves) of the future payments.

They are as follows:

Instrument	Notional amount	Fair value	Recognized in statement of operations	Recognized in equity
	March 31, 2010	March 31, 2010	April 1, 2009 - March 31, 2010	April 1, 2009 - March 31, 2010
	T€	T€	T€	T€
Interest rate swap	0	0	2,830	0
Currency swap	505,553	-61,190	-50,845	0
Total	505,553	-61,190	-48,015	0

Sensitivity analysis

KDH prepares sensitivity analysis that shows how loss before taxes would have been affected by changes in the relevant market risk variables that were reasonably possible at the balance sheet date.

Interest rate risks result from the variable interest rates (EURIBOR) on KDH's bank loans (PIK Loan and Senior Credit Facility). The negative/positive effect on net income and equity for a 100 basis point increase/decrease of the base interest rate would be T€ 30,099 and T€ 29,780, respectively. The effect of interest rate changes on interest expense for bank loans with variable interest rates is calculated based on the risk exposure at the balance sheet date.

The fixed rate Senior Notes which were excluded from the analysis for the previous year were measured at amortized cost so that changes in interest rates did not affect net income. As of the balance sheet date the Senior Notes have been fully repaid so that all of KDH's debt is exposed to variable interest rate risk. Under this approach the interest rate sensitivity is as follows:

in T€	Effect on net income and equity	
	Increase of the base interest rate of 100 basis points	Decrease of the base interest rate of 100 basis points
March 31, 2011		
Bank loans with variable interest rate	-30,099	29,780
	-30,099	29,780
March 31, 2010		
Bank loans with variable interest rate	-24,883	24,751
	-24,883	24,751

In prior year foreign currency risks resulted from the US Dollar denominated Senior Notes as described in Section 3.11.2. Future cash flows for the repayment of the principal and interest payments were fully hedged with derivative instruments initially through to July 2011. A 1 % increase (decrease) in the USD/EUR exchange rate subsequently to that would have resulted in an incremental increased (decreased) notional amount to be repaid in 2014 of approximately T€ 5,100. Further a 1 % increase (decrease) in the USD/EUR exchange rate would have resulted in an incremental increased (decreased) annual interest payment of approximately T€ 540 after expiry of the currency hedge in 2011. The 1 % change in the USD/EUR exchange rate would have resulted in an opposite fair value changed for the related currency hedges.

Synchronized with the redemption of the US Dollar Senior Notes the Group also terminated the related currency hedges and all the corresponding effects were recorded in the statement of income in the fiscal year ended March 31, 2011.

5.7 Group Companies

	Fully consolidated companies (IFRS 3)	Registered Office	Share-Holding in %
1	Kabel Deutschland Holding AG	Unterfoehring	
2	Kabel Deutschland GmbH	Unterfoehring	100.00
3	Kabel Deutschland Verwaltungs GmbH	Unterfoehring	100.00
4	Kabel Deutschland Vertrieb und Service Beteiligungs Verwaltungs GmbH	Unterfoehring	100.00
5	Kabel Deutschland Vertrieb und Service Beteiligungs GmbH & Co. KG [1)]	Unterfoehring	100.00
6	Kabel Deutschland Vertrieb und Service GmbH & Co. KG [1)]	Unterfoehring	100.00
7	Kabel Deutschland Vermögen Beteiligungs Verwaltungs GmbH	Unterfoehring	100.00
8	Kabel Deutschland Vermögen Beteiligungs GmbH & Co. KG [1)]	Unterfoehring	100.00
9	Kabel Deutschland Vermögen GmbH & Co. KG [1)]	Unterfoehring	100.00
10	Kabel Deutschland Breitband Services GmbH	Unterfoehring	100.00
11	Kabel Deutschland Stralsund GmbH	Unterfoehring	100.00
12	TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00
13	TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG [1)]	Kaiserslautern	100.00
14	Urbana Teleunion Rostock GmbH & Co. KG [1)]	Rostock	70.00
15	Verwaltung Urbana Teleunion Rostock GmbH	Rostock	50.00
16	BMH Berlin Mediahaus GmbH	Unterfoehring	100.00
17	KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Braunschweig	99.58
18	KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Braunschweig	97.65
19	Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00
20	Kabel Deutschland Vierte Beteiligungsgesellschaft mbH	Unterfoehring	100.00
21	Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00

[1)] The Company applies Section 264b HGB and therefore is released from the preparation, audit and publication of the statutory financial statements as of March 31, 2011 for the above mentioned companies.

	Companies consolidated at equity (IAS 28)	Registered Office	Share-Holding in %
22	Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung - Beteiligungsgesellschaft	Munich	24.00
23	Kabelfernsehen München Servicenter GmbH & Co. KG	Munich	30.22

5.8 Particular Events after the Balance Sheet Date

On April 7, 2011, the Group has re-acquired € 200 million of its outstanding PIK Loan at par value plus related accrued and unpaid interest of € 6.4 million for a total cash-out of € 206.4 million.

On May 9, 2011 the Group launched a formal request to amend its Senior Credit Facility in a way that its Senior Net Debt to EBITDA covenant will be temporarily increased from 3.5x to 4.25x as of June 30, 2011, stepping back down to the original level of 3.5x by December 31, 2012. With the increased headroom, the Group improves its flexibility to issue new senior secured debt, which would allow for earlier redemption of its 2014 PIK loans. On May 23, 2011 the amendment was effectively approved since by then lenders holding more than the required 66.7 % of the senior credit facility consented.

5.9 Management and Supervisory Board

Management Board

Name	Position	Member of supervisory boards or comparable supervisory bodies
Dr. Adrian v. Hammerstein	**Chairman of the Management Board** Chief Executive Officer	Vice president of ANGA Verband Deutscher Kabelnetzbetreiber e.V. Board member of Münchner Kreis - Übernationale Vereinigung für Kommunikationsforschung e.V. Board member of BITKOM Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.
Paul Thomason	Chief Financial Officer	none
Dr. Manuel Cubero del Castillo-Olivares	Chief Operating Officer	Vice president of Cable Europe (European Cable Communications Association)
Erik Adams	Chief Marketing Officer	none

Supervisory Board

Name	**Position**	**Member of comparable supervisory bodies of other companies:**
<u>Representatives of the Shareholders:</u>		
Tony Ball	**Chairman of the Supervisory Board** Entrepreneur	Non-executive board director of ONO SA Board member of Olympic Delivery Authority (ODA) London 2012 Non-executive board director of British Telecom Group PLC Chairman of advisory counsel of Portland PR
John Carl Hahn	Managing director of Providence Equity Partner LLP	Director of Digiturk Director of Com Hem AB Director of Grupo Corporativo Ono Director of Volia Cable
Biswajit Subramanian	Managing director of Providence Equity Advisors India Private Ltd.	Non-executive board member of IDEA Cellular Ltd. Non-executive board member of ABTL Ltd.
Martin David Stewart	Chartered accountant and entrepreneur	Non executive director and Chair of the Audit Committee of the London Organising Committee for the Olympic and Paralympic Games (Locog) Ltd. Non executive director and Chair of the Audit Committee of SIS Ltd. Chairman of the Board of EurotaxGlass's Group AG
Robert Sudo	Vice president of Providence Equity Partner LLP	Director of Com Hem AB
Ian West	Entrepreneur and investor in several companies in the TMT sector and outside	Non-executive board director of Talk Talk Group PLC Board director EVIIVO Ltd. Board director of Naked wines
<u>Representatives of the employees:</u>		
Joachim Pütz	**Vice Chairman of the Supervisory Board** Secretary of Workers Union since May 27, 2010	
Petra Hesse	Workers' council since May 27, 2010	
Ronald Hofschläger	Workers' council since May 27, 2010	
Susanne Aichinger	Workers' council since May 27, 2010	
Petra Ganser	Secretary of the Workers Union at the ver.di Bundes-verwaltung since May 27, 2010	Member of the Supervisory Board of Trenkwalder Personaldienste GmbH
Norbert Michalik	Executive Employee since May 27, 2010	

5.10 Other Mandatory Disclosures According to German Commercial Code

Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act (Aktiengesetz, "AktG")

In accordance with Section 161 AktG, the Management Board and the Supervisory Board of Kabel Deutschland Holding AG have submitted the mandatory declaration of conformity and made it available to shareholders on Kabel Deutschland website. The full text of the Declaration of Conformity can be found on the Kabel Deutschland website (www.KabelDeutschland.com).

Auditor's remuneration

During the fiscal year ended March 31, 2011, the Group expensed the following total fees:

- Audit services: T€ 998
- Audit-related services: T€ 838
- Tax services: T€ 103
- Other services T€ 30

Unterfoehring, May 24, 2011

Kabel Deutschland Holding AG

Dr. Adrian v. Hammerstein Chief Executive Officer	Paul Thomason Chief Financial Officer
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer	Erik Adams Chief Marketing Officer

Kabel Deutschland Holding AG, Unterfoehring

Appendix 1 to the notes

Analysis of Fixed Assets for Period from April 1, 2010 to March 31, 2011

	Acquisition and production costs						**Accumulated depreciation and amortization**						**Net book value**
	April 1, 2010	Acquisitions	Additions	Disposals	Reclassifi-cations	March 31, 2011	April 1, 2010	Additions	Disposals	Reclassifi-cation	Change in at-equity investments	March 31, 2011	March 31, 2011
	€	€	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets													
1. Software and Licences and other Contractual and Legal Rights	350,294,896.34	25,839,672.76	59,808,929.48	8,376,443.70	26,878,987.57	454,446,042.45	248,235,617.98	63,831,616.43	8,376,443.70	0.00	0.00	303,690,790.71	150,755,251.74
2. Internally generated software	25,300,061.86	0.00	4,222,325.39	0.00	-13,461.62	29,508,925.63	14,877,055.59	3,765,277.53	0.00	0.00	0.00	18,642,333.12	10,866,592.51
3. Customer List	961,867,600.83	3,432,485.82	525,592.60	1,528,302.58	0.00	964,297,376.67	643,358,113.62	113,277,037.96	364,145.09	0.00	0.00	756,271,006.49	208,026,370.18
4. Goodwill	287,273,545.95	0.00	0.00	0.00	0.00	287,273,545.95	0.00	0.00	0.00	0.00	0.00	0.00	287,273,545.95
5. Prepayments	31,049,127.47	0.00	12,079,265.70	0.00	-26,865,525.95	16,262,867.22	0.00	0.00	0.00	0.00	0.00	0.00	16,262,867.22
	1,655,785,232.45	29,272,158.58	76,636,113.17	9,904,746.28	0.00	1,751,788,757.92	906,470,787.19	180,873,931.92	8,740,588.79	0.00	0.00	1,078,604,130.32	673,184,627.60
II. Property and equipment													
1. Buildings on non-owned land	22,531,668.05	0.00	2,253,640.08	780,632.26	1,402,385.37	25,407,061.24	8,007,623.63	3,226,782.12	484,496.87	25,351.13	0.00	10,775,260.01	14,631,801.23
2. Technical equipment	2,422,398,872.94	9,265,976.73	212,895,122.03	14,709,690.91	19,313,055.51	2,649,163,336.30	1,306,321,490.74	295,768,614.03	11,616,309.92	-106,121.43	0.00	1,590,367,673.42	1,058,795,662.88
3. Other equipment, furniture and fixtures	78,224,772.67	0.00	6,378,506.91	2,086,829.07	934,820.53	83,451,271.04	50,020,077.26	10,283,997.73	1,844,439.45	80,770.30	0.00	58,540,405.84	24,910,865.20
4. Construction in progress	34,359,641.69	1,162,777.90	46,462,920.70	170,971.74	-21,650,261.41	60,164,107.14	0.00	0.00	0.00	0.00	0.00	0.00	60,164,107.14
	2,557,514,955.35	10,428,754.63	267,990,189.72	17,748,123.98	0.00	2,818,185,775.72	1,364,349,191.63	309,279,393.88	13,945,246.24	0.00	0.00	1,659,683,339.27	1,158,502,436.45
III. Financial Assets													
Equity investments in Associates	1,800,909.08	0.00	0.00	0.00	0.00	1,800,909.08	-7,221,383.30	0.00	0.00	0.00	-4,147,068.22	-11,368,451.52	13,169,360.60
	1,800,909.08	0.00	0.00	0.00	0.00	1,800,909.08	-7,221,383.30	0.00	0.00	0.00	-4,147,068.22	-11,368,451.52	13,169,360.60
	4,215,101,096.88	**39,700,913.21**	**344,626,302.89**	**27,652,870.26**	**0.00**	**4,571,775,442.72**	**2,263,598,595.52**	**490,153,325.80**	**22,685,835.03**	**0.00**	**-4,147,068.22**	**2,726,919,018.07**	**1,844,856,424.65**

Kabel Deutschland Holding AG, Unterfoehring

Appendix 2 to the notes

Analysis of Fixed Assets for Period from April 1, 2009 to March 31, 2010

	Acquisition and production costs						**Accumulated depreciation and amortization**						**Net book value**
	April 1, 2009	Acquisitions	Additions	Disposals	Reclassifi-cations	March 31, 2010	April 1, 2009	Additions	Disposals	Reclassifi-cation	Change in at-equity investments	March 31, 2010	March 31, 2010
	€	€	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets													
1. Software and Licences and other Contractual and Legal Rights	292,908,585.40	0.00	55,158,096.84	0.00	2,228,214.10	350,294,896.34	180,773,305.41	67,462,312.57	0.00	0.00	0.00	248,235,617.98	102,059,278.36
2. Internally generated software	20,236,892.14	0.00	5,063,169.72	0.00	0.00	25,300,061.86	11,696,325.61	3,180,729.98	0.00	0.00	0.00	14,877,055.59	10,423,006.27
3. Customer List	963,149,647.90	0.00	279,606.50	1,561,653.57	0.00	961,867,600.83	530,048,212.02	113,573,581.67	263,680.07	0.00	0.00	643,358,113.62	318,509,487.21
4. Goodwill	335,336,893.95	-48,063,348.00	0.00	0.00	0.00	287,273,545.95	0.00	0.00	0.00	0.00	0.00	0.00	287,273,545.95
5. Prepayments	14,840,069.09	0.00	18,194,582.46	0.00	-1,985,524.08	31,049,127.47	0.00	0.00	0.00	0.00	0.00	0.00	31,049,127.47
	1,626,472,088.48	-48,063,348.00	78,695,455.52	1,561,653.57	242,690.02	1,655,785,232.45	722,517,843.04	184,216,624.22	263,680.07	0.00	0.00	906,470,787.19	749,314,445.26
II. Property and equipment													
1. Buildings on non-owned land	17,360,353.77	0.00	3,160,339.45	3,108.02	2,014,082.85	22,531,668.05	5,419,310.92	2,585,906.03	1,686.50	4,093.18	0.00	8,007,623.63	14,524,044.42
2. Technical equipment	2,174,944,020.95	0.00	214,898,309.92	6,973,316.97	39,529,859.04	2,422,398,872.94	1,057,877,304.43	252,276,942.07	4,392,006.73	559,250.97	0.00	1,306,321,490.74	1,116,077,382.20
3. Other equipment, furniture and fixtures	87,168,018.15	0.00	5,505,987.14	13,312,074.78	-1,137,157.84	78,224,772.67	52,263,300.35	11,086,034.88	12,765,913.82	-563,344.15	0.00	50,020,077.26	28,204,695.41
4. Construction in progress	50,142,825.84	0.00	24,918,821.98	52,532.06	-40,649,474.07	34,359,641.69	0.00	0.00	0.00	0.00	0.00	0.00	34,359,641.69
	2,329,615,218.71	0.00	248,483,458.49	20,341,031.83	-242,690.02	2,557,514,955.35	1,115,559,915.70	265,948,882.98	17,159,607.05	0.00	0.00	1,364,349,191.63	1,193,165,763.72
III. Financial Assets													
1. Equity investments in Associates	1,800,909.08	0.00	0.00	0.00	0.00	1,800,909.08	-3,829,169.96	0.00	0.00	0.00	-3,392,213.34	-7,221,383.30	9,022,292.38
	1,800,909.08	0.00	0.00	0.00	0.00	1,800,909.08	-3,829,169.96	0.00	0.00	0.00	-3,392,213.34	-7,221,383.30	9,022,292.38
	3,957,888,216.27	**-48,063,348.00**	**327,178,914.01**	**21,902,685.40**	**0.00**	**4,215,101,096.88**	**1,834,248,588.78**	**450,165,507.20**	**17,423,287.12**	**0.00**	**-3,392,213.34**	**2,263,598,595.52**	**1,951,502,501.36**

Kabel Deutschland Holding AG, Unterfoehring

Group Management Report

for the fiscal year ended March 31, 2011

Overview

Kabel Deutschland Holding AG ("KDH AG" or the "Company") resulted from the conversion of Kabel Deutschland Holding GmbH ("KD HoldCo"; commercial register of Munich HRB 155690) into an AG effective as of March 4, 2010. KDH AG's registered office is in Unterfoehring, Betastrasse 6 - 8, Germany (commercial register of Munich HRB 184452). Prior to the Company's initial public offering (IPO) on March 22, 2010 Cable Holding S.A. Luxembourg ("LuxCo") owned 100 % of KDH AG. During the IPO LuxCo sold 34.5 million shares and reduced its ownership to 61.67 %. In September 2010 LuxCo sold an additional 15 million shares and reduced its ownership to the level of 43.68 %. In March 2011 LuxCo further placed 20 million shares. With this placement almost 70 million shares have been placed in the market representing approximately 78 % of the Company's total 90 million shares. As a result liquidity in the stock can be expected to increase and strengthen the Company's MDAX ranking. Cable Holding S.A. remains the largest shareholder with 21.92 % of the subscribed capital in KDH AG.

The Company is the ultimate management and holding company of our Group (the "Group" or "we"). As the parent company of the Group, the Company performs the typical tasks of a holding company such as the strategic development of the Group, financing activities and the provision of services for its affiliated companies. The Group's business is primarily conducted by the relevant operating subsidiaries, the most important being Kabel Deutschland GmbH ("KDG") and its wholly owned subsidiary Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS").

The Group management report has been prepared and is presented in Euros, which is the functional currency of the Company and each of its consolidated entities, and all values are rounded to the nearest thousand (T€) except where otherwise stated. Totals in tables were calculated on the basis of precise figures and rounded to T€.

We are the largest cable network operator in Germany in terms of residential units that can be connected to a cable network (''homes passed'') and of subscribers. With more than 15 million homes passed, we believe our cable network is also the largest in a single country in Europe. We offer a variety of television and telecommunication services to our customers, including Basic Cable services, Premium-TV services, broadband Internet access, fixed-line and mobile phone services and mobile data services. As a triple play service provider, we believe that we are well-positioned to take advantage of the growth opportunities in the converging German media and telecommunication markets.

We provide our products and services via our ''TV'' and ''Internet and Phone'' businesses.

Business Segments

Based on the Group's changing internal organizational structure and the converging economic characteristics of our segments, the Group has two segments as of March 31, 2011: TV Business and Internet and Phone. In the previous fiscal year the Group reported four segments: Basic Cable, Premium-TV, Internet and Phone and TKS.

This change did not impact the financial results.

TV Business[1]:

Our TV Business consists of Basic Cable and Premium-TV products and services.

Our Basic Cable products comprise both analog and digital TV and radio services. The current analog cable access offering consists of up to 36 television and 36 radio channels while the current digital cable access offering consists of up to 120 digital free television channels and more than 70 digital radio stations.

We provide these Basic Cable services primarily via individual contracts with customers or collective contracts with landlords, housing associations and contracts with Level 4 network operators. Revenues are primarily generated from subscription fees.

In addition we provide Premium-TV products primarily to direct subscribers and to a lesser extent to resellers. Revenues are primarily generated by our Premium-TV products through pay-TV subscription fees, Digital Video Recorder ("DVR") subscription services and carriage fees. Our pay-TV packages are branded ''Kabel Digital Home'', which offers currently more than 35 channels within seven genres, and ''Kabel Digital International'', which offers 41 channels grouped in nine different foreign languages. Moreover, we offer a High Definition ("HD") pay-TV package which is branded "Kabel Digital Home HD". It currently contains 6 channels broadcasted in HD and another 30 Standard Definition ("SD") channels from the regular Kabel Digital Home package. Our DVR product, ''Kabel Digital+'', allows several convenient viewing functions including the ability to pause real time programs and to record up to four programs at one time to be watched by the customers at a later time at their convenience. Revenues from carriage fees are generated from both public and private broadcasters (including the German pay-TV operator Sky Deutschland).

[1] We combined our ''Basic Cable'' and our ''Premium-TV'' segments to the "TV Business" segment for the first time in the interim condensed consolidated financial statements for the quarter ended June 30, 2010. Prior financial statements refer to the separate segments.

Our TV Business generated T€ 1,132,902 or 70.9 % of our total revenues for the twelve months ended March 31, 2011.

Internet and Phone Business:

Our Internet and Phone Business consists of our broadband Internet access, fixed-line and mobile phone services and mobile data services.

Broadband Internet access and fixed-line phone services are offered to those homes which can be connected to our upgraded network. In the fiscal year ended March 31, 2011, 88.3 % of our Internet and Phone customers subscribed to a bundled product incorporating both broadband Internet and Phone services.

In the past, we offered Internet download speeds between 6 Mbit/s and 32 Mbit/s with no time or data volume restrictions. Since early 2010, we have offered speeds of up to 100 Mbit/s in selected cities where the network was fully DOCSIS 3.0 capable. We continue to expand our DOCSIS 3.0 footprint. As of March 31, 2011 we could serve approximately 47 % of the homes passed by our upgraded network with DOCSIS 3.0 products. In addition, we offer mobile phone and mobile data services via a contractual relationship with a German mobile network operator.

Our Internet and Phone Business generated T€ 465,990 or 29.1 %, of our total revenues for the fiscal year ended March 31, 2011.

Key Factors affecting our Results of Operations

Network Upgrade

We began in 2006 an extensive investment program to upgrade our network as we transformed our business into a customer-oriented, triple-play service provider, investing more than € 1.6 billion during the period from April 1, 2006 until March 31, 2011. As of March 31, 2011, 82.4 % of our network was upgraded to a bi-directional hybrid fiber coaxial (''HFC'') structure, allowing us, from our point of view, to deliver market-leading broadband Internet access, Phone and other interactive services to our customers. As we progressed with our network upgrade, we continuously increased the number of homes passed being marketed with our "New Services" such as Premium-TV as well as Internet and Phone services. We will continue to upgrade the remainder of our network over the next few years for interactive as well as DOCSIS 3.0 services.

We believe that the implementation of DOCSIS 3.0, which we started to roll out in 2010, will allow us to maintain our competitive advantage on the basis of downstream speeds of 100 Mbit/s or more. In addition we are changing our network infrastructure to distribute TV-and IP-signals through fiber optic backbones, which already allows the termination of certain contracts for satellite transponders currently used to distribute our TV signals and of contracts for certain leased lines used to deliver Internet and phone services.

As has been the case in the last years, we expect our average installation costs per Internet and Phone subscriber to continue to decrease as the penetration of our broadband Internet and fixed-line phone services increases. We recognized a decline in the average installation cost for Internet and Phone subscribers from approximately € 161 in the fiscal year ended March 31, 2010 to approximately € 133 in the fiscal year ended March 31, 2011. Our Basic Cable and our Premium-TV products do not typically require installation costs as most customers are able to use an existing cable network connection or to self-install Customer Premises Equipment ("CPE") delivered to their residence.

Marketing and Promotional Activities

Historically we provided an initial 5 % discount to all subscribers who purchased our Basic Cable service prior to February 2009 and who prepaid the monthly subscription fees on an annual basis. We offer additional discounts to certain large Level 4 network operators and housing associations. In addition to these discounts, we also offer on a regular basis introductory promotions to new subscribers of our Internet and Phone services, such as discounted conditions during the first twelve months (promotional period) and bonuses related to certain online orders. As these customers roll off the initial promotional periods, our Average Revenue Per Unit ("ARPU") is expected to increase to the headline retail price. In addition, we offer bundled services at a discounted price when compared to the aggregate cost of each of the individual services. In particular, we offer discounts and promotional offers in order to

compete in the fast growing Internet and phone markets. At March 31, 2011, approximately 364 thousand of our broadband Internet and Phone subscribers were in a promotional period compared to 339 thousand in the previous year. When our promotions expire, these customers will return to our regular pricing, which currently ranges up to € 20 (inclusive VAT) per month above the promotional price depending on the product. As the initial promotional period expires for customers, there is a possibility of churn, but to date there is no evidence to suggest that this is likely to occur at a significant level.

Restructuring

The Group is in the process of restructuring certain operations to increase performance and efficiency.

The following table gives an overview of the restructuring expenses in relation to the following restructuring activities in the fiscal year ended March 31, 2011 compared to the fiscal year ended March 31, 2010:

	Fiscal year ended March 31,	
	2011	**2010**
	T€	
Restructuring network infrastructure	11,479	0
Restructuring Finance department	3,308	0
Restructuring technical operations department	-890	-4,045
Total restructuring expenses	**13,897**	**-4,045**

The Group is putting into effect technical restructuring measures and is changing its core network infrastructure almost completely to fiber optic for the transmission of TV signals. Regional backbones are in the process of being built, in order to replace certain transponders and leased lines now in use. In March 2011 the Group established a non-recurring restructuring accrual in the amount of T€ 11,479 primarily related to termination fees in connection with leased lines currently in use, as well as amounts for additional costs during the transition phase as we operate temporarily two overlapping network distribution systems. However, the transition to backbone distribution will provide economies of scale once completed.

In March 2011 we announced and began to implement the restructuring of certain functions of our Finance department (especially tasks with significant variation in workload, e.g. billing or processing of incoming invoices). These restructuring measures are necessary in order to be more flexible and to react more efficiently to changing operational requirements. In the fiscal year ended March 31, 2011, we accrued restructuring expenses in the amount of T€ 3,308.

Over recent years, we have been restructuring and outsourcing parts of our operations such as the majority of our technical services. The restructuring of the technical operations department was announced in November 2008. Lower than expected restructuring costs led to

restructuring income from released restructuring provisions of T€ 890 in the fiscal year ended March 31, 2011 compared to income of T€ 4,045 in the fiscal year ended March 31, 2010.

Insourcing

Our IT department has put emphasis on cutting consulting expenses as well as on insourcing knowledge and expertise into the Group by offering selected long-term consultants and experts a permanent employment contract.

Impact of Inflation

A portion of our costs is affected by inflation. We attempt to restrict increases in our costs below the rate of inflation through productivity improvements and operational efficiency. However, general inflation affects costs for our competitors, suppliers and us. Our margins may suffer in the event that our costs increase more quickly than our revenues, in particular as our ability to raise prices is subject to contractual and legal limitations.

Impact of Exchange Rate Fluctuations

Our functional and reporting currency is the Euro. As of March 31, 2011 we had almost no revenues, expenses, liabilities or receivables denominated in currencies other than the Euro. In the event that we would incur other debt denominated in other currencies, such as U.S. Dollar denominated bank or bond debt, we could incur additional currency risk and related hedging costs.

Impact of Interest Rate Changes

Our exposure to market risk for changes in interest rates relates primarily to our floating rate debt obligations (PIK Loan and Senior Credit Facility). For our floating rate PIK Loan, the interest rate exposure is non-cash until maturity if not opted otherwise. Currently, none of our variable rate indebtedness is hedged for changes in interest rates. A 100 basis point increase (decrease) in such rates would increase (decrease) our annual interest expenses on our floating rate debt obligations outstanding as of March 31, 2011 by approximately € 30 million, respectively.

Seasonality

Certain aspects of our business are subject to seasonal factors. Our customer churn rates include persons who disconnect service due to moving, resulting in a seasonal increase in our churn rates during the summer months when higher levels of moves occur.

In addition, we have a disproportionately high level of annual prepayments related to Basic Cable products in January and February, which results in higher cash flows from operating activities in these months of the fiscal year. For the fiscal years ended March 31, 2011 and March 31, 2010, the Group billed approximately 26.9 % and 27.1 %, respectively, of its total revenues for the entire fiscal year in the months of January and February.

Key Operating Measures

We use several key operating measures, including RGUs, ARPU and subscriber acquisition costs, to track the financial performance of our business. None of these are measures of financial performance under IFRS, nor have they been reviewed by an outside consultant or expert or were audited. All of these measures, except where specifically indicated to the contrary, are derived from management estimates. As defined by our management, these terms may not be comparable to similar terms used by other companies.

Development of Subscribers and RGUs

In the last fiscal years we significantly expanded our network footprint and product offering with respect to Premium-TV, broadband Internet and Phone. Our results reflect significant successive year-on-year RGU and revenue growth. Since the costs relating to our broadband Internet and Phone products are largely fixed, our incremental margins increase as we gain more subscribers and grow revenues.

	As of March 31,	
	2011	**2010** [1]
	thousands, except as noted	
Operational data		
Network		
Homes passed	15,293	15,293
Homes passed upgraded for two-way communication	12,608	12,116
Upgraded homes as % of homes passed	*82.4%*	*79.2%*
Homes passed upgraded for two-way communication being marketed[2]	10,496	9,520
Subscribers		
Direct Basic Cable subscribers	7,299	7,307
Internet and Phone "solo" subscribers[3]	241	186
Total direct subscribers	**7,540**	**7,493**
Indirect Basic Cable subscribers	1,205	1,428
Total unique subscribers (homes connected)	**8,745**	**8,920**
Thereof subscribers taking Internet and Phone services	1,382	1,131
RGUs		
Basic Cable[4]	8,878	9,009
Premium-TV[5]	1,264	1,073
Internet	1,260	999
Phone	1,296	1,038
Subtotal New Services	**3,821**	**3,110**
Total RGUs	**12,698**	**12,119**
RGUs per subscriber (in units)	**1.45**	**1.36**
Penetration		
Premium-TV RGUs as % of Basic Cable subscribers	*14.9%*	*12.3%*
Internet RGUs as % of total subscribers	*14.4%*	*11.2%*
Phone RGUs as % of total subscribers	*14.8%*	*11.6%*

[1] As of this consolidated financial statements TKS subscribers and RGUs have been completely included. Accordingly, March 2010 figures have been adjusted for comparison reasons.

[2] Homes passed being marketed are those homes to which we are currently able to sell our Internet and/or Phone products.

[3] Internet and Phone ''solo'' subscribers consist of non-Basic Cable service customers subscribing to Internet and/or Phone services only.

[4] The difference between the number of Basic Cable subscribers and Basic Cable RGUs is due to one additional digital product component, Digitaler Empfang, which is sold directly to the end-customer on top of an analog Basic Cable service, which is provided and billed via a housing association. A customer subscribing to Digitaler Empfang would be counted as one Basic Cable subscriber (analog service via a housing association) and two Basic Cable RGUs (analog service via a housing association and digital service via a direct end-customer relationship).

[5] RGUs (revenue generating unit) relate to sources of revenue, which may not always be the same as subscriber numbers. For example, one person may subscribe to two different services, thereby accounting for only one subscriber, but two RGUs. Premium-TV RGUs consist of RGUs for our pay-TV product, Kabel Digital (Kabel Digital Home, Kabel Digital Home HD and various foreign language packages), and our DVR product Kabel Digital+.

Homes passed and upgraded for two-way communication being marketed increased from 9,520 thousand to 10,496 thousand on March 31, 2011, up 10.3 % or 976 thousand from previous year.

As of March 31, 2010 total direct subscribers were 7,493 thousand and increased by 47 thousand to 7,540 thousand as of March 31, 2011. This was driven by the increase in Internet and Phone “solo” subscribers and the acquisition of approximately 60 thousand subscribers from PrimaCom. These subscribers were previously classified as indirect Basic Cable subscribers.

Our total unique subscribers as of March 31, 2011 decreased by 175 thousand or 2.0 % from 8,920 thousand as of March 31, 2010 to 8,745 thousand. A major reason for the decrease was a loss of 223 thousand indirect (wholesale) subscribers, which generate the lowest ARPU. Furthermore our total unique subscribers as of March 31, 2011 included 23 thousand TKS subscribers and 39 thousand as of March 31, 2010, respectively. TKS renewed its service contracts with the U.S. Army and Air Force (AFN) as of April 1, 2010 with a reassessment of serviceable buildings. This led to a reduction in TKS subscribers of 15 thousand. The corresponding revenues, however, remained relatively stable.

Basic Cable RGUs amounted to 8,878 thousand as of March 31, 2011 compared to 9,009 thousand in the previous year. A Basic Cable RGU refers to the source of revenues. Each service which a Basic Cable subscriber receives counts as one RGU. The primary difference between Basic Cable subscribers and Basic Cable RGUs relates to a household which receives Basic Cable via a housing association and then directly subscribes to our digital access offer (Digitaler Empfang) which the household pays for directly. The above mentioned household would count as one Basic Cable subscriber and two Basic Cable RGUs.

As of March 31, 2011, we had 935 thousand Premium-TV subscribers and 1,264 thousand Premium-TV RGUs, which represents an increase of 191 thousand or 17.8 % compared to 1,073 thousand Premium-TV RGUs as of March 31, 2010. In order to receive Premium-TV services a household must be a Basic Cable subscriber. A Premium-TV RGU refers to the source of revenues. Each Premium-TV service a subscriber receives counts as one RGU. For example, a Basic Cable subscriber who subscribes to pay-TV and DVR services would count as two Premium-TV RGUs.

Internet RGUs increased by 261 thousand or 26.1 % from 999 thousand as of March 31, 2010 to 1,260 thousand in the fiscal year ended March 31, 2011 and Phone RGUs increased by 259 thousand or 24.9 % from 1,038 thousand as of March 31, 2010 to 1,296 thousand as of March 31, 2011. A growing portion of our subscribers purchase more than one of our service offerings which include Basic Cable, Premium-TV as well as Internet and Phone products. As of March 31, 2011, we had 1.45 RGUs per unique subscriber, compared to 1.36 RGUs per unique subscriber as of March 31, 2010.

ARPU

ARPU is a measure we use to evaluate how effectively we are realizing potential revenues from subscribers. We calculate ARPU per subscriber on a yearly, quarterly or monthly basis by dividing total subscription revenues (excluding installation fees) generated from the provision of services during the period by the sum of the monthly average number of total subscribers for that period.

	Fiscal year ended March 31,	
	2011	2010
	€/ month	
Total blended TV ARPU per subscriber[1]	9.52	9.30
Total blended Internet and Phone ARPU per subscriber[2]	29.15	28.99
Total blended ARPU per subscriber[3]	**13.40**	**12.35**

Total blended ARPU per subscriber increased by € 1.05 or 8.5 % to € 13.40 for the fiscal year ended March 31, 2011 from € 12.35 in the fiscal year ended March 31, 2010.

Total blended TV ARPU per subscriber increased by € 0.22 or 2.4 % to € 9.52 for the fiscal year ended March 31, 2011 from € 9.30 for the fiscal year ended March 31, 2010. This was primarily due to the net increase of direct subscribers as a percentage of total Basic Cable subscribers and a growing number of subscribers taking more than one TV Business product.

The total blended Internet and Phone ARPU per subscriber increased by € 0.16 to € 29.15 for the fiscal year ended March 31, 2011 from € 28.99 in the fiscal year ended March 31, 2010. The increase was primarily driven by a higher share of bundled products with a positive impact on revenues and ARPU. In addition, the introduction of new DOCSIS 3.0 products with higher price points led to an increase in ARPU.

We continue to focus on increasing ARPUs per subscriber primarily by growing the number of RGUs per subscriber, which increased by 6.6 % or 0.09 from 1.36 as of March 31, 2010 to 1.45 as of March 31, 2011.

[1] Total blended TV ARPU per subscriber is calculated by dividing the subscription revenues (excluding installation fees and other non-recurring revenues) resulting from our TV Business products for a period by the sum of the monthly average number of total Basic Cable subscribers for that period.

[2] Total blended Internet and Phone ARPU per subscriber is calculated by dividing the recurring Internet and Phone subscription revenues (excluding installation fees and other non-recurring revenues) for the relevant period by the sum of the monthly average Internet and Phone subscribers of these products for that period.

[3] Total blended ARPU per subscriber is calculated by dividing recurring TV and Internet and Phone subscription revenues (excluding installation fees and non-recurring revenues) for the relevant period by the sum of the monthly average number of Total Unique Subscribers for that period.

Subscriber Acquisition Costs

We are focused on growing our business profitably as we increasingly penetrate our customer base with our New Services such as Internet and Phone. Our ability to profitably market our New Service offerings at competitive prices is predicated on our end-to-end control of our cable network, our large existing customer base into which we can sell additional services, and the cost structure of our business, all of which are key determinants of the payback profile of our incremental New Service customers.

Costs associated with acquired subscribers are comprised of customer premises equipment, in-house wiring and installation and our costs per order, including marketing, sales, promotion, general and administrative costs. Due to a strong competitive environment and changes in sales channels our costs per order for our Internet and Phone subscribers increased from € 153 for the fiscal year ended March 31, 2010 to € 171 for the fiscal year ended March 31, 2011. However, as it has been the case in the last year, we continuously reduce our average installation cost per subscriber as penetration of our broadband Internet and fixed-line phone services increases and we make a higher percentage of second installations within the same building. We recognized a decline in the average installation cost per direct Internet and Phone net add from approximately € 161 in the fiscal year ended March 31, 2010 to approximately € 133 in the fiscal year ended March 31, 2011. Over the same time period, we were able to lower our costs per upgrade or full construction of the in-house wiring within multi-dwelling units of housing association partners (in the context of long, multi-year contracts) from approximately € 131 per household in the fiscal year ended March 31, 2010 to approximately € 112 per household in the fiscal year ended March 31, 2011.

The blended cost per order for our TV Business products decreased to € 55 in the fiscal year ended March 31, 2011 compared to € 60 in the fiscal year ended March 31, 2010. Our direct Basic Cable and our Premium-TV products do not typically require installation costs as most customers are able to use already existing cable network connections or to self-install CPE that has been sent to them.

Comparison of Operating Results for the Fiscal Year ended March 31, 2011 with March 31, 2010

Revenues

Our business is divided into two operating segments: (i) our TV Business segment, which accounted for 70.9 % of our total revenues for the fiscal year ended March 31, 2011; and (ii) our Internet and Phone Business segment, which accounted for 29.1 % of our total revenues for the fiscal year ended March 31, 2011.

The following table gives an overview of our revenues for the fiscal year ended March 31, 2011 compared to the fiscal year ended March 31, 2010. Total revenues for the fiscal year ended March 31, 2011 increased by T€ 97,342 or 6.5 % to T€ 1,598,892 from T€ 1,501,550 for the fiscal year ended March 31, 2010. The primary factor driving the revenue increase was the continued growth in broadband Internet and Phone.

	Fiscal year ended March 31,	
	2011	2010
	T€	
TV Business revenues[1]	1,132,902	1,123,064
Internet and Phone Business revenues[2]	465,990	378,486
Total revenues	**1,598,892**	**1,501,550**

TV Business Revenues

TV Business revenues are generated primarily from Basic Cable subscription fees, which are paid for accessing our network and receiving our analog and digital TV signals. These revenues are generated from individual homes, housing associations (including landlords) and Level 4 network operators.

Additionally, we generate revenues in our TV Business from pay-TV subscription fees such as Premium Content and DVR services with video recorder functionality.

Generally, first-time subscribers are charged an installation fee upon initial connection to our network. In addition, we generate fees and receive reimbursements for connecting new-built homes to our network. From time to time installation fees are waived as a sales promotion.

[1] Included in TV Business revenues are TKS revenues of T€ 4,770 in the fiscal year ended March 31, 2010.

[2] Included in Internet and Phone business revenues are TKS revenues of T€ 36,524 in the fiscal year ended March 31, 2010.

Furthermore we record revenues from carriage fees for the distribution of broadcasters' programming, sales of CPE, installation fees and other revenues. Carriage fees are typically based on the number of homes to which we distribute the programming and are subject to ex-post price regulation. Since October 2009 the Group generates additional revenues from the feed-in of Sky Deutschland's High Definition channels. The future development of carriage fees depends on the number of subscribers connected to our network.

	Fiscal year ended March 31,	
	2011	**2010**
	(T€, except as noted)	
Subscription fees[1]..	987,797	994,342
Carriage fees and other revenues[2]...................................	145,105	128,723
TV Business revenues...	**1,132,902**	**1,123,064**
Blended ARPU per subscriber (in € / month)......................	9.52	9.30

Our TV Business generated T€ 1,132,902 or 70.9 % of our total revenues for the fiscal year ended March 31, 2011, compared to T€ 1,123,064 or 74.8 % of our total revenues for the fiscal year ended March 31, 2010. The increase in TV Business revenues primarily resulted from an increase of our Premium-TV RGUs and from several small acquisitions during the fiscal year ended March 31, 2011 by which indirect subscribers were converted into direct subscribers with a higher ARPU contribution.

Internet and Phone Business Revenues

We provide broadband Internet access, fixed-line and mobile phone services and mobile data services. Revenues for our Internet and Phone Business include recurring revenues from monthly subscription and usage fees and phone interconnection revenues generated from phone traffic of third party carriers being terminated in our network. Also included in revenues are non-recurring revenues from installation fees, the sale of CPE, mobile phone commissions and other miscellaneous revenues. We offer these Internet and Phone products independently from our TV products.

We offer mobile data and voice services under a contract with a German mobile network operator to our Internet and Phone subscribers. This agreement allows us to resell their mobile services under our own brand and to have a direct contract with the subscriber.

[1] Included in subscription fees are TKS revenues of T€ 4,570 in the fiscal year ended March 31, 2010.
[2] Included in carriage fees and other revenues are TKS revenues of T€ 201 in the fiscal year ended March 31, 2010.

	Fiscal year ended March 31,	
	2011	2010
	(T€, except as noted)	
Subscription fees (recurring)[1]..	436,034	347,842
Installation fees and other non-recurring revenues[2]............	29,956	30,644
Internet and Phone business revenues.......................	**465,990**	**378,486**
Blended ARPU per subscriber (in € / month)........................	29.15	28.99

In the fiscal year ended March 31, 2011, Internet and Phone revenues increased by T€ 87,504 to T€ 465,990 from T€ 378,486 for the fiscal year ended March 31, 2010. Recurring subscription fees increased by T€ 88,192 or 25.4 % to T€ 436,034 in the fiscal year ended March 31, 2011 from T€ 347,842 in the fiscal year ended March 31, 2010. This increase was primarily due to an increase in Internet and Phone subscribers. Our Internet and Phone Business generated 29.1 % of our total revenues for the fiscal year ended March 31, 2011, compared to 25.2 % of our total revenues for the fiscal year ended March 31, 2010.

[1] Included in subscription fees are TKS revenues of T€ 23,395 in the fiscal year ended March 31, 2010.

[2] Included in installation fees and other non-recurring revenues are TKS revenues of T€ 13,129 in the fiscal year ended March 31, 2010.

Costs and Expenses

Costs and expenses for the fiscal year ended March 31, 2011 increased by T€ 89,521 or 6.8 % to T€ 1,404,279 from T€ 1,314,758 for the fiscal year ended March 31, 2010. The increase was caused primarily by three non-cash items, namely an increase in depreciation and amortization of T€ 39,987, higher restructuring expenses of T€ 17,942 and higher non-cash expenses due to long-term incentive programs[1] of T€ 8,437.

Costs and expenses are segmented into three functions as follows:

	Fiscal year ended March 31,	
	2011	**2010**
	T€	
Cost of services rendered	801,468	736,170
Selling expenses	467,380	448,512
General and administrative expenses	135,430	130,075
Costs and expenses	**1,404,279**	**1,314,758**
Thereof:		
Depreciation and amortization	490,153	450,166
Non-cash expenses related to long-term incentive programs[2]	17,373	8,936
Restructuring network infrastructure	11,479	0
Other restructuring expenses / income	2,418	-4,045
IPO related expenses	682	2,701
Total non-cash / non-recurring expenses	**522,105**	**457,757**
Total expenses excluding non-cash / non-recurring expenses	**882,174**	**857,001**

Non-cash or non-recurring expenses related to depreciation and amortization, restructuring expenses, long-term incentive programs and IPO related expenses in aggregate amounted to T€ 522,105 and were included in costs and expenses in the fiscal year ended March 31, 2011 compared to T€ 457,757 in the fiscal year ended March 31, 2010.

Excluding these items from total costs and expenses, the remaining costs and expenses increased by T€ 25,173 or 2.9 % to T€ 882,174 for the fiscal year ended March 31, 2011 compared to T€ 857,001 in the fiscal year ended March 31, 2010. As a percentage of revenues, these remaining costs and expenses decreased from 57.1 % for the fiscal year ended March 31, 2010 to 55.2 % for the fiscal year ended March 31, 2011.

[1] LTIP (in the fiscal year ended March 31, 2011) and MEP (in the fiscal year ended March 31, 2010) are referred to as "long-term incentive programs" in these consolidated financial statements.

[2] Will be cash settled under certain conditions at the end of the program. See notes to the consolidated financial statements Section 5.5.

Cost of Services Rendered

Cost of services rendered are primarily costs associated with our business activities which are directly attributable to generating revenues. This contains costs and expenses related to the operation and maintenance of our network as well as other costs directly associated with the distribution of products and services over our network.

The cost of services rendered are divided into four categories and were for the fiscal year ended March 31, 2011 and 2010 as follows:

	Fiscal year ended March 31,	
	2011	2010
	T€, except as noted	
Cost of materials and services	**389,617**	**379,948**
Thereof:		
Service level agreements ("SLAs") renting and leasing DTAG[1]	162,888	159,995
Thereof cable ducts DTAG	103,278	103,303
Content costs	52,281	49,829
Phone interconnection charges	42,478	37,033
Connectivity and other network costs[2]	28,179	27,799
Maintenance and repair	27,699	28,343
Other expenses[3]	64,614	76,948
Restructuring network infrastructure	11,479	0
Personnel expenses	**39,601**	**32,505**
Thereof:		
Non-cash expenses / income related to long-term incentive programs[4]	2,031	-27
Restructuring income	-589	-2,651
Depreciation and amortization	**288,845**	**242,154**
Other costs and expenses	**83,405**	**81,564**
Cost of services rendered	**801,468**	**736,170**
% Revenues	**50.1%**	**49.0%**

[1] In order to separate lease costs consistently from other network expenses and to provide comparability to other peer companies, energy expenses in the amount of T€ 22,096 for the fiscal year ended March 31, 2010 have been reclassified to other expenses. Network expenses such as expenses for the lease of fiber optic systems and rented space for technical operations from third party vendors other than DTAG of T€ 5,837 for the fiscal year ended March 31, 2010 are shown in connectivity and other network costs.

[2] For the fiscal year ended March 31, 2010 network expenses such as expenses for the lease of fiber optic systems and rented space for technical operations from third party vendors other than DTAG of T€ 5,837 are shown in connectivity and other network costs.

[3] Energy expenses in the amount of T€ 22,096 for the fiscal year ended March 31, 2010 have been reclassified to other expenses.

[4] Will be cash settled under certain conditions at the end of the program. See notes to the consolidated financial statements Section 5.5.

Cost of Materials and Services

Cost of materials and services in relation to cost of services rendered primarily consists of expenses associated with SLAs from DTAG. Additionally expenses associated with content costs, phone interconnection, connectivity and other network costs, maintenance and repair costs as well as other expenses are included in cost of materials and services.

The expenses associated with SLAs from DTAG consist primarily of two cost components:

(i) SLAs in connection with renting and leasing:

- payments made to Deutsche Telekom for use of assets. We lease certain assets, including cable ducts and fiber optic capacity, which together are the largest expense component of the service level agreements;
- payments to Deutsche Telekom for rental space related to technical operations (for tower and other facilities); and
- payments made to reflect the cost of Deutsche Telekom for providing employees access to, and supervising the use of, shared facilities.

(ii) Other SLAs (non-rental):

- payments made related to energy.

SLAs from DTAG in connection with renting and leasing increased by T€ 2,893 or 1.8 % to T€ 162,888 for the fiscal year ended March 31, 2011 from T€ 159,995 for the fiscal year ended March 31, 2010. Expenses for the lease of cable ducts from DTAG, which made up the biggest portion within this position, remained almost stable at T€ 103,278 for the fiscal year ended March 31, 2011 compared to T€ 103,303 for the fiscal year ended March 31, 2010. The expenses for the lease of cable ducts declined from 6.9 % of our total revenues for the fiscal year ended March 31, 2010 to 6.5 % for the fiscal year ended March 31, 2011.

The Group is putting into effect technical restructuring measures and is changing its core network infrastructure almost completely to fiber optic backbones for the transmission of TV as well as Internet and Phone signals. Therefore, regional backbones are built, which not only allows the distribution of TV signals, but also to replace certain leased lines now in use to provide Internet and phone services. In March 2011 the Group recorded an accrual of T€ 11,479 related to termination fees for leased line contracts, as well as minor amounts for additional costs during the transition phase due to a temporary overlap of the two network distribution methods. However, this will provide economies of scale once completed.

Content costs increased by T€ 2,452 or 4.9 % from T€ 49,829 for the fiscal year ended March 31, 2010 to T€ 52,281 in the fiscal year ended March 31, 2011, but remained stable as a percentage of our total revenues at 3.3 % for the fiscal years ended March 31, 2010 and 2011

respectively. Content costs relate to the programming costs for Kabel Digital Home, Kabel Digital Home HD and Kabel Digital International. The increase in content costs was attributable to HD content for our new HD package. In general, we pay channel operators on a cost per subscriber basis; however, we recently agreed to pay minimum guarantees related to the licensing of the HD content. It is our belief that the HD offering will grow rapidly and the minimum guarantee will be quickly absorbed by the cost per subscriber formula. We constantly monitor and modify our programming line-up in order to achieve the greatest customer satisfaction and the lowest possible cost per subscriber. We expect aggregate content costs to increase as we grow our Premium-TV revenues.

Phone interconnection cost is a charge between carriers related to phone traffic; more specifically, it is the cost of phone traffic being transmitted across and terminated in the network of third party carriers. We separately record as revenues the phone traffic of third party carriers' customers being transmitted across and terminated in our network. For the fiscal year ended March 31, 2011, phone interconnection charges increased by T€ 5,445 or 14.7 % to T€ 42,478 from T€ 37,033 in the previous year primarily due to the increased number of phone subscribers. As a percentage of our total revenues, our phone interconnection charges increased slightly from 2.5 % in the fiscal year ended March 31, 2010 to 2.7 % in the fiscal year ended March 31, 2011. We expect that phone interconnection cost will continue to grow in line with the number of phone subscribers. Our monthly average phone interconnection cost per Phone RGU declined from € 3.51 in the fiscal year ended March 31, 2010 to € 3.11 in the fiscal year ended March 31, 2011.

Connectivity and network costs reflect the cost of connecting to third party networks, the cost of our regional and national backbones as well as expenses related to the lease of fiber optic systems and rented space for technical operations from third party vendors other than DTAG. As long as we continue to extend the upgraded network, add additional bandwidth capacity and customers, we expect our connectivity and network expenses to continue to increase in line with our customer growth and increased bandwidth demand. For the fiscal year ended March 31, 2011 our connectivity and network costs increased slightly by 1.4 % to T€ 28,179 compared to T€ 27,799 in the fiscal year ended March 31, 2010. However, the monthly average connectivity and network cost per Internet and Phone subscriber declined significantly from € 1.61 in the fiscal year ended March 31, 2010 to € 1.22 in the fiscal year ended March 31, 2011. We believe that these costs will decline further as we complete the build out of our backbones and begin to replace certain leased lines and satellite transponders, which are more expensive than our own backbones. Our connectivity and network expenses as a percentage of our revenues decreased slightly to 1.8 % in the fiscal year ended March 31, 2011 from 1.9 % in the fiscal year ended March 31, 2010.

Maintenance and repair provided by third parties decreased by T€ 644 or 2.3 % to T€ 27,699 in the fiscal year ended March 31, 2011 from T€ 28,343 in the same period of the previous year. Accordingly, maintenance expenses decreased to 1.7 % of our total revenues for

the fiscal year ended March 31, 2011 compared to 1.9 % of our total revenues for the fiscal year ended March 31, 2010.

Other expenses of materials and services are comprised of several items, including expenses for energy, cost of CPE sold, expenses for external technical call center agencies, non-capitalized installation cost for CPE and incidental expenses related to leased transponders as well as conditional access charges and other materials and services. Other expenses of materials and services decreased by T€ 12,334 to T€ 64,614 in the fiscal year ended March 31, 2011 from T€ 76,948 in the prior year. The decrease was primarily due to cost savings and improved efficiency. This decrease is reflected in our other expenses of materials and services as a percentage of total revenues which decreased from 5.1 % in the fiscal year ended March 31, 2010 to 4.0 % in the fiscal year ended March 31, 2011.

In total, cost of materials and services decreased to 24.4 % of our total revenues during the fiscal year ended March 31, 2011 compared to 25.3 % of our total revenues in the fiscal year ended March 31, 2010.

Personnel Expenses

Personnel expenses within cost of services rendered are comprised of costs incurred with respect to our technical staff responsible for network operations and maintenance, and include wages, salaries, social security and pension costs, as well as non-cash expenses related to long-term incentive programs and restructuring income. For the fiscal year ended March 31, 2011, personnel expenses increased by T€ 7,096 or 21.8 % to T€ 39,601 from T€ 32,505 for the fiscal year ended March 31, 2010, primarily due to non-cash items in relation to income for the reversal of restructuring provisions in the prior year and expenses for long-term incentive programs in the fiscal year ended March 31, 2011. Personnel expenses adjusted for restructuring income and long-term incentive programs increased by T€ 2,977 or 8.5 % to T€ 38,160 in the fiscal year ended March 31, 2011 compared to T€ 35,183 in the fiscal year ended March 31, 2010 primarily due to tariff and salary increases. However in relation to total revenues such adjusted personnel expenses remained relatively stable at 2.3 % of our total revenues in the fiscal year ended March 31, 2010 compared to 2.4 % of our total revenues in the fiscal year ended March 31, 2011.

Depreciation and Amortization

Depreciation and amortization in relation to cost of services rendered reflect the charges made in relation to the upgrade of the network infrastructure and primarily include the depreciation of the network, capitalized leased transponders and CPE. Depreciation and amortization increased by T€ 46,691 or 19.3 % to T€ 288,845 in the fiscal year ended March 31, 2011 from T€ 242,154 in the fiscal year ended March 31, 2010. The increase in

depreciation and amortization reflects the substantial investments made to upgrade our network and to connect Internet and Phone subscribers as well as the shortening of useful life of certain assets in relation to the restructuring of the network infrastructure. Depreciation and amortization expenses increased from 16.1 % of our total revenues in the fiscal year ended March 31, 2010 to 18.1 % of our total revenues in the fiscal year ended March 31, 2011.

Other Costs and Expenses

Other costs and expenses in relation to cost of services rendered include copyright fees expenses and other expenses for IT-support, marketing co-operations, temporary personnel, rent for technical infrastructure and other miscellaneous expenses. For the fiscal year ended March 31, 2011, other costs and expenses increased by T€ 1,841 or 2.3 % to T€ 83,405 compared to T€ 81,564 in the fiscal year ended March 31, 2010 primarily related to higher expenses for certain service contracts for network components. However the other costs and expenses as a percentage of total revenues decreased from 5.4 % in the fiscal year ended March 31, 2010 to 5.2 % in the fiscal year ended March 31, 2011.

Selling Expenses

Selling expenses are expenses incurred to support our sales and marketing effort with respect to our products and services and are divided into four categories. For the fiscal years ended March 31, 2011 and 2010 selling expenses were as follows:

	Fiscal year ended March 31,	
	2011	2010
	T€	
Cost of materials and services	**31,998**	**23,851**
Personnel expenses	**91,879**	**84,174**
Thereof:		
Non-cash expenses related to long-term incentive programs[1]	4,061	970
Restructuring income	-82	-481
Depreciation and amortization	**176,108**	**181,304**
Other costs and expenses	**167,395**	**159,183**
Selling expenses	**467,380**	**448,512**

[1] Will be cash settled under certain conditions at the end of the program. See notes to the consolidated financial statements Section 5.5.

Cost of Materials and Services

Cost of materials and services in relation to selling expenses are comprised of services related to the general distribution of our products and services, such as cost of external call centers and cost of CPE. Cost of materials and services increased by 34.2 % or T€ 8,147 from T€ 23,851 in the fiscal year ended March 31, 2010 to T€ 31,998 in the fiscal year ended March 31, 2011. The increase was primarily due to increased costs of CI+ (Common Interface) modules and HD boxes sold during the fiscal year ended March 31, 2011 as well as increased expenses for our call centers due to the strong demand for our new products. These increased costs and expenses led to higher corresponding revenues. This is also reflected in cost of materials and services as a percentage of our total revenues, which increased only by 0.4 %-points to 2.0 % in the fiscal year ended March 31, 2011 from 1.6 % in the fiscal year ended March 31, 2010.

Personnel Expenses

Personnel expenses within selling expenses include wages, salaries, social security costs and pension costs related to the sales, marketing and call center personnel, as well as non-cash expenses related to long-term incentive programs and minor amounts of restructuring income. Personnel expenses in sales and sales related activities increased by T€ 7,705 or 9.2 % from T€ 84,174 in the fiscal year ended March 31, 2010 to T€ 91,879 in the fiscal year ended March 31, 2011. Personnel expenses adjusted for long-term incentive programs and minor amounts of restructuring income increased by T€ 4,215 or 5.0 % to T€ 87,900 in the fiscal year ended March 31, 2011, compared to T€ 83,685 in the fiscal year ended March 31, 2010. This increase was primarily due to a growth in staff as well as an increase in tariff and salary. We expect that the primary driver of personnel expenses in the sales function will be RGU growth. Adjusted personnel expenses decreased slightly from 5.6 % of our total revenues in the fiscal year ended March 31, 2010 to 5.5 % in the fiscal year ended March 31, 2011.

Depreciation and Amortization

Depreciation and amortization in relation to selling expenses primarily includes the amortization of the customer list, costs of customer acquisition and CPE. The amortization period of the capitalized customer acquisition costs depends on the product sold and is 8.5 years for our cable access products, which corresponds to the expected average life of the contracts, and 12 months for our Premium-TV and Internet and Phone products, which corresponds to the fixed minimum contract duration. Depreciation and amortization decreased by T€ 5,196 or 2.9 % to T€ 176,108 in the fiscal year ended March 31, 2011, compared to T€ 181,304 in the fiscal year ended March 31, 2010 primarily due to lower-priced capitalized CPE (higher portion of CI+ modules which are lower priced than set-top boxes). Depreciation

and amortization expenses as percentage of our total revenues decreased to 11.0 % in the fiscal year ended March 31, 2011 from 12.1 % in the fiscal year ended March 31, 2010.

Other Costs and Expenses

Other costs and expenses in relation to selling expenses primarily include advertising expenses, sales commissions, expenses for temporary employment, sales support and other items. Other cost and expenses within sales increased by T€ 8,212 or 5.2 % to T€ 167,395 in the fiscal year ended March 31, 2011 from T€ 159,183 in the fiscal year ended March 31, 2010. This increase resulted primarily from our strategy to emphasize direct marketing activities within the competitive German cable and telecommunications markets. This is reflected in our cost per order for our Internet and Phone products which increased to € 171 in the fiscal year ended March 31, 2011 compared to € 153 in the fiscal year ended March 31, 2010. The blended cost per order for our TV Business products decreased to € 55 in the fiscal year ended March 31, 2011 compared to € 60 in the fiscal year ended March 31, 2010. Other cost and expenses declined slightly from 10.6 % of our total revenues in the fiscal year ended March 31, 2010 to 10.5 % of our total revenues in the fiscal year ended March 31, 2011. In regard to our advertising and sales activities, we closely monitor the cost of acquiring a new customer.

General and Administrative Expenses

General and administrative expenses are comprised of expenses that are not directly allocated to cost of services rendered or to selling expenses. General and administrative expenses are divided into three categories and were for the fiscal years ended March 31, 2011 and 2010 as follows:

	Fiscal year ended March 31,	
	2011	2010
	T€	
Personnel expenses	**67,897**	**56,191**
Thereof:		
Non-cash expenses related to long-term incentive programs[1]	11,281	7,993
Restructuring expenses/income	2,902	-84
Depreciation and amortization	**25,201**	**26,707**
Other costs and expenses	**42,333**	**47,178**
General and administrative expenses	**135,430**	**130,075**

[1] Will be cash settled under certain conditions at the end of the program. See notes to the consolidated financial statements Section 5.5.

Personnel Expenses

Personnel expenses within general and administrative expenses include wages, salaries, social security costs and pension costs related to general and administrative personnel as well as non-cash expenses related to long-term incentive programs and in the fiscal year ended March 31, 2011 restructuring expenses compared to minor amounts of restructuring income in the prior year. Personnel expenses for our non-operating and non-sales related activities increased by T€ 11,706 to T€ 67,897 in the fiscal year ended March 31, 2011 from T€ 56,191 in the fiscal year ended March 31, 2010. This increase was primarily related to higher non-cash expenses in the amount of T€ 6,274 in relation to long-term incentive programs and restructuring expenses. Personnel expenses adjusted for the impact of the long-term incentive programs and restructuring increased by T€ 5,432 or 11.3 % from T€ 48,282 in the prior year to T€ 53,714 in the fiscal year ended March 31, 2011. The increase was primarily due to putting emphasis on reducing consulting expenses and insourcing knowledge and expertise in the Group by employing its long-term consultants and experts as well as a rise in tariff rates and salaries. Adjusted personnel expenses as a percentage of our revenues increased slightly from 3.2 % in the fiscal year ended March 31, 2010 to 3.4 % of our total revenues in the fiscal year ended March 31, 2011.

Depreciation and Amortization

Depreciation and amortization within general and administrative expenses primarily relate to our investments in the IT area. Depreciation and amortization decreased by T€ 1,506 or 5.6 % to T€ 25,201 in the fiscal year ended March 31, 2011 compared to T€ 26,707 in the fiscal year ended March 31, 2010 primarily due to certain software components reaching the end of their useful life. Depreciation and amortization expenses decreased from 1.8 % of our total revenues in the fiscal year ended March 31, 2010 to 1.6 % of our total revenues in the fiscal year ended March 31, 2011.

Other Costs and Expenses

Other costs and expenses within general and administrative expenses primarily include expenses for IT support, consultants and other headquarter related costs. Other cost and expenses decreased by T€ 4,845 or 10.3 % from T€ 47,178 in the fiscal year ended March 31, 2010 to T€ 42,333 in the fiscal year ended March 31, 2011. The primary reason for the decrease were lower expenses for IT consulting services due to the previously mentioned insourcing project. Other costs and expenses decreased to 2.6 % of our total revenues in the fiscal year ended March 31, 2011 from 3.1 % in the fiscal year ended March 31, 2010.

Profit from Ordinary Activities

Profit from ordinary activities for the fiscal year ended March 31, 2011 increased by T€ 5,592 to T€ 206,954 from T€ 201,362 for the fiscal year ended March 31, 2010. The increase in profit from ordinary activities was primarily due to increased revenues, stringent cost growth and an improved operating performance which was partly offset by higher non-cash expenses related to depreciation and amortization, restructuring measures and long-term incentive programs.

Interest Income

Interest income is primarily derived from our bank deposits. In the fiscal year ended March 31, 2011 interest income decreased slightly by T€ 337 to T€ 4,264 from T€ 4,601 in the fiscal year ended March 31, 2010. In the fiscal year ended March 31, 2011 we recorded an interest income of T€ 1,611 related to a corporate income tax refund and a T€ 1,506 gain which resulted from re-acquiring a portion of our PIK Loan at an average market price of 97 % of the face value. In the fiscal year ended March 31, 2010 we recorded interest income of T€ 2,538 related to the purchase price reimbursement regarding the acquisition from networks of TeleColumbus received in May 2009.

Interest Expenses

	Fiscal year ended March 31,	
	2011	**2010**
	T€	
Senior Notes	83,633	82,123
Thereof:		
Non-recurring	22,941	0
Recurring	60,692	82,123
Senior Credit Facility	75,882	55,561
PIK Loan	57,719	58,676
Amortization of capitalized financing and transaction costs	52,397	20,739
Thereof:		
Non-recurring	25,869	0
Recurring	26,528	20,739
Asset retirement obligations	2,318	1,234
Pensions	2,099	1,913
Finance lease	1,487	1,808
Interest hedge	0	94
Currency hedge	-6,778	-3,057
Other	3,911	4,566
Total interest expenses	**272,667**	**223,658**

Interest expenses increased by T€ 49,009 or 21.9 % to T€ 272,667 for the fiscal year ended March 31, 2011 from T€ 223,658 in the fiscal year ended March 31, 2010. This increase

is primarily due to our debt restructuring, which will lead to significant interest savings in the future.

The debt restructuring comprises the redemption of T€ 250,000 principal amount of Euro Senior Notes and TUS $ 610,000 principal amount of Dollar Senior Notes in various steps on October 20, 2010, December 17, 2010 and January 7, 2011, and to a lesser extent the partial repayment of Facility A of T€ 25,000. Furthermore we re-acquired T€ 38,183 of the PIK Loan in the fiscal year ended March 31, 2011 which includes interest of T€ 1,497. After the end of the fiscal year, on April 7, 2011, we re-acquired a further T€ 200,000 of the PIK Loan.

The previously mentioned debt restructuring measures led to non-recurring expenses in the amount of T€ 48,810. These expenses comprised non-cash expenses of T€ 25,869 related to an accelerated amortization of capitalized financing and transaction costs and payments of T€ 22,941 related to the redemption premiums on the Senior Notes (3.583 % for the Euro denominated Senior Notes and 3.542 % for the Dollar denominated Senior Notes).

As a result of the debt refinancing, recurring interest savings net of interest related to Tranche D of T€ 19,746 were generated in the fiscal year ended March 31, 2011, which will have further positive effects in the future, unless base interest rates increase dramatically.

The increase in interest expenses for the Senior Credit Facility was driven by a higher average senior debt level outstanding, higher commitment fees and interest margins related to the amendments to the Senior Credit Facility in February and November 2010 as well as a higher EURIBOR level.

Outstanding interest bearing indebtedness as of March 31, 2011 decreased by € 361 million to € 2,775 million from € 3,137 million as of March 31, 2010, primarily due to the debt restructuring described in more detail in the Notes (please refer also to 3.11.2 Non-Current Financial Liabilities).

Net financial debt consists of current and non-current financial liabilities less cash and cash equivalents. We constantly monitor our net financial debt which declined by € 118 million from € 2,844 million as of March 31, 2010 to € 2,726 million as of March 31, 2011.

Income from Associates

Based on the latest financial statements provided the income from associates increased from T€ 3,392 in the fiscal year ended March 31, 2010 by T€ 755 to T€ 4,147 for the fiscal year ended March 31, 2011.

Loss before Taxes

Loss before taxes is T€ 57,302 for the fiscal year ended March 31, 2011 compared to a loss before taxes of T€ 14,303 in the fiscal year ended March 31, 2010. This loss was primarily related to non-recurring interest expenses resulting from debt redemptions despite an improved operating performance.

Tax Benefit / Taxes on Income

Tax benefit was T€ 12,010 for the fiscal year ended March 31, 2011 compared to tax expenses of T€ 25,788 for the fiscal year ended March 31, 2010. For the fiscal year ended March 31, 2011, taxes were comprised of net current tax expenses of T€ 39,865 (T€ 51,076 current income tax charge less income of T€ 11,211 for prior years) and deferred tax benefit of T€ 51,875. For the fiscal year ended March 31, 2010, taxes were comprised of current tax expenses of T€ 30,354 and deferred tax benefit of T€ 4,566. The deferred tax benefit in the fiscal year ended March 31, 2011 resulted primarily from the reversal of deferred tax liabilities recognized on temporary differences of tangible assets (T€ 15,792), of the capitalized customer list (T€ 9,976), of debt issuance costs (T€ 9,008) and previously unrecognized tax loss carry forwards as deferred tax assets (T€ 9,620).

Net Loss of the Group for the Period

For the fiscal year ended March 31, 2011, a net loss was recorded in the amount of T€ 45,292 compared to T€ 40,091 for the fiscal year ended March 31, 2010. The net loss is primarily related to non-recurring interest expenses resulting from the debt redemptions despite an improved operating performance and deferred tax benefits.

Adjusted EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)[1]

	Fiscal year ended March 31,	
	2011	**2010**
	T€, except as noted	
Profit from ordinary activities	206,954	201,362
Depreciation and amortization	490,153	450,166
Non-cash expenses related to long-term incentive programs[2]	17,373	8,936
Restructuring network infrastructure	11,479	0
Other restructuring expenses / income	2,418	-4,045
IPO related expenses	682	2,701
Adjusted EBITDA	**729,059**	**659,119**
Adjusted EBITDA margin in %	**45.6%**	**43.9%**

Adjusted EBITDA increased by T€ 69,940 or 10.6 % to T€ 729,059 in the fiscal year ended March 31, 2011 from T€ 659,119 for the fiscal year ended March 31, 2010. Our Adjusted EBITDA margin increased to 45.6 % in the fiscal year ended March 31, 2011 from 43.9 % in the fiscal year ended March 31, 2010. The increase is primarily related to the growth in Adjusted EBITDA from the Internet and Phone business which had a positive impact on the overall Adjusted EBITDA margin.

[1] EBITDA consists of profit from ordinary activities before depreciation and amortization. We calculate ''Adjusted EBITDA'' as profit from ordinary activities before depreciation, amortization, non-cash compensation, which consists primarily of expenses related to our long-term incentive programs, and non-recurring restructuring expenses / income and IPO related expenses.

[2] Will be cash settled under certain conditions at the end of the program. See notes to the consolidated financialstatements Section 5.5.

Cash Flows for the Fiscal Year ended March 31, 2011 compared to the Fiscal Year ended March 31, 2010

As of March 31, 2011, the balance of cash and cash equivalents amounted to T€ 28,335 and we had T€ 325,000 credit available under our Revolving Credit Facility.

The following table shows a condensed version of our cash flows for the periods ended March 31, 2011 and 2010:

	Fiscal year ended March 31,	
	2011	**2010**
	T€	
Cash flows from operating activities	753,889	648,705
Cash flows from investing activities	-366,065	-269,153
Cash flows from financing activities	-630,834	-160,310
Changes in cash and cash equivalents	-243,010	219,242
Cash and cash equivalents at the beginning of the period	271,345	52,103
Cash and cash equivalents at the end of the period	**28,335**	**271,345**

Cash flows from Operating Activities

Our net cash flow from operating activities in the fiscal year ended March 31, 2011 increased by T€ 105,184 to T€ 753,889 from T€ 648,705 in the prior corresponding period primarily as a result of an increase in EBITDA as well as optimized net working capital.

Besides a significant improvement of net working capital primarily in relation with trade payables we accrued non-recurring provisions related to the restructuring of the network infrastructure and of the Finance department in the amount of T€ 14,787 in the fiscal year ended March 31, 2011, while we utilized or reversed provisions of T€ 20,191 related to the restructuring of our technical service personnel in the prior year.

Cash flows from Investing Activities

Our net cash used in investing activities increased by T€ 96,912 or 36.0 % to T€ 366,065 for the fiscal year ended March 31, 2011 from T€ 269,153 for the fiscal year ended March 31, 2010. This increase is primarily due to the fact that the March 31, 2010 figure included T€ 53,885 of purchase price reimbursements regarding the acquisition from networks of TeleColumbus while the March 31, 2011 amount includes payments for acquisitions of T€ 31,746. Cash paid for investments, primarily in our network and intangible assets, increased by T€ 9,817 to T€ 336,995 in the fiscal year ended March 31, 2011 from T€ 327,178 in the fiscal year ended March 31, 2010. For the fiscal year ended March 31, 2011 these investments are comprised of T€ 260,359 investments in property and equipment and of T€ 76,636 investments in intangible assets.

Cash flows from Financing Activities

Net cash used in financing activities was T€ 630,834 in the fiscal year ended March 31, 2011, compared to T€ 160,310 in the fiscal year ended March 31, 2010.

In the fiscal year ended March 31, 2011 repayments of non-current financial liabilities consisted of the premature redemptions of Euro and US Dollar Senior Notes in the amount of T€ 755,553, the partial redemption of the PIK Loan amounting to T€ 35,573 and a T€ 25,000 partial repayment of Tranche A of the Senior Credit Facility. New borrowings related to Tranche D issued under the Senior Credit Facility amount to T€ 400,000. The Revolving Credit Facility was used to borrow and repay cumulated T€ 240,000. Payments of interest and transaction costs totaled T€ 205,036 including T€ 45,752 non-recurring financing and transaction costs resulting from conducted debt restructurings.

In the fiscal year ended March 31, 2010 we borrowed and repaid T€ 199,000, respectively under the Revolving Credit Facility and paid T€ 180,740 in interest and transaction costs.

Capital Expenditure

In the fiscal year ended March 31, 2011 total capital expenditure amounted to T€ 344,626 and was principally comprised of T€ 260,359 of investments in property and equipment as well as capital expenditure related to IT systems, subscriber acquisition costs, licenses, software and intangible assets which amounted to T€ 76,636. Of the funds invested in our business T€ 215,241 were directly related to new subscribers acquired and connected to our network and T€ 129,385 were invested in the expansion of the network (including finance lease), software systems and websites to better serve our customers. Our capital expenditure amounted to 21.6 % of our total revenues for the fiscal year ended March 31, 2011 compared to 21.8 % for the fiscal year ended March 31, 2010.

Capital expenditure of T€ 165,306 can be allocated to our Internet and Phone Business, in particular to customer acquisition, upgrade of the network, segmentation and the installation of modems. As of March 31, 2011, 82.4 % of our network was upgraded to a bi-directional hybrid fiber coaxial (''HFC'') structure, allowing us, from our point of view, to deliver market-leading broadband Internet access and phone and other future interactive services to our customers. As we progressed with our network upgrade, we continuously increased the number of homes passed being marketed with our "New Services", especially Internet and Phone services. We believe that the implementation of DOCSIS 3.0, which we have started to roll out in 2010, will allow us to maintain our competitive advantage as we will be able to offer downstream speeds of 100 Mbit/s or more. As of March 31, 2011 we were able to provide DOCSIS 3.0 products in 47 % of our upgraded network which we expect to extend to approximately 80 % by the end of fiscal year ending March 31, 2012.

Opportunity and Risk Report

As Germany’s leading cable network operator the Group is faced with a multitude of opportunities and risks. By thoroughly managing uncertainties and optimizing opportunities the Group protects itself and creates value for its shareholders. To that effect, KDH AG maintains a risk management system carefully adapted to its environment and its operations.

Risk Management System

Risk management consists of the aggregation and monitoring of all organizational rules and measures, which are aligned with management’s strategy and designed to identify and manage risks.

The risk management system is an integral component of all processes within our organization. It is designed to identify unplanned developments as early as possible so that they can be actively controlled by management.

Our risk environment can change rapidly and unexpectedly as a result of various influences. It is therefore necessary to react quickly and try to ensure that no situation can cause substantial damage to or have long-term impact on assets, financial position or earnings.

In general, the operating units are responsible for the identification and mitigation of risks. Therefore, all managers perform an additional task as risk managers, and have the authority to take risks and the responsibility to monitor them. The system is supported by the central risk management unit which carries out risk controlling. Segregation of duties is ensured.

The risk controlling unit has process responsibility and produces the quarterly reports for the Management Board which enables detailed assessment and full transparency of the risk situation. In addition to the regular standard reporting, immediate reporting is put in place if the early warning system shows a certain risk measure exceeding a critical value or if special defined circumstances demand investigation. Furthermore, risk controlling is responsible for the continuous development of the risk management system and for setting organization-wide standards. Risks which overlap departments are also monitored.

Within the framework of the in-house risk management system the below mentioned risks are monitored closely in order to take appropriate measures if necessary.

Internal Control Systems relating to Accounting

The internal control system consists of principles, procedures and measures - established by the Management Board - which are aligned with the organizational implementation of management decisions:

- Assurance of effectiveness and profitability of business operations (including the protection of assets and the prevention of and exposure to economic loss)
- Correctness and reliability of internal and external accounting
- Compliance with legal regulations which are decisive for the Group

The Group uses an internal control system to ensure correct accounting. This guarantees prompt, standardized, correct and complete accounting and processing of business transactions and processes as well as the adherence to legal standards. Changes to accounting regulations are continually checked for relevance and their effects upon the Group financial reports and where necessary the internal guidelines and systems are amended accordingly. The organization of the internal control system includes organizational and technical measures, e.g. agreement processes, automatic checks for plausibility, separation of functions as well as the adherence to guidelines and regulations.

The internal control system is based on the COSO framework (Committee of the Sponsoring Organizations of the Treadway Commission) and the COBIT framework (Control Objectives for Information and Related Technology). Within the Group, all control-relevant business processes are part of a central IT system and are transparent. In addition, we run regular checks on employees who are responsible for controls and processes.

The accounting process which can significantly influence individual financial accounts, the overall statement of annual financials as well as management reports is part of our internal control and risk management system. In this regard our measures include following key elements:

- Identification of the essential risk fields and controls relevant for the billing process
- Monitoring controls for the supervision of the accounting process and its results on Management Board and strategic business segment level
- Preventative control measures in Finance as well as in operational and business performance processes which generate essential information for the annual financial report, including the review of the economic situation and including a separation of function and predefined approval processes in the relevant departments
- Measures which ensure the correct computer processing of issues and data related to billing

- Measures for the monitoring of internal control and risk management systems related to billing

Furthermore, the Internal Audit department is an important function within the Group control system. As part of its risk-oriented audits it examines amongst other things the accounting-relevant processes and reports its findings.

The monitoring and definition of the internal control system is also a task of the audit committee.

In general it can be said that an internal control system cannot guarantee completely that incorrect information will be found in external reporting. However, the risks of reporting inaccurate information are markedly minimized.

Risks

Risks relating to our Industry

We operate in a highly competitive industry, and competitive pressures could have a material adverse effect on our business.

The cable and telecommunications markets in Germany are exposed to considerable price and margin pressure.

We may not achieve our growth targets if there is no increase in demand for cable and telecommunications products and services in Germany. In addition, the market environment in Germany is different than in other countries; penetration rates, RGUs and ARPUs of non-German cable operators can therefore not be relied upon as an indicator of our growth potential.

Risks relating to our Business

Failure to control customer churn, including the decline in our number of cable subscribers, may adversely affect our business and financial results.

We may be unable to renew on commercially attractive terms, if at all our existing contracts with housing associations and Level 4 network operators upon their expiration. We may also not be able to acquire new subscribers by entering into new contracts with housing associations and Level 4 network operators.

If we fail to continue existing products or introduce and establish new or enhanced products and services successfully, our revenues, margins and cash flows could be lower than expected.

Our business is subject to rapid changes in technology and if we fail to respond to technological developments, our business may be adversely affected.

Failure to maintain and further develop our cable network or make other network improvements could have a material adverse effect on our operations and impair our financial position.

Many components of our cable network are based on rent and lease contracts. These contracts can be terminated by both parties after the minimum duration or anytime upon good cause. Termination of these contracts might result in additional cost for prolongation of the contracts or the alternative solution or - in the worst case - in a loss of business if there is no adequate alternative.

We rely on Deutsche Telekom and certain of its affiliates for cable duct space and other important services.

The switch-off of analog satellite signals or of entire channels might adversely affect our business.

We do not have guaranteed access to programs and are dependent on agreements with certain program providers. This may negatively impact our profitability if we are unable to extend the contracts on comparable terms and conditions.

Failure to reach agreements with collection societies for copyright fees may adversely affect our business.

The occurrence of events beyond our control could result in damage to our central systems and service platforms, including our digital playout facility, and our cable network.

The security of our encryption system was compromised by illegal piracy and may in the future again be compromised by illegal piracy, which may adversely affect our business and profitability.

We depend on equipment and services suppliers who may discontinue their products or seek to charge us prices that are not competitive, which may negatively impact our business and profitability.

Sensitive customer data is an important part of our daily business and leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect our business.

Loss of our key management and other personnel, or an inability to attract key management and other personnel, could adversely impact our business.

Risks in relation to outsourcing of services may adversely affect our business and may cause higher costs than initially anticipated.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We may acquire assets which could potentially deliver less revenues, cash flows and earnings than anticipated. We may experience difficulties integrating these assets in a timely manner and we may not realize expected anticipated synergies.

We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.

We are subject to risks from legal and arbitration proceedings.

The insolvency risk of major suppliers and customers may have an adverse impact on our revenues.

We are subject to significant government regulation, which may increase our costs and otherwise adversely affect our business.

Due to regulation, we do not have complete control over the prices that we may charge to broadcasters or that we may charge for wholesale offers to Level 4 network operators, which may adversely affect our cash flows and profitability and our ability to compete for agreements with housing associations and subscribers.

We are required to carry certain programs on our network, which may adversely affect our competitive position and results of operations.

We are subject to consumer protection laws and the general terms and conditions incorporated in our customer contracts may be held to be unenforceable by the German civil courts, which could adversely affect our business and results of operations.

Risks relating to our Financial Profile

Our substantial debt and our dependence on changing market interest rates could adversely affect our financial health and our ability to raise additional capital to fund our operations.

Our debt agreements contain restrictions that could limit our flexibility in operating our business.

Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate the cash required to service our debt.

Despite our current level of indebtedness, we may still be able to incur substantially more debt, which could further increase the risks associated with our significant indebtedness.

We have unfunded liabilities with respect to our pension plans and other post-retirement benefits.

We could lose our tax loss carry forwards and interest carry forwards if there was a change in our shareholder structure which would result in significantly higher tax liabilities and would adversely affect our business.

We have a history of net losses and may report losses in the future, which may adversely affect our business and our ability to acquire financings in the future.

The borrowings under our Senior Credit Facilities bear interest at floating rates that could rise significantly, increasing our costs and reducing our cash flow.

The Group has substantial indebtedness under its PIK Loan and Senior Credit Facilities and we may not be able to refinance on favorable terms, or at all.

We could be required to pay additional taxes and other duties following tax audits of us or our subsidiaries.

We might not be in a position to make use of tax deductions for our interest expenses.

Summary

In conclusion, we can determine that the existence of the Group has never been under threat. Furthermore, we presently have no knowledge of any other developments which could pose such a threat to the existence, assets, financial situation or profits of the Group.

We judge the overall risk situation of the Group as manageable.

Opportunities

Our Group operates in a large and highly attractive European geographic area. We are the largest cable television service provider in terms of subscribers and homes passed in Germany. Our network coverage area comprises 13 of the 16 German federal states, including the metropolitan areas of the three largest German cities, Berlin, Hamburg and Munich. As of December 31, 2009[1], the states in which we operate had a population of 47.1 million and 23.7 million homes and they accounted for more than half of Germany's gross domestic product ("GDP"), which, on a standalone basis, would constitute the fifth largest economy in the European Union in terms of GDP (Source: Statistisches Bundesamt). We believe the scale of our operations in combination with our network ownership provides us with a significant advantage to disproportionately benefit from the growth opportunities in our market.

The German market offers significant growth opportunities for the cable sector. The German broadband Internet access market has grown rapidly over the last five years. Despite this strong growth, broadband Internet penetration in Germany was estimated at only 63 % in 2010, which was below the broadband Internet access penetration in the most penetrated Western European countries, such as The Netherlands (85 %), Denmark (87 %) and Switzerland (79 %) (Source: Euromonitor). We believe that, due to its competitive advantage, the German cable distribution technology will continue to attract broadband Internet access customers from other distribution technologies such as DSL. The German Premium-TV market has historically been underdeveloped. We also expect that going forward, we will benefit from further growth potential in our TV Business as we continue our roll-out of DVRs and expand our Premium-TV services with the launch of HDTV programming and VoD.

Our TV Business generates predictable and relatively stable cash flows from operating activities. Cable is the leading TV distribution platform in Germany, with 51.4 % of German homes receiving TV signals via cable as of June 2010 (Source: Digital report TNS infratest, ALM/ZAK July 2010). We believe this percentage has remained largely unchanged since 2003 despite the introduction of alternative distribution platforms such as digital terrestrial television broadcast and television via Internet. This stability combined with relatively low churn rates in the core areas of our TV Business and our predictable cost base and capital expenditures have led to relatively stable cash flows from operating activities.

We have a large but underpenetrated customer base and network. Despite strong growth, over the last three years total RGUs per subscriber (1.45 as of March 31, 2011) and monthly ARPU per subscriber (€ 13.40 for fiscal year ended March 31, 2011) have been low compared to cable operators in other countries. This is partially due to the comparatively late roll-out of New Services in our network. Going forward however, our offerings of TV services as well as broadband Internet and fixed-line phone services provide us with the opportunity to cross-sell and up-sell additional services to existing and new customers.

[1] Based on the latest information available.

Furthermore we believe that our triple play products, which are currently marketed to 83.2 % of our upgraded homes passed, will significantly enhance our ability to attract new customers.

We operate Germany's second largest media and telecommunications network and have the advantage of a superior technology and bandwidth capability. We believe that the size and reach of our cable network positions us well in the converging media and telecommunications markets. The control over our own access network including the "last mile" to customers provides us with increased flexibility in product design and service, time-to-market odds and certain cost advantages relative to operators without an own access network. Our upgraded cable network has the capacity to transmit analog and digital TV broadcasting signals in parallel with broadband Internet, phone and other interactive services to multiple users per household. We believe that with the support of our high quality network we will continue to benefit from increased broadband Internet penetration and the migration of customers to HDTV and interactive TV applications. As we continue to implement DOCSIS 3.0, our network will have the ability to consistently deliver broadband speeds of 100 Mbit/s or potentially faster, which is twice the speed of standard VDSL. We therefore expect to maintain our current price/performance leadership position in the foreseeable future.

We benefit from scalable economics with a largely fixed cost structure and success-based capital expenditures. We believe our network ownership and large subscriber base allow us to operate on a lower cost basis than many of our German peers, in particular those that unbundle local loops, use bitstream access or resell services of Deutsche Telekom. Some of our cost elements, such as a significant portion of our network operations, sales and administrative costs, are fixed, which allows us to generate high incremental returns as we grow our business. Since our network also serves as the platform for our broadband Internet and fixed-line phone products, we benefit from the incremental contribution of additional products and services that are delivered over a shared asset base. This is validated by the fact that since the launch of our New Services in March 2006, our adjusted EBITDA margin increased from 35.0 % for the fiscal year ended March 31, 2007 to 45.6 % for the fiscal year ended March 31, 2011, despite continued investments in our sales, marketing and service capabilities. Over the next few years we plan to upgrade parts of our network that are not yet capable of delivering two-way services. This activity will provide additional marketable homes which should offer good opportunities for growth in the Internet, Phone and Premium-TV businesses.

Our management team has significant experience in the cable, television and telecommunications industries in Germany, with a proven track record of increasing productivity, reducing costs, making strategic acquisitions as well as maintaining and developing strong customer relationships. Our Chief Executive Officer who joined us in May 2007 has held senior executive positions in the information and communication industry for 21 years and has worked for companies such as Siemens Business Services and Fujitsu Siemens Computers. Our Chief Financial Officer has more than 15 years of experience in the German cable sector, serving as Chief Financial Officer at PrimaCom AG and its predecessor, KabelMedia GmbH, prior to joining us in 2003. Our Chief Operating Officer has extensive experience in the German media sector,

having held various positions within the German media company Kirch Group before joining us in 2003. Our Chief Marketing Officer joined us in 2007 from the Swiss cable operator Cablecom Holdings GmbH, where he was responsible for the marketing and sales of its consumer business as well as the product areas.

Disclosures pursuant Section 315 para. 4 of the German Commercial Code ("HGB" - Handelsgesetzbuch)

The information required under Section 315 para. 4 HGB is as follows:

Description and Composition of the Subscribed Capital:

The subscribed capital of KDH AG amounts to T€ 90,000 and is divided into 90,000,000 no par value bearer shares with a pro rata amount of € 1.00 each. The capital has been fully paid.

There are no different types of shares; all shares are associated with the same rights and duties, which in particular arise under Sections 12, 53a, 188 ff. and 186 German Stock Corporation Act (Aktiengesetz, "AktG"). A demand by the shareholders for the securitization of their shares is precluded under Section 4 para. 3 of the Articles of Association. Every share confers one vote at the Shareholders' Meeting. The shareholders' share in the earnings of the Company shall be determined in accordance with their share in the share capital (Section 60 AktG).

Restrictions that affect Voting or the Transfer of Shares

Certain Members of the management, include the Management Board and certain additional executives, acquired shares in connection with a management participation program. These shares, which are now held directly or indirectly, were subject to a contractual restriction on disposal (lock-up) entered into with the underwriting banks involved in the initial public offering. This restriction on disposal ran through March 22, 2011, which was one year from the first day of trading of the KDH AG shares on the Frankfurt Stock Exchange. The banks waived this lock-up restriction in connection with the block sale of shares by LuxCo in the beginning of March 2011.

The shares held by LuxCo are also subject to a contractual lock-up restriction with the same underwriting banks through June 3, 2011.

Direct or indirect Participations in Capital that exceed 10 % of the Voting Rights

Under the German Securities Trading Act (Wertpapierhandelsgesetz) investors who have reached, exceeded or fallen below certain threshold percentages of voting rights in listed companies are required to notify the Company. By the balance sheet date the following companies have notified the Company in regards to exceeding the threshold of 10%:

LuxCo

On March 8, 2011 the following companies have informed KDH AG that its shareholding and voting rights have fallen below the thresholds of 30 % and 25 % on March 8, 2011:

Cable Holding S.A., Luxembourg, Grand Duchy of Luxembourg, notified that it holds 19,727,627 shares and voting rights, i.e. approximately 21.92 % of the voting rights. The following companies, all seated in George Town, Grand Cayman, Cayman Islands are direct or indirect holders of Cable Holding S.A. and notified the Company that the entire voting right participation is to be attributed to each of them pursuant to Section 22 para. 1 sentence 1 no. 1 in connection with sentence 3 WpHG in the following order:

- Cayman Cable Holding L.P.
- Cayman Cable Holding G.P. Co. Ltd.
- Providence Equity Offshore Partners IV L.P.
- Providence Equity Offshore Partners V L.P.
- Providence Equity Offshore GP IV L.P.
- Providence Equity Offshore GP V L.P.
- Providence Equity Partners (Cayman) IV Ltd.
- Providence Equity Partners (Cayman) V Ltd.
- Providence Fund Holdco (International) L.P.
- Providence Holdco (International) GP Ltd.

BlackRock

On March 14, 2011 the companies listed below notified the Company that the threshold of 10 % was exceeded on March 8, 2011. On this date the voting rights which are to be attributed to each of the below listed companies pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG, amounted to:

- 11.00% as notified by BlackRock, Inc., New York, USA (this corresponds to 9,901,898 voting rights),
- 10.80% as notified by BlackRock Financial Management, Inc, New York, USA (this corresponds to 9,719,915 voting rights), and
- 10.80% as notified by BlackRock Holdco 2, Inc., Wilmington, Delaware, USA (this corresponds to 9,719,915 voting rights).

Holders of Shares with special Rights that confer Controlling Powers

There are no shares with special rights that confer controlling powers.

Type of Voting Control when Employees have a Share in the Equity and do not exercise their Rights of Control directly

To the extent that employees participate indirectly in the equity of the Company in connection with a management participation program, they shall exercise their right to vote only indirectly. This exercise of voting rights shall be undertaken through an intermediate affiliated company, Cayman Cable Holding L.P., a company established and existing under the law of the Cayman Islands, which in turn holds an interest in LuxCo and thus an indirect interest in the Company.

The majority shares in Cayman Cable Holding L.P. are held by various funds of the Providence Group and, therefore, can make decisions regarding the exercise of the voting rights at LuxCo and thus indirectly also over the exercise of the voting rights of LuxCo in the Company.

Appointment and Removal of the Board of Management, Amendments of the Articles of Association

The appointment and removal of the members of the Management Board is regulated in Sections 84 and 85 AktG as well as in Section 31 Co-determination Act (Mitbestimmungsgesetz, “MitbestG”). Under these provisions members of the Management Board shall be appointed by the Supervisory Board for a maximum period of five years. A re-appointment or an extension of the term of office is also permissible for five years. Under Section 31 MitbestG a majority of at least two-thirds of the members of the Supervisory Board is required for the appointment of members of the Management Board. If an appointment does not occur in accordance with this, the Arbitration Panel of the Supervisory Board shall make a recommendation for the appointment within one month after the voting. The Supervisory Board shall then appoint the members of the Management Board with a majority of the votes of its members. If an appointment still does not occur in accordance with this, then the Chairman of

the Supervisory Board shall have two votes in the next voting.

According to Section 5 of the Articles of Association, the Management Board of KDH AG shall consist of one or more persons. The Supervisory Board shall determine the actual number of members of the Management Board. The Supervisory Board has appointed a Chairman of the Management Board (and a Deputy Chairman). The Supervisory Board has established rules of procedure for the Management Board and in particular, stipulated in these rules transactions which require the approval of the Supervisory Board. The Supervisory Board has a quorum when at least half of the members from which it shall be constituted in total, participate in the passing of a resolution. To the extent that the law does not compel something different, resolutions by the Supervisory Board shall be made by a simple majority of the votes cast.

The Supervisory Board can revoke the appointment of a member of the Management Board and of the Chairman of the Management Board if there is an important reason to do so (Section 84 para. 3 AktG).

In case of amendments of the Articles of Association, Section 179 ff. AktG shall be observed. The German Stock Corporation Act contains special regulations (Sections 182–240 AktG) for amendments of the Articles of Association in the event of increasing or reducing the share capital. Under these regulations the Shareholders' Meeting can in principle authorize the Management Board to undertake certain (capital) measures within the framework set up by the Shareholders' Meeting (existing authorizations of KDH AG are set forth below). The Shareholders' Meeting shall make the decision regarding amendments to the Articles of Association (Sections 119 para. 1 no. 5, 179 para. 1 AktG). The resolution must be passed by at least three-quarters of the share capital that is represented at the adoption of the resolution. The Articles of Association can designate a different controlling interest (higher and lower) and impose additional requirements. The Articles of Association of KDH AG provide in its Section 17 para. 2 that resolutions of the Shareholders' Meeting shall be passed with a simple majority of the votes cast, and, in so far as a majority of the share capital is necessary, with a simple majority of the registered share capital that is represented at the voting, unless a higher majority is required by the Articles of Association or by mandatory law. The latter is the case, for example, in relation to the creation of authorized capital (Section 202 (2) sentences 2 and 3 AktG) or contingent capital (Section 193 (1) sentences 1 and 2 AktG), for which a majority of three quarters of the capital represented at the passing of the resolution is necessary in each case.

The Supervisory Board is empowered to decide upon changes to the Articles of Association that affect only the wording according to Section 11 of the Articles of Association. Furthermore, it is empowered to amend the wording of the Articles of Association following a capital increase based on total amount or part of the Authorized Capital I and following a capital increase based on total amount or part of the Contingent Capital 2010/I. The Supervisory Board

shall be authorized to resolve on amendments to the Articles of Association that relate only to their wording.

Powers of the Board of Management, in particular with Respect to the Possibility of Issuing or Redeeming Shares

Authorized Capital

By shareholder resolution dated February 19, 2010 the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital of the company until February 18, 2015 by issuing up to 45,000,000 new no par value bearer shares against cash and/or contributions in kind once or several times up to a total amount of T€ 45,000, whereby the subscription rights of the shareholders can be excluded (Authorized Capital 2010/I). In principle the new shares are to be offered for subscription to the shareholders; they can also be subscribed to by credit institutions or business enterprises within the meaning of Section 186 para. 5 sentence 1 AktG with the obligation to offer them for subscription to the shareholders.

However, the subscription rights of the shareholders can be excluded wholly or in part in the following cases:

(i) The Management Board is, subject to the approval of the Supervisory Board, authorized to exempt fractional amounts from the shareholders' subscription rights.

(ii) In addition to this, the Management Board is, subject to the approval of the Supervisory Board, authorized to exclude the shareholders' subscription rights in the case of capital increases against contributions in kind for the purpose of the (also indirect) acquisition of companies, divisions of companies, interests in other companies or other assets.

(iii) The Management Board is, subject to the approval of the Supervisory Board, further authorized to preclude the shareholders' subscription rights if the new shares are issued against cash contributions and the issue price is not significantly lower than the stock exchange price of the shares of the company already listed at the time of the final determination of the issue price, which should be made at a point in time as close to the placement of the shares as possible, and the calculated pro rata amount attributable to the new shares does not exceed in total the threshold of 10 % of the share capital of the Company either at the effective date of this authorization or at the time of the exercise of this authorization. Any shares shall count towards this limit that (a) are issued or sold during the duration of this

authorization subject to the exclusion of the shareholders' subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG, as well as those (b) that are issued or can be issued for servicing subscription rights or for the performance of conversion obligations arising from convertible bonds and/or warrant bonds, profit participation rights and/or income bonds (and/or any combination of these instruments) (together "bonds") to the extent that the bonds are issued after the effective date of this authorization in analogous application of Section 186 para. 3 sentence 4 AktG with the exclusion of the shareholders' subscription rights.

(iv) The Management Board is, subject to the approval of the Supervisory Board, authorized to exclude the subscription rights of the shareholders (a) to the extent necessary in order to be able to confer new no par value bearer shares to the holders and/or creditors of bonds which are issued by the Company or by a company in which the Company holds a direct or indirect interest ("Affiliated Companies") upon their exercise of conversion or option rights or the performance of a conversion obligation, as well as (b) also to exclude to the extent necessary in order to confer a subscription right to new shares on holders of conversion and/or option rights, and/or creditors of convertible bonds with conversion obligations that were or will be issued by the Company or Affiliated Companies in the scope to which they would be entitled as shareholders following the exercise of the conversion or option rights and/or following the performance of the conversion obligations.

The Management Board is authorized to determine the further details of the capital increases from the Authorized Capital 2010/I and their implementation subject to the approval of the Supervisory Board.

The Supervisory Board is authorized to amend the wording of the Articles of Association of the company after the full or partial implementation of the increase in the share capital out of the 2010/I Authorized Capital and after expiration of the authorization period in accordance with the scope of the capital increase(s) from the Authorized Capital 2010/I.

Authorized but unissued Capital

The share capital of the Company is contingently increased by the resolution of the Shareholders' Meeting of March 15, 2010 by T€ 45,000 (Contingent Capital 2010/I) by the issue of up to 45,000,000 new no par value bearer shares. The authorized but unissued capital serves to confer shares to owners/creditors of convertible bonds and warrant bonds in accordance with the authorization of March 15, 2010.

Treasury Shares

By resolution of the Shareholders' Meeting dated March 15, 2010 the Management Board is, subject to the approval of the Supervisory Board, authorized to acquire until March 14, 2015 treasury shares in a volume of up to 10 % of the share capital existing at the time of the adoption of the resolution (this corresponds to 9,000,000 shares). An acquisition for the purpose of trading in treasury shares is excluded. Shares purchased on the basis of this authorization together with other shares of the Company that the Company has purchased and still owns at the time of the acquisition shall not represent more than 10 % of the share capital.

The authorization can be utilized at one time or in installment amounts, once or a number of times, by the Company, but also by dependent companies or companies under majority ownership of the Company or by third parties who are acting for the account of the Company or of dependent companies or companies under majority ownership of the Company.

The acquisition can be effected through the stock exchange or by means of a public offer to all shareholders. In the event of an acquisition via the stock exchange the purchase price (without related ancillary costs) may not exceed or undercut by more than 20 % the stock exchange price calculated on the trading day by means of the opening sales in XETRA trading (or an analogous successor system).

In the event of an acquisition of shares by means of a public offer, the purchase price offered or the limits of the purchase price range per share (without related ancillary costs) may not exceed or undercut by more than 20 % the stock exchange closing rate in XETRA trading (or an analogous successor system) on the third stock exchange trading day prior to the day of the public announcement of the offer. If after the publication of the public offer significant fluctuations in the prevailing price occur, then the offer can be adjusted. In this case a possible adjustment will be tailored to the price on the third stock exchange trading day prior to the public announcement.

The volume of the offer can be limited. To the extent that the total subscription exceeds the set volume, acceptance must be effected according to quota. Preferential acceptance of small numbers of up to 1,000 tendered shares per shareholder can be provided for.

Moreover, in addition to sale through a stock exchange or via an offer to all shareholders, the Management Board is authorized to utilize the shares acquired on the basis of this authorization as follows:

(a) They can be called in without the calling in or its implementation requiring a further Shareholders' Meeting resolution.

(b) With the approval of the Supervisory Board they can be offered to third parties against in-kind contributions in connection with company mergers or for the purpose of (also indirect) acquisition of companies, divisions of companies,

interests in companies or other assets and be transferred to these third parties.

(c) With the approval of the Supervisory Board they can be sold to third parties against cash payment if the price at which the shares will be sold is not significantly lower than stock exchange price (without the ancillary cost of acquisition) of the Company's shares at the time of the sale; the stock exchange price of the Company's shares in the XETRA trading system (or an analogous successor system) at the time of setting the sales price shall be deemed to be relevant.

Shares sold on the basis of this authorization may in total not exceed the upper limit for the simplified subscription rights preclusion of 10 % of the share capital, neither at the time of the effective date nor at the time of the exercise of this authorization. Included in this number are shares of the Company that are issued by the Company during the term of this authorization with the exclusion of the subscription rights of the shareholders in direct or analogous application of Section 186 para. 3 sentence 4 AktG. Moreover, included in this number are shares that are issued or can still be issued to service conversion or option rights and/or conversion obligations to the extent that the bond that brings about a corresponding conversion or option right and/or is the basis for a corresponding conversion obligation was issued during the term of this authorization in accordance with this provision precluding the shareholders' subscription rights.

(d) With the approval of the Supervisory Board they can be used to service option and conversion rights or conversion obligations arising out of obligations that are issued by the Company or an Affiliated Company.

The above authorizations for the use or recall of treasury shares can be made use of in one action or in installments, once or a number of times, individually or jointly.

The shareholders' subscription rights to purchase treasury stock are excluded to the extent that these shares will be utilized in accordance with the above authorizations under letters (b) to (d).

Essential Agreements by the Company that are Subject to the Condition of a Change of Control as a Result of a Takeover Offer

Mandatory prepayments of the Senior Credit Facility are required (i) in full upon a change of control (generally triggered if a person or group other than Providence or its affiliates gains control of more than 30 % of the total voting rights of the Company), or a sale of

substantially all assets or the businesses, (ii) in part from the receipt of proceeds from certain third parties, including in connection with asset sales.

Mandatory prepayments of the PIK Loan are required in case of (i) a change of control and (ii) receipt of proceeds from certain asset sales. The Company is also entitled, at its own option, to prepay the PIK Loan, in whole or in part, at any time without penalty. The agreement governing the PIK Loan provides for events of defaults which, if any of them occurs, would permit or require the principal of and accrued interest on the PIK Loan to become or to be declared due and payable.

Some agreements with pay-TV suppliers provide for an extraordinary right of termination in the event that a competitor of the contractual partner or an entity affiliated with a competitor gains dominating control over the Company.

Indemnity Agreements of the Company, which have been made in Case of a Takeover Offer with the Members of the Management Board or the Employees

There are no such agreements.

Compensation Report

Basic Principles of the Compensation System for the Management Board and Supervisory Board

The following compensation report summarizes the basic principles of the compensation system for the Management Board and Supervisory Board of KDH AG that was used to determine the compensation of the Management Board and Supervisory Board in the past fiscal year.

The compensation system for members of the Management Board of KDH AG was reformed in the fiscal year ended March 31, 2011 after the initial public offering in March 2010. For this, the Supervisory Board of KDH AG on May 19, 2010 has resolved the new compensation structure as set out below with retroactive effect for the entire fiscal year ended March 31, 2011. The compensation structure was implemented within the new management employment agreements concluded with the members of the Management Board. For a transitional period the members of the Management Board received compensation from KDG GmbH which was also in settlement of services rendered as members of the Management

Board of KDH AG.

The new compensation system for the members of the Management Board was approved by resolution of the General Meeting on October 20, 2010.

I. Compensation of the Management Board

The full Supervisory Board defines reasonable compensation for the individual members of the Management Board. The criteria for the reasonableness of the total income are the tasks and the performance of each Management Board member and the situation of the Company. Total compensation may not exceed standard compensation in the absence of special justifying reasons.

Total compensation for the members of the Management Board essentially comprises three elements: the fixed salary, the short-term variable bonus for the fiscal year and the long-term variable bonus based on a Long-Term Incentive Plan (LTIP). Added to this are retirement pensions and standard benefits.

Fixed Salary

An annual fixed salary is paid out in equal monthly installments independent of performance and represents the fixed element of compensation.

Short-term variable Bonus

In addition, a short-term variable bonus in the form of a profit-dependent performance bonus is paid annually in arrears for the fiscal year. The amount of the performance bonus depends on the extent to which performance targets are reached, given certain company-specific parameters defined by the Supervisory Board in agreement with the Management Board at the start of each fiscal year. If targets are 100% reached, the performance bonus is equal to the agreed target bonus amounting to 80% of the fixed salary. If targets are 70% reached, a bonus amounting to 10% of the agreed target bonus is paid. If targets are less than 70% reached, no bonus is paid. The upper limit of the performance bonus is 150% of the contractually agreed target bonus. The extent to which targets have been reached is calculated and determined by the Supervisory Board at the end of each fiscal year on the basis of the actual operating results.

For the fiscal year ended March 31, 2011, the following parameters were used to define performance targets: revenues from the TV Business (including Premium-TV), revenues from

the Internet and Phone business, EBITDA, EBITDA minus Capex (i.e. investments for long-term capital goods) taking account of changes in net working capital (i.e. various current asset items), and customer satisfaction (one-third each from the Customer Service Center, the Technical Service Center and Technical Operations).

Long-term variable Bonus

The members of the Management Board also participate in a long-term performance-based compensation program, the so-called Long-Term Incentive Plan (LTIP). This LTIP comprises two stock-based elements: a virtual performance share program provided annually (LTIP I) and a one-time grant of virtual stock options (LTIP II).

LTIP I

The virtual performance share program is a performance-based compensation program based on the total shareholder return (TSR) of KDH AG stock within a 4-year period ("vesting period") relative to the development of the MDAX.

At the beginning of each fiscal year, each member of the Management Board will be allotted a number of virtual shares ("Performance Shares") duly determined at the discretion of the Supervisory Board. Depending on the attainment of certain performance targets, the Performance Shares will be due for payout four years after they are granted. Performance targets will be defined by the development of total shareholder return of KDH AG stock relative to the MDAX during the four-year vesting period. Payout will be made in cash and will be calculated based on the number of Performance Shares due for payout multiplied by the volume-weighted average closing price of KDH AG stock in XETRA trading over the last 30 trading days before the vesting date. If the development of the total shareholder return of KDH AG stock equals the development of the MDAX, the performance targets are 100% reached, and 100% of the allotted Performance Shares will be paid out. If the development of the total shareholder return of KDH AG stock beats the development of the MDAX, the number of Performance Shares due for payout will increase relative to the extent to which the total shareholder return of KDH AG stock outperforms the MDAX, up to a maximum of 200% of the number of Performance Shares originally allotted. This 200% ceiling will be reached if the development of the MDAX is exceeded by 40 percentage points or more. If the development of the total shareholder return of the KDH AG stock underperforms the development of the MDAX by 20 percentage points or less, the number of Performance Shares due for payout will be reduced by up to 50% in proportion to the degree of underperformance. Straight-line interpolation will be applied between the upper and lower thresholds. If the MDAX is underperformed by more than 20 percentage points, the performance target will be missed and the Performance Shares will be cancelled without compensation. The Performance Shares will

also be cancelled without compensation if the MDAX is underperformed and at the same time the KDH AG stock price at the vesting date (applying the volume-weighted average closing price of KDH AG stock in XETRA trading over the last 30 trading days prior to the vesting date) plus any dividend paid out in the vesting period falls short of the issue price of the Performance Shares.

LTIP II

As of April 1, 2010, the members of the Management Board received a one-time allotment of virtual stock options, in a number duly determined at the discretion of the Supervisory Board. The stock options have a term of six years.

The virtual stock options will vest in several tranches on February 19, 2012 (40 % of the options), March 31, 2013 (additional 30 % of the options) and March 31, 2014 (remaining 30 % of the options), respectively, provided that in each case particular performance targets are reached. The defined performance targets were target EBITDA levels that must be achieved over a certain time period and target prices of KDH AG stock that must be reached within defined performance time frames. If the respective target prices have not been reached within the relevant performance time frame, the exercise eligibility can be reached subsequently up to the expiration of the exercise period, if and when the target price for one of the subsequent performance time frames is met either before the start of or within this subsequent performance time frame, provided the respective Management Board member is in office at the time the target is reached (so-called “catch-up vesting”). The virtual stock options can be exercised for the first time four years after being granted and within a two-year exercise period. In the event of a material adverse change of the capital markets, the Supervisory Board can also extend the term of the options and the exercise period by up to two years. Virtual stock options not exercised within the (original or extended) exercise period shall be forfeited without compensation. Upon exercise of the virtual options, the difference between the issue price of KDH AG stock at the IPO (€ 22) and the volume-weighted average closing price of KDH AG stock in XETRA trading over the last 30 days prior to the exercise date will be paid out in cash.

In the event of extraordinary developments, the Supervisory Board can limit the number of performance shares subject to payout as well as the number of exercisable virtual stock options.

Payments in the Event of Termination/Retirement

The members of the Management Board acquire vested pension rights under a pension plan. The pension agreement with each member of the Management Board provides for a right to lifelong pension payments to the retired Board Member or his surviving family members in the

event that the Board Member reaches the age of 65, in the event of permanent disability, or in the event of death, in accordance with the pension scheme of the Group. If a Board Member reaches normal retirement age, payments are made from a capital account plan funded by annual contributions, the amounts of which depend on the annual fixed salary and age of the Board Member. The amount of the annual contributions is equal to 2.5 % of the annual fixed salary, plus 9 % of any amount of the annual fixed salary in excess of the income limit for public pension contributions, multiplied by an age-dependent factor. The total amount of contributions paid into the capital account plan represents the pension benefit balance. Payments from the capital account may involve cash payment (lump sum payment or installment payments) or annuitized payment of the pension benefit balance available at the time of retirement, permanent disability, or death. In the event of disability pension benefits are equal to 100 % of the pension benefit balance available at the time of disability. In the event of death, the surviving spouse is entitled to 100 % of the pension benefit balance. If there is no surviving spouse, children under the age of 27 are entitled to 100 % of the pension benefit balance in equal shares.

If a member of the Management Board leaves the Company before reaching retirement age, vested pension benefits are not forfeited. To the extent that payment of the pension benefit balance is annuitized, regular pension payments are adjusted at a rate of 6 % per annum. If payment of the pension benefit balance is annualized, it may be agreed to pay a widow's/widower's pension in the amount of 60 % of the pension benefit.

Benefits

The members of the Management Board are entitled to standard (incl. non-cash) benefits, including use of a company car, D&O insurance, life insurance, and employer contributions to health insurance plans and, in some cases, a housing allowance or reimbursement for fees for tax advisors.

Release from Obligation to disclose Compensation of individual Board Members

By unanimous resolution of the Shareholders' Meeting dated March 15, 2010, KDH AG was, in accordance with Section 286 para. 5 and Section 314 para. 2 sentence 2 HGB, released for the fiscal year ending on March 31, 2010 and for the four fiscal years thereafter, from its obligation under Section 285 No. 9 (a) sentences 5 to 8 and Section 314 para. 1 No. 6 (a) sentences 5 to 8 German Commercial Code (*HGB*) to disclose the amount of compensation paid to each individual member of the Management Board. Accordingly, no information about compensation paid to individual members of the Management Board of KDH AG is disclosed.

II. Compensation of the Supervisory Board

The compensation of the Supervisory Board was determined by the Shareholders' Meeting and is governed by Section 12 of the articles of association of KDH AG ("Compensation"). Each member of the Supervisory Board receives a fixed salary in the amount of T€ 20 (basic salary) after the end of each fiscal year. The chairman of the Supervisory Board receives a fixed salary four times the basic salary, and the vice-chairman receives a fixed salary one and a half times the basic salary. The chairman of the executive committee receives, in addition, twice the basic salary, and the chairman of the audit committee receives four times the amount of the basic salary paid to members of the Supervisory Board. Every ordinary member of the audit committee additionally receives 0.75 times the basic salary. Members of the Supervisory Board who serve as regular members, Chairman, or Vice-Chairman of the Supervisory Board or are member of a committee for only part of a fiscal year are compensated on a pro rata basis.

In addition, members of the Supervisory Board are paid T€ 1 for each meeting of the plenary Supervisory Board at which they are personally in attendance. Compensation for attendance of meetings is limited to T€ 1 per calendar day. In addition, the Company reimburses members of the Supervisory Board for expenses incurred by them in the performance of their duties and responsibilities as members of the Supervisory Board, including VAT payable on their compensation and expenses provided that VAT is invoiced separately.

Since the six employee representatives in the Supervisory Board of KDH AG, Ms. Susanne Aichinger, Ms. Petra Ganser, Ms. Petra Hesse, as well as Messrs. Ronald Hofschläger, Norbert Michalik and Joachim Pütz, were by court decision of May 27, 2010 appointed to be members of the Management Board at the request of the Management Board (the request of which was coordinated with the company's Works Council and the ver.di union), they are for the fiscal year ending on March 31, 2011 entitled only to prorated payment of the aforementioned compensation based upon their length of service.

Outlook

Our business proved resilient in the recessionary macroeconomic environment of 2008 and 2009 and we think our business will continue to develop in a robust manner in the years to come. However, any high inflationary environment might have an adverse effect on our business success going forward (rising factor costs and interest rates).

Since 2006 the Group undertook an extensive investment program to upgrade its network, introduce New Services and expand its marketing and sales capabilities, allowing for the sale of broadband Internet access and fixed-line phone services and for a broader offering of Premium-TV services, e.g. HDTV, DVR or Video-on-Demand. We capitalized on our existing network assets and benefited from economies of scale with a largely fixed cost structure and success-based capital expenditures. As a result of this strategy we have achieved significant organic growth of revenues, EBITDA and free cash flow as well as a reduction of net debt in recent years. We expect this pattern of success to continue over the next two years and beyond as we continue to pursue this strategy.

TV Business

We expect our Basic Cable business to continuously generate stable revenues and cash flows despite the fact that the Basic Cable subscriber base is likely to decline further. As in the past, however, this decline should occur mostly in the segment of indirect, low-ARPU subscribers due to continued disconnections of Level 4 network operators. Future acquisitions of Level 4 network operators in our footprint such as the acquisition of networks and customers in Mainz and Osnabrueck in 2010, could further lead to a higher share of direct customers in our Basic Cable subscriber base. As in the past we will continue to evaluate potential value accretive acquisition targets and might, subject to market conditions and regulatory approval, further benefit from the ongoing consolidation of the German cable industry.

We think that the growing awareness of and demand for digital TV services will provide ample opportunities for us to drive innovation in the TV market and penetrate our Basic Cable subscriber base with additional Premium-TV services. During the next two years we plan to penetrate our customer base with our enhanced Digital Video Recorders and set-top boxes while extending our HDTV offering. Moreover we introduced our interactive Video-on-Demand service in March 2011 and intend to roll-out this service in our upgraded network during the next years. Selling these New Services on a stand-alone basis or packaging them with our traditional pay-TV services will in our expectation create more growth in our TV Business and should positively contribute to the EBITDA and cash flow development of our Group.

Internet and Phone Business

As in recent years we expect that the Internet and Phone business will be the major contributor to future growth in revenues and EBITDA of the Group's subsidiaries. While growth of the German broadband market is slowing down, with increasing penetration we expect to increase our broadband subscribers and revenues at rates significantly above market average. The cable industry has been gaining market share from DSL players and we expect our growth to be fueled increasingly by churning DSL subscribers who are attracted by differentiating products and price-performance-leadership of cable technology. This technology leadership will be strengthened by increased availability of our DOCSIS 3.0 services which provide speeds of 100 Mbit/s or more. We plan to be in a position to offer these speeds across our entire upgraded network during 2012.

Network Projects and Capital Expenditure

Accommodating for further growth of subscribers, traffic and New Services we will continue to invest into our network and service platforms over the coming years. Also in the future the majority of our capital expenditure will be success-based, i.e., driven by the acquisition and installation of new subscribers and the expenditures for equipment related to our services. During the next fiscal year, however, we will also complete the redesign and renewal of our core network (which started already last fiscal year) as we extend our backbone network to a regional level and migrate from satellite based to fiber based TV distribution. Furthermore we will upgrade additional network segments for Internet and Phone services. Despite these extraordinary efforts we expect that the relative capital expenditure intensity of our business – measured by the ratio of capital expenditure over sales – will not change significantly in the short-term and continue its declining trend in the mid- to long-term as we grow our revenue base while only moderately increasing capital expenditure in absolute terms.

As a consequence of the expected developments described above the operating free cash flow (EBITDA minus capital expenditure) of our current business should continue to grow over the next two years. This will enable us to further reduce the net debt leverage of the Group's current business and to fully meet the Company's financing obligations in the years to come (covenants, interest and principal payments).

Particular Events after the Balance Sheet Date

On April 7, 2011, the Group has re-acquired €200 million of its outstanding PIK Loan at par value plus related accrued and unpaid interest of €6.4 million for a total cash-out of €206.4 million.

On May 9, 2011 the Group launched a formal request to amend its Senior Credit Facility in a way that its Senior Net Debt to EBITDA covenant will be temporarily increased from 3.5x to 4.25x as of June 30, 2011, stepping back down to the original level of 3.5x by December 31, 2012. With the increased headroom, the Group improves its flexibility to issue new senior secured debt, which would allow for earlier redemption of its 2014 PIK loans. On May 23, 2011 the amendment was effectively approved since by then lenders holding more than the required 66.7% of the senior credit facility consented.

Unterfoehring, May 24, 2011

Kabel Deutschland Holding AG

Dr. Adrian v. Hammerstein Chief Executive Officer	Paul Thomason Chief Financial Officer
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer	Erik Adams Chief Marketing Officer

Kabel Deutschland Holding AG, Unterfoehring

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Unterfoehring, May 24, 2011

Dr. Adrian v. Hammerstein
Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares
Chief Operating Officer

Paul Thomason
Chief Financial Officer

Erik Adams
Chief Marketing Officer

Audit opinion

We have audited the consolidated financial statements prepared by the Kabel Deutschland Holding AG, Unterföhring, comprising the consolidated statement of financial position, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from April 1, 2010 to March 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, Germany, May 24, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]	*[signed]*
Dahmen	Christ
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Financial Statements

Kabel Deutschland Holding AG
Unterfoehring

For the Fiscal Year Ended
March 31, 2011

Kabel Deutschland Holding AG, Unterfoehring, Germany
Balance Sheet as of March 31, 2011

	Assets	€	€	Mar. 31, 2010 T€
A.	**Fixed Assets**			
	Financial assets			
	Investments in Affiliates		1,515,498,000.00	1,515,498
B.	**Current Assets**			
I.	**Receivables and other assets**			
1.	Receivables from Affiliates	6,574,066.44		3,125
2.	Other Assets	247.58		3
			6,574,314.02	3,128
II.	**Cash on Hand and Bank Balances**		735,122.64	3,673
			7,309,436.66	6,802
C.	**Prepaid Expenses**		118,962.20	617
			1,522,926,398.86	**1,522,916**

	Equity and Liabilities	€	€	Mar. 31, 2010 T€
A.	**Equity**			
I.	**Subscribed Capital**	90,000,000.00		90,000
II.	**Capital Reserves**	722,109,000.00		722,109
III.	**Accumulated Deficit**	-83,706,860.83		-10,687
			728,402,139.17	801,422
B.	**Provisions**			
1.	Provision for Pensions	1,450,897.00		129
2.	Other Provisions	33,027,547.56		23,504
			34,478,444.56	23,633
C.	**Liabilities**			
1.	Liabilities to Bank	715,387,443.16		696,069
2.	Trade Payables	144,241.52		669
3.	Liabilities to Affiliates	44,310,486.90		36
4.	Other Liabilities	177,286.08		1,088
	thereof for Taxes € 177,286.08 (prior year: T€ 1,087)			
			760,019,457.66	697,861
D.	**Deferred Tax Liabilities**			
	Deferred Tax Liabilities		26,357.47	0
			1,522,926,398.86	**1,522,916**

Kabel Deutschland Holding AG, Unterfoehring, Germany
Statement of Income
for the Period April 1, 2010 to March 31, 2011

	€	€	2009/2010 T€
1. Revenues		3,096,545.99	1,808
2. Other Operating Income		4,414.62	0
3. Personnel Expenses			
a) Wages and Salaries	-11,932,895.12		-163
b) Social security, pension and other benefits costs, - thereof for old-age pensions: € 157,903.63 (prior year: T€ 3)	-238,258.79		-5
4. Other Operating Expenses	-4,396,884.68		-196
		-16,568,038.59	-364
5. Interest and Similar Income - thereof from affiliates € 0,00 (prior year: T€ 308)	158,767.92		309
6. Interest and Similar Expense - thereof to affiliates € 1,830,309.18 (prior year: T€ 0) - thereof to accumulation € 38,528.00 (prior year: T€ 0)	-59,662,889.64		-58,751
		-59,504,121.72	-58,442
7. Result from Ordinary Business Activities		-72,971,199.70	-56,998
8. Extraordinary Expenses	-22,598.00		-2,701
9. Extraordinary Result		-22,598.00	-2,701
10. Income Taxes - thereof for deferred taxes € 26,357.47 (prior year: T€ 0)		-26,379.76	0
11. Net Loss for the Year		-73,020,177.46	-59,699
12. Accumulated Losses Brought Forward		-10,686,683.37	-271,988
13. Transfer from Capital Reserves		0.00	321,000
14. Accumulated Deficit		-83,706,860.83	-10,687

Kabel Deutschland Holding AG, Unterfoehring

Notes to the financial statements

for the fiscal year ended March 31, 2011

General Information

Kabel Deutschland Holding AG ("KDH AG" or the "Company") resulted from the conversion of Kabel Deutschland Holding GmbH ("KD HoldCo"; commercial register of Munich HRB 155690) into an AG effective as of March 4, 2010. KDH AG's registered office is in Unterfoehring, Betastrasse 6 - 8, Germany (commercial register of Munich HRB 184452). Prior to the Company's initial public offering (IPO) on March 22, 2010, Cable Holding S.A. Luxembourg ("LuxCo") owned 100 % of KDH AG. During the IPO LuxCo sold 34.5 million shares and reduced its ownership to 61.67 %. In September 2010 LuxCo sold an additional 15 million shares and reduced its ownership to the level of 43.68 %. In March 2011 LuxCo further sold 20 million shares. LuxCo remains the largest shareholder with 21.92 % of the subscribed capital in KDH AG at the end of the fiscal year 2010/2011.

The Company is the ultimate management and holding company of our Group ("KDH" or "the Group"). As the parent company of the Group, the Company performs the typical tasks of a holding company such as the strategic development of the Group, financing activities and the provision of services for its affiliated companies. The Group's business is primarily conducted by the relevant operating subsidiaries, the most important being Kabel Deutschland GmbH ("KDG") and its wholly owned subsidiary Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS").

The purpose of KDH AG is to operate in all areas of television, telecommunication and multimedia, and services associated with these areas. Currently, its focus is directed towards holding activities.

The Group is the largest cable network operator in Germany in terms of residential units that can be connected to a cable network (''homes passed'') and subscribers. The Group offers a variety of television and telecommunication services to its customers, including Basic Cable services, Premium-TV services, broadband Internet access, fixed-line phone, mobile phone and mobile data services.

Basis of Preparation

The Company's fiscal year ends on March 31.

The annual financial statements for the year ended March 31, 2011 were prepared in accordance with Sections 264 para. 1, 264d of the German Commercial Code (HGB) in conjunction with Section 267 para. 3 HGB and are in compliance with the German commercial law regulations governing large capital corporations and the supplementary regulations of the German Stock Companies Act (Aktiengesetz - "AktG"). Deviations resulted from implementing the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz - "BilMoG"), with its influence upon the asset, financial, and earnings status being shown for the individual balance sheet positions. In general, the Company is regarded as a going concern.

The preparation of financial statements in accordance with HGB requires estimates and assumptions that have a direct impact on the measurement, valuation and disclosure of assets, and contingent assets and liabilities as of the balance sheet date, as well as the income and expenses recorded during the period under review. Although the estimates and assumptions are made to the best of the management's knowledge and taking into account current events, actual events may deviate from expectations.

Accounting and Valuation Methods

The Company's financial statements were prepared in accordance with consistent accounting and valuation methods. The introduction of BilMoG resulted in changes to the valuation methods and disclosures previously adopted in the prior year. KDH AG has not used the existing optional transitional regulations under Article 66 EGHGB for early implementation of BilMoG. The prior year figures were not adjusted when initially implemented according to Article 67 para. 8 EGHGB. Pursuant to the transitional EGHGB regulations, the impact is accounted to extraordinary profit or loss or retained earnings, as the case may be.

Financial Assets

Investments in affiliates and equity interests are reported at acquisition cost. The Company recognizes impairment losses when there are decreases in the values of the financial assets.

Receivables and Other Assets

Receivables and other assets are reported at their nominal value. Identifiable individual risks are taken into account through individual allowances. Non interest bearing or low interest bearing receivables with a remaining term from more than one year will be discounted.

Prepaid Expenses

Costs incurred prior to March 31, 2011 are recorded as prepaid expenses if they represent an economic benefit in a future reporting period.

Deferred taxes

If excess liabilities result from a comparison of the overall difference of balance sheet deferred taxes and deferred tax assets for losses carried forward as well as any interest carried forward, they are reported as deferred tax liabilities.

If timing differences arise between the accounting and tax valuations, which represent assets with regard to fixed assets, accruals or any losses carried forward and any interest carried forward, they are reported offset against existing deferred tax liabilities.

The limit of deferred tax assets accruals is subject to legal disbursement constraints.

The valuation of deferred taxes depends amongst others on regulations for the corporate tax and local business tax (local business tax rates).

Provision for Pensions

Provision for Pensions and other retirement provisions are recognized according to actuarial principles, based on the use of the projected unit credit method. Salary and social security contribution increases expected in the future are taken into account when determining the present value of direct benefits. The interest rate published by Deutsche Bundesbank at the time is used for discounting purposes for a remaining term of 15 years. Pensions are calculated using the Heubeck 2005 G guidelines.

Other Provisions

Other Provisions are recognized according to reasonable business judgment, taking into account expected future price and cost increases and accounted for with the required amount to be paid. Material provisions falling due in more than one year are discounted for the remaining term at the average market interest rate of the past seven years, as set and published by Deutsche Bundesbank. Otherwise, pensions or other similar long-term obligations are discounted at a flat rate at the average market interest rate, assuming a maturity of 15 years.

Liabilities

Liabilities are recorded at the amount repayable. All financing costs relating to bank loans or the issuing of bonds are recorded in the income statement as incurred.

Income Statement

The Income Statement has been prepared using the total cost method pursuant to Section 275 para. 2 HGB.

Notes to the Balance Sheet

Financial Assets

The financial assets of KDH AG are presented in the disclosed list of equity investments.

A. Direct holdings

Name of company	Registered Office	Share-holding in %	Equity T€	Net income/net loss for the year T€
Kabel Deutschland GmbH	Unterfoehring	100.00	214,400	-44,133

B. Indirect holdings

Name of company	Registered Office	Share-holding in %	Equity T€	Net income/net loss for the year T€
1. Kabel Deutschland Vertrieb und Service Beteiligungs Verwaltungs GmbH	Unterfoehring	100.00	35	1
2. Kabel Deutschland Vertrieb und Service Beteiligungs GmbH & Co. KG	Unterfoehring	100.00	-8	-5
3. Kabel Deutschland Verwaltungs GmbH	Unterfoehring	100.00	57	0
4. Kabel Deutschland Vertrieb und Service GmbH & Co. KG	Unterfoehring	100.00	747,126	-11,119
5. Kabel Deutschland Vermögen Beteiligungs Verwaltungs GmbH	Unterfoehring	100.00	37	1
6. Kabel Deutschland Vermögen Beteiligungs GmbH & Co. KG	Unterfoehring	100.00	-10	-5
7. Kabel Deutschland Vermögen GmbH & Co. KG	Unterfoehring	100.00	-3	-4
8. Kabel Deutschland Breitband Services GmbH	Unterfoehring	100.00	31,187	-3,142
9. Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	303	803
10. Kabel Deutschland Stralsund GmbH	Unterfoehring	100.00	10,529	-802
11. TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG	Kaiserslautern	100.00	36,692	4,075
12. TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00	100	7
13. Kabel Deutschland Vierte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	20	-2
14. Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	20	-2
15. BMH Berlin Mediahaus GmbH	Unterfoehring	100.00	920	227 [2]
16. KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Braunschweig	99.58	1,617	328
17. KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Wolfsburg	97.65	922	278
18. Urbana Teleunion Rostock GmbH & Co. KG	Rostock	70.00	7,426	4,867
19. Verwaltung Urbana Teleunion Rostock GmbH	Rostock	50.00	40	2
20. Kabelfernsehen München Servicenter GmbH & Co. KG	Munich	30.22	31,884	9,854 [1]
21. Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung - Beteiligungsgesellschaft	Munich	24.00	318	155 [1]

Unless otherwise stated the fiscal year is from 01.04.2010 - 31.03.2011

[1] Fiscal year from 01.01.2009 - 31.12.2009

[2] Period from 01.02.2011 - 31.03.2011

The financial assets of KDH AG comprise solely its 100 % equity interest in KDG. As of March 31, 2011, KDG's equity amounted to T€ 214,400 (prior year: T€ 590,536). For the year ended March 31, 2011, KDG accounted a loss T€ 44,133 (prior year: T€ 97,176). The decrease in equity results from deferred taxes due to timing differences based on the conversion of BilMoG for the first time and the net loss for the financial year.

In order to check the book value of the financial assets, especially the book value of the equity investment in KDG, the value of the Company or the value of its equity is calculated on the basis of the current business plan according to "Application of the Principle of IDW S 1 in the Valuation of Investments and Other Equity Interests for the Purposes of Commercial Financial Statements" (IDW AcP HFA 10), taking into account "Generally Accepted Standards for Business Valuations" (IDW S 1).

The value of the equity is calculated based on the discounted cash flow method. The business plan used as a basis for calculations includes a detailed planning phase covering a period of five years based on the budget for fiscal year 2011/2012 and a continuation phase based on the calculation of a perpetual annuity.

Based on the corresponding calculation of KDG's equity, the recoverability of the equity value of KDG in the balance sheet of KDH AG, recognized at T€ 1,515,498 as of March 31, 2011, was confirmed. In addition, the market valuation of KDH AG provides a fair value indicator for the investment in KDG.

Receivables from Affiliates

Receivables from Affiliates comprise the following:

	March 31, 2011	March 31, 2010
	in T€	in T€
KDG	3,269	1,670
KDVS	2,655	1,455
KDBS	650	0
Total	**6,574**	**3,125**

As of March 31, 2011, receivables from KDG amounted to T€ 3,269 (prior year: T€ 1,670) and primarily result from VAT receivables from the consolidated VAT group amounting to T€ 1,463 and receivables from the prior year and current year transfer of pension

liabilities to KDH AG amounting to T€ 1,272. Furthermore, there are receivables from services provided by KDH AG for strategic development, consulting, and services, as well as in connection with financing services, amounting to T€ 534. All these payables fall due within less than one year.

As of March 31, 2011 receivables from KDVS amounted to T€ 2,655 (prior year: T€ 1,455) and from Kabel Deutschland Breitband Services GmbH (“KDBS”) amounted to T€ 650 (prior year: T€ 0). Receivables primarily originated from services provided by KDH AG for strategic development, consulting and other services in connection with financing activities. The receivables mature within one year.

Shareholders` Equity

In the past financial year, changes in equity were as follows:

	Subscribed capital		Authorized capital		Contingent capital		Capital reserve
	thousand of shares	in T€	thousand of shares	in T€	thousand of shares	in T€	in T€
As of March 31, 2010	90,000	90,000					722,109
As of March 31, 2011	90,000	90,000					722,109
Authorized Capital 2010/I			45,000	45,000			
Contingent Capital 2010/I					45,000	45,000	

Subscribed Capital

The subscribed capital of KDH AG is T€ 90,000 and is divided into 90,000,000 ordinary bearer shares with no par value and a pro rata portion of the share capital of € 1.00 per share. The subscribed capital is fully paid-in.

Authorized Capital

Subject to the approval of the Supervisory Board, the Management Board is authorized by Articles of Association as of February 19, 2010 to increase the registered share capital of the Company on one or more occasions through February 18, 2015 by a total amount of up to T€ 45,000 by issuing up to 45,000,000 new no par value bearer shares against contributions in cash and or in kind (‘‘Authorized Capital 2010/I’’). The Management Board is further authorized,

with the consent of the Supervisory Board and under certain conditions, to exclude fractional amounts from the shareholders' subscription right.

Contingent Capital

The Company's share capital is increased conditionally by resolution of the Annual General Meeting of March 15, 2010 by T€ 45,000 through the issuance of up to 45,000,000 new no par value bearer shares (Contingent Capital 2010/I). The Contingent Capital is for granting bearer shares to holders or creditors of conversion and option privileges issued by the Management Board with Supervisory Board's consent following the authorization dated March 15, 2010 under the provisions governing this authorization.

Capital Reserve

As of March 31, 2011 the capital reserve amounts to T€ 722,109 and remains unchanged compared with the prior year.

Provision for Pensions

Provision for pensions and other retirement obligations include the Company's pension obligations towards employees, which were valued based on the above-stated principles. The liabilities at March 31, 2011 are largely based on obligations assumed as part of the transfer of employees from KDG.

The provisions for pensions and other retirement obligations were calculated on the basis of the following mentioned parameters:

- Average market interest rate of 5.14 % for a term of 15 years, published by Deutsche Bundesbank
- Increases in salaries and wages (income dynamics) amounting to 3.25 % in general and for non-pay scale employees
- Pension increase of 1.50 % fixed on the basis of contractual agreements
- Mortality tables according to Dr. Klaus Heubeck "Guidelines 2005 G"

A one-time addition to pension provisions amounting to T€ 23 is the result of converting the valuation of pension provisions to BilMoG. The corresponding expense was recorded in extraordinary profits and losses.

Other Provisions

Other provisions changed as follows:

	Balance as of April 1, 2010 in T€	Utilization in T€	Addition in T€	Accumulation in T€	Balance as of March 31, 2011 in T€
Provision for pensions	129	0	1,284	39	1,451
Total Provision for pensions	129	0	1,284	39	1,451
Interest provisions	20,546	-20,546	21,867	0	21,867
Provisions for personnel expenses	130	-117	9,732	0	9,745
Consulting fees	2,631	-1,942	115	0	804
Annual financial statement fees	171	-171	282	0	282
Supervisory Board compensation	26	-26	276	0	276
Provisions for outstanding invoices	0	0	54	0	54
Total other provisions	23,504	-22,802	32,325	0	33,027
Total	**23,633**	**-22,802**	**33,609**	**39**	**34,478**

The interest provisions comprise accrued interest on the PIK Loan. The PIK interest is paid on May 19 and November 19 of each year through the issuance of additional PIK Loans under the same terms and conditions and is a non-cash payment in kind.

The provision for personnel expenses in the total amount T€ 9,745 includes long term provision for currently non-cash[1] share-based payment expenses related to the Long-Term Incentive Plan (LTIP) in the amount of T€ 7,897.

[1] Will be cash settled under certain conditions at the end of the program. Please refer to the Compensation Report in the Management Report within these Financial Statements.

Liabilities

Liabilities are comprised as follows:

Type of liability (in T€)	March 31, 2011				March 31, 2010			
	Payable within 1 year	Payable in 1-5 years	Payable after 5 years	Total	Payable within 1 year	Payables in 1-5 years	Payables after 5 years	Total
Liabilities to bank / PIK Loan	200,000	515,387	0	715,387	0	696,069	0	696,069
Trade payables	144	0	0	144	669	0	0	669
Liabilities to affiliated	5,559	38,752	0	44,310	36	0	0	36
Other Liabilities	177	0	0	177	1,088	0	0	1,088
therof, taxes	*177*	*0*	*0*	*177*	*1,087*	*0*	*0*	*1,087*
	205,880	554,139	0	760,019	1,793	696,069	0	697,862

On March 31, 2011, the PIK Loan lenders were informed of a voluntary pre-repayment of T€ 200,000 of the PIK Loan on April 7, 2011.

Liabilities to Banks / PIK Loan

Effective on May 19, 2006, KDH AG entered into a PIK Loan (interest-accumulating loan with a face value of T€ 480,000) to replace the existing loan.

This PIK Loan had a term of eight years and six months. The interest rate is fixed on the basis of EURIBOR plus a margin of 7 % p.a. and a premium for contractually defined costs. The agreement stipulates consecutive interest definition periods of six months each for which a new interest rate is calculated on the basis of EURIBOR semi-annually. The PIK interest is paid on May 19 and November 19 of each year through the issuance of additional PIK Loans under the same terms and conditions and is a non-cash payment in kind.

On July 27, 2010, Kabel Deutschland Dritte Beteiligungs GmbH (“KD Dritte”), a Group subsidiary, purchased T€ 36,686 of the outstanding PIK Loan of KDH AG at an average rate of 97 % of the face value. In December 2010, KDH AG purchased the portion of KD Dritte on the PIK Loan at a rate of 99.59 % of the face value amounting to T€ 38,183, which was equivalent to the fair market value at the purchase date. The financing and transaction costs connected with the repurchase were recorded in the income statement. The gain from the difference between the face value and the market value amounted to T€ 158. The repurchase was financed by an intercompany loan with KDVS and reduced the outstanding PIK Loan.

As of March 31, 2011, the PIK Loan, including accrued interest, amounted to T€ 715,387 (prior year: T€ 696,069). The interest accrued since November 19, 2010 is T€ 21,867 (prior year: T€ 20,546) and is shown under interest provisions.

Under the terms of the agreement, the Company can repay the PIK Loan in whole or in part at any time following the end of the first year. Payment obligations relating to the PIK Loan are given at least the same priority as all other current and future payment obligations.

The PIK Loan includes certain financial covenants, including limits on indebtedness, the sale of assets and profit distribution.

Deferred tax liabilities

As of March 31, 2011 and March 31, 2010 the deferred tax liabilities amounting to T€ 26 and T€ 0, respectively, relate to pensions provisions.

Deferred tax assets for corporate tax losses carried forward by KDH AG of T€ 193,216 and T€ 187,761 and local business tax losses carried forward of T€ 116,257 and T€ 110,818 as well as interest carried forward according to the interest barrier rules in Germany of T€ 189,150 and T€ 129,684 were not capitalized in the fiscal years ending March 31, 2011 and March 31, 2010. This is because it was not certain whether they would be recoverable given that KDH AG may currently not be able to offset any tax losses with positive earnings.

Other Financial Obligations

There were no other financial obligations as of the balance sheet date.

Notes to the Income Statement

Revenues

Revenues in the fiscal year ended March 31, 2011 amounting to T€ 3,097 primarily resulted from consulting and services for strategic development invoiced to KDG, KDBS and KDVS. [2]

Other Operating Expenses

Other operating expenses primarily include management fees amounting to T€ 2,261, consulting and audit fees amounting to T€ 673, insurance expenses amounting to T€ 702, Supervisory Board expenses amounting to T€ 559, as well as costs in connection with shareholders (investor relations) amounting to T€ 98.

Interest and Similar Expenses

Interest and similar expenses amounted to T€ 59,663 (prior year: T€ 58,751) and relate primarily to the PIK Loan. Interest expenses related to Group companies amounted to T€ 1,830 in the fiscal year ended March 31, 2011.

Extraordinary Expenses

Pursuant to the transitional regulations of the “EGHGB” (Introductory Act to the German Commercial Code), the effects of the conversion of BilMoG are accounted to extraordinary profit/loss or retained earnings depending on each case. Expenses amounting to T€ 23 result from the pension provision charge under Article 67 para. 1 EGHGB in accordance with BilMoG.

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[2] In the fiscal year ended March 31, 2011 sales for consulting and other services were presented in revenues. For comparison purposes presentation in the prior year has been changed in the statement of income and therefore T€ 1,808 has been reclassified from other operating income into revenues.

Corporate Taxes and Deferred Tax

The corporate tax expenses for the fiscal years ending March 31, 2011 and March 31, 2010 break down as follows:

	April 1, 2010 - March 31, 2011	April 1, 2009 - March 31, 2010
	T€	T€
Statement of income		
Current income tax		
Current income tax charge	0	0
prior year income tax charge (+) / release (-)	0	0
Deferred income tax		
Relating to origination and reversal of temporary differences	26	0
Income tax expense (+) / income (-) reported in the statement of income	26	0

The projected tax rate of 27.38 % is based on a corporate income tax rate of 15 % plus the solidarity tax surcharge of 5.5 % on corporate income tax, as well as a trade tax rate of 11.6 %.

A reconciliation of income taxes for the fiscal year ended March 31, 2011 using a combined statutory income tax rate of 27.38 % for corporate and trade tax to actual income tax expense as recorded on the statement of income, is as follows:

	April 1, 2010 - March 31, 2011
	T€
Loss (-) before income tax	-72,994
Notional tax income at KDH`s statutory income tax rate of 27.38 %	-19,986
Unrecognized tax losses	1,491
Non-deductible expenses	16,355
Non-capitalized deferred tax assets	2,166
Income tax benefit (-) / expense (+) according to the statement of income	26

Other Notes

Auditor's Remuneration

The information concerning the overall audit fees for the audit of KDH AG is omitted pursuant to Section 285 No. 17 HGB. KDH AG is part of the consolidation group of Kabel Deutschland Holding AG and the information is included in the consolidated financial statements.

Overall Compensation of Board Members

By resolution of the Annual General Meeting of March 15, 2010, the exemption regulation of Section 286 para. 5 HGB is utilized. Therefore, information on individualized compensation disclosures pursuant to Section 285 para. 9 (a) sentences 5 to 9 HGB are not required.

In the fiscal year ended March 31, 2011 members of the Management Board continued to receive compensation from KDG for the period April 2010 to November 2010 on the basis of their managing director's service agreements with KDG. These compensation payments were also in settlement of services rendered as members of the Management Board of KDH AG. In December 2010, employment contracts as KDG directors were terminated in full and replaced by service contracts as Members of the Management Board of KDH AG. Since then, KDH AG paid the directors compensation directly. The total compensation for the period from April 1, 2010 to March 31, 2011 amounted to T€ 11,030. Included in the amount are T€ 7,220 currently non-cash[3] share-based benefit expenses based on the Group's Long-Term Incentive Plan (LTIP).

On the basis of the first LTIP component, members of the Management Board have been allotted 80,000 virtual performance shares for the fiscal year ended March 31, 2011, each of which has been granted with a grant price of € 22 per share (share price at IPO) resulting in a total value of T€ 1,760 at grant date. On the basis of the second LTIP component, Members of the Management Board have been granted 800,001 virtual stock options with a grant date as of April 1, 2010. The respective fair value at grant date amounted to T€ 4,727.

For the year ended March 31, 2011 the total compensation to members of the Supervisory Board amounted to T€ 559 and included Supervisory Board remuneration, directors

[3] Will be cash settled under certain conditions at the end of the program. Please refer to the Compensation Report in the Management Report within these Financial Statements.

fees for attendance at meetings as well as all ancillary services connected thereto (prior year: T€ 26).

Declaration of Compliance with the German Corporate Governance Code in Accordance with Section 161 AktG (German Stock Corporation Act)

The Management Board and the Supervisory Board of Kabel Deutschland Holding AG have issued a Declaration of Compliance required under Section 161 AktG and made it available to shareholders on the Kabel Deutschland website. The full text of the Declaration of Compliance is constantly available on the Kabel Deutschland website at www.kabeldeutschland.com.

Group Relationships

The annual financial statements of KDH AG are included in the consolidated financial statements of Kabel Deutschland Holding AG. Kabel Deutschland Holding AG prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements are published in the online Federal Gazette (*Elektronischer Bundesanzeiger*).

Disclosures pursuant to Section 160 para. 1 no 8 AktG about Voting right notifications

Section 160 para. 1 no. 8 AktG provides for the disclosure of shareholdings which were notified pursuant to Section 21 para. 1 or para. 1a WpHG. These regulations require investors who have reached, exceeded or fallen below certain threshold percentages of voting rights in listed companies to notify the Company. The content of the notifications received by the balance sheet date and disclosed pursuant to Section 26 para. 1 WpHG are set out below. These reflect the most recent notifications made to KDH AG about the level of investments held:

LuxCo

On March 8, 2011 the following companies have informed KDH AG that its shareholding and voting rights have fallen below the thresholds of 30 % and 25 %.

Cable Holding S.A., Luxembourg, Grand Duchy of Luxembourg, notified that it holds 19,727,627 shares and voting rights, i.e. approximately 21.92 % of the voting rights. The following companies, all seated in George Town, Grand Cayman, Cayman Islands are direct or indirect holders of Cable Holding S.A. and notified the Company that the entire voting right participation is to be attributed to each of them pursuant to Section 22 para. 1 sentence 1 no. 1 in connection with sentence 3 WpHG in the following order:

- Cayman Cable Holding L.P.
- Cayman Cable Holding G.P. Co. Ltd.
- Providence Equity Offshore Partners IV L.P.

- Providence Equity Offshore Partners V L.P.
- Providence Equity Offshore GP IV L.P.
- Providence Equity Offshore GP V L.P.
- Providence Equity Partners (Cayman) IV Ltd.
- Providence Equity Partners (Cayman) V Ltd.
- Providence Fund Holdco (International) L.P.
- Providence Holdco (International) GP Ltd.

Norges Bank, Norway

Norges Bank, Oslo, Norway, notified on March 9, 2011 that on March 8, 2011 its voting rights exceeded the threshold of 5 % and amounted to 5.48 % (this corresponds to 4,931,724 voting rights). The voting rights are held by Norges Bank (Central Bank of Norway).

In the name and on behalf of the State of Norway the Royal Ministry of Finance of the State of Norway, Oslo, Norway, notified on March 8, 2011 that the voting rights of the State of Norway exceeded the threshold of 5 % on March 8, 2011 and on this date amounted to 5.48 % (this corresponds to 4,931,724 voting rights). Norges Bank (Central Bank of Norway), who holds these voting rights, is controlled by the State of Norway, and the voting rights of 5.48 % (4,931,724 voting rights) held by Norges Bank are to be attributed to the State of Norway pursuant to Section 22 para. 1 sentence 1 WpHG.

BlackRock

On March 14, 2011 the companies listed below notified the Company that the threshold of 10 % was exceeded on March 8, 2011. On this date the voting rights which are to be attributed to each of the below listed companies pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG, amounted to:

- 11.00 % as notified by BlackRock, Inc., New York, USA (this corresponds to 9,901,898 voting rights),
- 10.80 % as notified by BlackRock Financial Management, Inc., New York, USA (this corresponds to 9,719,915 voting rights), and
- 10.80 % as notified by BlackRock Holdco 2, Inc., Wilmington, Delaware, USA (this corresponds to 9,719,915 voting rights).

On the same day the companies listed below notified the exceeding of the threshold of 5 % on March 8, 2011. On this date the voting rights which are to be attributed to each of the below listed companies pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG, amounted to:

- 9.30 % as notified by BlackRock Advisors Holdings, Inc., New York, USA (this corresponds to 8,370,723 voting rights),
- 7.29 % as notified by BR Jersey International Holdings L.P., St. Helier, Jersey, United Kingdom (this corresponds to 6,563,244 voting rights), and

- 7.29 % as notified by BlackRock International Holdings Inc., New York, USA (this corresponds to 6,563,244 voting rights).

On November 4, 2010 BlackRock Group Limited, London, United Kingdom notified (in correction of notifications of October 5, 2010, published on October 7, 2010) that the threshold of 3 % was exceeded on October 4, 2010. On this date the voting rights which are to be attributed to the Company pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG, amounted to 3.33 % (this corresponds to 2,994,935 voting rights).

Fidelity Management & Research Company and FMR LLC

Fidelity Management & Research Company, Boston, Massachusetts, USA, notified on January 21, 2011 that its voting rights in KDH AG exceeded the threshold of 5 % of the voting rights on January 18, 2011 and on this date amounted to 5.09 % (this corresponds to 4,583,723 voting rights). All of these voting rights are to be attributed to the Company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

FMR LLC, Boston, Massachusetts, USA, notified on December 21, 2010 that its voting rights in KDH AG exceeded the threshold of 5 % of the voting rights on December 15, 2010 and on this date amounted to 5.08 % (this corresponds to 4,569,621 voting rights). All of these voting rights are to be attributed to the Company pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG.

Goldman Sachs

On October 21, 2010 the hereafter named companies notified to KDH AG that their voting rights fell below the threshold of 3 % on October 19, 2010. On this date the voting rights of Goldman Sachs Asset Management International, London, United Kingdom, amounted to 2.91 % (this corresponds to 2,616,301 voting rights) which are to be attributed to this Company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

The voting rights of each the companies listed below on October 19, 2010 amounted to 2.91 % (this corresponds to 2,616,301 voting rights) and are to be attributed to each of the following companies pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG:

- Goldman Sachs Holdings (UK), London, United Kingdom
- Goldman Sachs Group Holdings (UK), London, United Kingdom
- Goldman Sachs (UK) L.L.C., Wilmington, Delaware, USA
- The Goldman Sachs Group, Inc., New York, New York, USA

The above mentioned four companies notified after the balance sheet date, on April 6, 2011, the withdrawal of their voting right notifications since the voting rights of Goldman

Sachs Asset Management International, London, United Kingdom, are not to be attributed to them due to declarations of independence pursuant to Section 22 para 3a WpHG. The voting right notifications of Goldman Sachs Asset Management International, London, United Kingdom, remain in place.

Threadneedle

On March 11, 2011 Threadneedle Asset Management Limited, London, United Kingdom, notified that on March 9, 2011 its voting rights in KDH AG exceeded the threshold of 3 % and amounted to 3.48 % (3,133,958 voting rights) as per this date. 3.48 % (3,133,958 voting rights) are attributable to the Company pursuant to Section 22 para. 1 sent. 1 no. 6 WpHG.

On March 10, 2011 Threadneedle Asset Management Holdings Limited, London, United Kingdom, notified that on March 8, 2011 its voting rights in KDH AG exceeded the threshold of 3 % and amounted to 3.01 % (2,708,052 voting rights) as per this date. 3.01 % (2,708,052 voting rights) are attributable to the Company pursuant to Section 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG. 0.08 % (70,295 voting rights) of these are also attributable according Section 22 para.1 sent. 1 no. 1 WpHG.

On March 10, 2011 Threadneedle Asset Management Holdings SARL, Luxembourg, Luxembourg, notified that on March 8, 2011 its voting rights in KDH AG exceeded the threshold of 3 % and amounted to 3.03 % (2,723,951 voting rights) as per this date. 3.03 % (2,723,951 voting rights) are attributable to the Company pursuant to Section 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG. 0.08 % (70,295 voting rights) of these are also attributable according Section 22 para.1 sent. 1 no. 1 WpHG.

On March 10, 2011 Ameriprise Financial, Inc., Minneapolis, USA, notified that on March 8, 2011 its voting rights in KDH AG exceeded the threshold of 3 % amounted to 3.29 % (2,959,982 voting rights) as per this date. 3.29 % (2,959,982 voting rights) are attributable to the Company pursuant to Section 22 para. 1 sent. 1 no. 6 in connection with sent. 2 WpHG. 0.08 % (70,295 voting rights) of these are also attributable according Section 22 para.1 sent. 1 no. 1 WpHG.

Management Board

Name	Position	Member of supervisory boards or comparable supervisory bodies
Dr. Adrian v. Hammerstein	**Chairman of the Management Board** Chief Executive Officer	Vice President of ANGA Verband Deutscher Kabelnetzbetreiber e.V. Board member of Münchner Kreis - Übernationale Vereinigung für Kommunikationsforschung e.V. Board member of BITKOM Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.
Paul Thomason	Chief Financial Officer	None
Dr. Manuel Cubero del Castillo-Olivares	Chief Operating Officer	Vice president of Cable Europe (European Cable Communications Association)
Erik Adams	Chief Marketing Officer	None

Supervisory Board

The Supervisory Board comprises twelve members, six of whom are appointed by the Shareholders' Meeting and six of whom are employee representatives elected in compliance with the stipulations of the (German) Co-determination Act. After the change of legal form into KDH AG of the fiscal year ended March 31, 2010, the Supervisory Board initially only had six members representing the shareholders. After status proceedings were instituted, six representatives of the employees were appointed as members of the Supervisory Board by a court decision dated May 27, 2010 and they will remain in office until elections have been held for employee representatives. The Company has announced that members of the Supervisory Board shall be elected from among the employees. The employee representatives had still not been elected as of the balance sheet date.

Representatives of the Shareholders and Employees:

Supervisory Board

Name	First appointed on	Position	Member of comparable supervisory bodies of other companies:
<u>Representatives of the Shareholders:</u>			
Tony Ball	February 19, 2010	**Chairman of the Supervisory Board** Entrepreneur	Non-executive board director of ONO SA Board member of Olympic Delivery Authority (ODA) London 2012 Non-executive board director of British Telecom Group PLC Chairman of advisory counsel of Portland PR
John Carl Hahn	February 19, 2010	Managing director of Providence Equity Partner LLP	Director of Digiturk Director of Com Hem AB Director of Grupo Corporativo Ono Director of Voila Cable
Biswajit Subramanian	February 19, 2010	Managing director of Providence Equity Advisors India Private Ltd.	Non-executive board member of IDEA Cellular Ltd. Non-executive board member of ABTL Ltd.
Martin David Stewart	March 6, 2010	Chartered accountant and entrepreneur	Non executive director and Chair of the Audit Committee of the London Organising Committee for the Olympic and Paralympic Games (Locog) Ltd. Non executive director and Chair of the Audit Committee of SIS Ltd. Chairman of the Board of Eurotax Glass's Group AG
Robert Sudo	February 19, 2010	Vice president of Providence Equity Partner LLP	
Ian West	March 5, 2010	Supervisory Board Member of several firms within the telecommunications and media branch	Non-executive board director of Talk Talk Group PLC Board director EVIIVO Ltd. Board director of Naked wines
<u>Representatives of the Employees:</u>			
Joachim Pütz	May 27, 2010	**Vice Chairman of the Supervisory Board** Secretary of Workers Union	
Petra Hesse	May 27, 2010	Workers' council	
Ronald Hofschläger	May 27, 2010	Workers' council	
Susanne Aichinger	May 27, 2010	Workers' council	
Petra Ganser	May 27, 2010	Secretary of the Workers Union at the ver.di Bundes-verwaltung	Member of the Supervisory Board of Trenkwalder Personaldienste GmbH
Norbert Michalik	May 27, 2010	Executive employee	

Employees

In the period from April 1, 2010 to March 31, 2011, the Company had 3 employees on average (prior year: 1).

Unterfoehring, May 24, 2011

Dr. Adrian v. Hammerstein Chief Executive Officer	Paul Thomason Chief Financial Officer
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer	Erik Adams Chief Marketing Officer

Kabel Deutschland Holding AG, Unterfoehring, Germany
Statement of changes in fixed assets for the Period from April 1, 2010 to March 31, 2011

	Acquisition and production costs				Accumulated depreciation and amortization				Net book value	
	April 1, 2010	Additions	Disposals	March 31, 2011	April 1, 2010	Additions	Disposals	March 31, 2011	March 31, 2011	March 31, 2010
	€	€	€	€	€	€	€	€	€	T€
Financial Assets										
Investments in affiliated companies	1,515,498,000.00	0.00	0.00	1,515,498,000.00	0.00	0.00	0.00	0.00	1,515,498,000.00	1,515,498

Kabel Deutschland Holding AG, Unterfoehring

Management Report

for the fiscal year ended March 31, 2011

Company Structure and Business Segments

Kabel Deutschland Holding AG ("KDH AG" or the "Company") resulted from the conversion of Kabel Deutschland Holding GmbH ("KD HoldCo") into an AG effective as of March 4, 2010. KDH AG's registered office is in Unterfoehring, Betastrasse 6 - 8, Germany. Prior to the Company's initial public offering (IPO) on March 22, 2010 Cable Holding S.A. Luxembourg ("LuxCo") owned 100 % of KDH AG. During the IPO LuxCo sold 34.5 million shares and reduced its ownership to 61.67 %. In September 2010 LuxCo sold an additional 15 million shares and reduced its ownership to the level of 43.68 %. In March 2011 LuxCo further sold 20 million shares, LuxCo remains the largest shareholder with 21.92 % of the subscribed capital in KDH AG at the end of the fiscal year 2010/2011.

The Company is the ultimate management and holding company of our Group ("KDH" or the "Group"). As the parent company of the Group, the Company performs the typical tasks of a holding company such as the strategic development of the Group, financing activities and the provision of services for its affiliated companies. The Group's business is primarily conducted by the relevant operating subsidiaries, the most important being Kabel Deutschland GmbH ("KDG") and its wholly owned subsidiary Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS").

We are the largest cable network operator in Germany in terms of residential units that can be connected to a cable network (''homes passed'') and subscribers. With more than 15 million homes passed, we believe our cable network is also the largest in a single country in Europe. We offer a variety of television and telecommunication services to our customers, including Basic Cable services, Premium-TV services, broadband Internet access, fixed-line and mobile phone services and mobile data services. As a triple play service provider, we believe that we are well-positioned to take advantage of the growth opportunities in the converging German media and telecommunications markets.

Business Activity

We provide our products and services via our ''TV'' and ''Internet and Phone'' businesses.

TV Business

Our TV Business consists of Basic Cable and Premium-TV products and services.

Our Basic Cable products comprise both analog and digital TV and radio services. The current analog cable access offering consists of up to 36 television and 36 radio channels while the current digital cable access offering consists of up to 120 digital free TV channels and more than 70 digital radio stations.

We provide these Basic Cable services primarily via individual contracts with customers or collective contracts with landlords, housing associations and contracts with Level 4 network operators. Revenues are primarily generated from subscription fees.

In addition we provide Premium-TV products primarily to direct subscribers and to a lesser extent to resellers. Revenues are primarily generated by our Premium-TV products through pay-TV subscription fees, Digital Video Recorder ("DVR") subscription services and carriage fees. Our pay-TV packages are branded ''Kabel Digital Home'', which offers currently more than 35 channels within seven genres, and ''Kabel Digital International'', which offers 41 channels grouped in nine different foreign languages. Moreover, we offer a High Definition ("HD") pay-TV package which is branded "Kabel Digital Home HD". It currently contains six channels broadcasted in HD and another 30 Standard Definition ("SD") channels from the regular Kabel Digital Home package. Our DVR product, ''Kabel Digital+'', allows several convenient viewing functions including the ability to pause real time programs and to record up to four programs at one time to be watched by the customers at a later time at their convenience. Revenues from carriage fees are generated from both public and private broadcasters (including the German pay-TV operator Sky Deutschland).

Internet and Phone Business

Our Internet and Phone Business consists of our broadband Internet access, fixed-line and mobile phone services and mobile data services.

Broadband Internet access and fixed-line phone services are offered to those homes which can be connected to our upgraded network. In the fiscal year ended March 31, 2011, 88.3 % of our Internet and Phone customers subscribed to bundled products incorporating both broadband Internet and Phone services.

In the past, we offered Internet download speeds between 6 Mbit/s and 32 Mbit/s with no time or data volume restrictions. Since early 2010, we have offered speeds of up to 100 Mbit/s in selected cities where the network was fully DOCSIS 3.0 capable. We continue to expand our DOCSIS 3.0 footprint. As of March 31, 2011 we could serve approximately 47 % of the homes passed by our upgraded network with DOCSIS 3.0 products. In addition, we offer mobile phone and mobile data services via a contractual relationship with a German mobile network operator.

Summary of our Strategy

Increasing Growth from our Triple Play Strategy

We believe that our upgraded cable network provides us with superior technological infrastructure to deliver high-value Triple Play services. As the increase in our total blended ARPU (average revenue per unit) per subscriber from €12.35 in the fiscal year ended March 31, 2010 to €13.40 for the fiscal year ended March 31, 2011 illustrates, we have successfully increased revenues from existing subscribers through attractive product offers.[1]

Further Growth in our Internet and Phone Business

We plan to expand our customer base in the Internet and Phone business by marketing the benefits of our bandwidth advantage along with competitively priced products to both our existing subscribers and new customers. For the fiscal year ended March 31, 2011 the total Internet and Phone ARPU increased by € 0.16 to € 29.15 compared with € 28.99 in the prior year. [1]

Driving Innovation in the TV Market

We intend to continue to introduce further innovative and comprehensive multimedia and entertainment services for the Premium-TV market. Since the launch of our pay-TV products, we have continuously added new channels and introduced our DVR product, Kabel Digital+, to improve the experience for our subscribers. We plan to launch further high definition television (HDTV) channels and interactive TV services, as well as to expand Video on Demand (VoD) and to develop our next generation DVRs.

Striving for Operational Excellence

We constantly monitor our customers' perception of the quality of our services and strive to maintain a high level of customer satisfaction. We continue to focus on operational excellence by making sure that our products provide the best possible combination of consistent high quality, lower cost and faster response times. We put the customer first and it is our goal to improve the customer experience while maintaining our focus on efficiency and reliability.

[1]As of this fiscal year the revenues related to TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG ("TKS") subscribers have been completely included in ARPU`s. Accordingly, fiscal year ending March 2010 figures have been adjusted for comparison reasons.

Consolidating our Direct Customer Base through Selective Acquisitions

We evaluate potential value accretive acquisition targets from time to time and, subject to market conditions and regulatory approval, will continue to consider opportunities to consolidate our customer base through acquisitions of related businesses in our existing network coverage area.

Maximizing Shareholder Value by Focusing on Cash Flow Growth

We are committed to maximizing added value for our shareholders by exploiting growth opportunities that we think will be advantageous to our Group and generate high incremental returns on our investments. We intend to leverage the scalability of our operations and our prior substantial investments in the cable network in order to generate higher margins and cash flows through revenue growth.

Business Performance

General Economic Conditions

The key highlight of the fiscal year was the recovery of the German economy, which continued to be buoyant. The growth helped to relieve pressure from the job market. This framework as well as the investment incentives both in the private consumption and in the public consumption are reflected in the Group`s business development.

Operating Results

The following analysis of KDH AG’s earnings and financial situation reflects the income and expenses for the fiscal year ending March 31, 2011.

Revenues in the fiscal year ended March 31, 2011 primarily results from consulting services invoiced to KDG, KDVS and Kabel Deutschland Breitband Services GmbH (“KDBS”) in connection with strategic development, consulting and services, inter alia in connection with financing activities.

Other operating income for the fiscal year ended March 31, 2011 primarily relates to the private use of company cars.

Personnel expenses include salaries amounting to T€ 4,036 (prior year: T€ 163), as well as social security contributions amounting to T€ 238 (prior year: T€ 5), of which T€ 158 were for pensions (prior year: T€ 3). The increase results from the fact that in the prior year the members of the Management Board had received their compensation from KDG based on their directorship contracts with KDG. Between April 1 and November 30, 2010, KDG recharged KDH AG for personnel expenses. Since December 2010, all directorship employment contracts with KDG have been replaced by service contracts with KDH AG. Since that date, executives are compensated directly by KDH AG. In addition KDH AG recorded currently non-cash[2] share-based benefit expenses related to the Long-Term Incentive Plan (LTIP) in the amount of T€ 7,897 (prior year: T€ 0).

Other operating expenses for the fiscal year ended March 31**,** 2011 amounted to T€ 4,397 (prior year: T€ 196) and primarily include management fees, insurances, consulting and audit fees, Supervisory Board expenses and investor relations expenses. The increase was primarily the result of management fees, expenses for insurance, Supervisory Board compensation, and consulting and audit fees.

Interest and similar income amounted to T€ 159 for the period ended March 31, 2011 (prior year: T€ 309) and primarily resulted from the buyback of the PIK Loan and the related gain from the difference between face value and market value.

Interest and similar expenses for the year increased for the year ended March 31, 2011 by T€ 912 to T€ 59,663 (prior year: T€ 58,751). This increase primarily resulted from interest expenses on the PIK Loan as well as interest expenses on an inter-company loan with KDVS. As of March 31, 2011, the total amount outstanding in connection with the PIK Loan amounted to T€ 715,387 (prior year: T€ 696,069).

Extraordinary expenses amounting to T€ 23 (prior year: T€ 2,701) were due to an adjustment to the pension provisions pursuant to the Accounting Law Modernization Act ("BilMoG").

Taking into account the effects mentioned above, a net loss from ordinary activities amounting to T€ 73,020 was incurred (prior year: net loss form ordinary activities: T€ 59,699). The higher net loss primarily reflects higher management fees as well as higher personnel expenses in relation to currently non-cash[2] share based benefit expenses and Supervisory Board compensation expenses.

[2]Will be cash settled under certain conditions at the end of the program. Please refer to the Compensation Report in the Management Report within these Financial Statements.

Financial Position and Net Assets

Financing and Securing Liquidity

KDH AG receives contractually stipulated compensation for strategic consulting and financing services provided to KDG, KDBS and KDVS, which are specified in the management contract. Such income represents the most important source of liquidity for the Company.

Changes in Financial Position and Net Assets

Total assets increased by T€ 10 to T€ 1,522,926 compared to the prior year of T€ 1,522,916.

Fixed assets consist of the shares in the wholly owned subsidiary KDG. The carrying amount of this investment is reviewed annually as part of a business valuation of KDG using a discounted cash flow calculation. In the period ended March 31, 2011, there was no indication of impairment. Based on the Group's market capitalization factoring in KDH AG's PIK loan, KDG's market value appears to stand above the book value of the KDH AG investment.

Current assets consist primarily of current receivables from KDG amounting to T€ 3,269 (prior year: T€ 1,670), those from KDVS amounting to T€ 2,655 (prior year: 1,455), as well as from KDBS amounting to T€ 650 (prior year: T€ 0). The increase with KDG primarily results from VAT receivables from the consolidated VAT group amounting to T€ 1,463 and receivables for pension obligations referring to prior year which were transferred to KDH AG in the current fiscal year in the total amount of T€ 1,272.

Cash and cash equivalents amounted to T€ 735 (prior year: T€ 3,673) as of March 31, 2011.

Shareholders' equity decreased by T€ 73,020 to T€ 728,402 due to the net loss for the year, which was primarily caused by interest on the PIK Loan. The equity ratio is 47.8 % (prior year: 52.6 %).

Provisions include pension obligations amounting to T€ 1,451 (prior year: T€ 129). The interest component in the pension obligations amounts to T€ 39. The actuarial valuation of the amount repayable is based on the following calculation assumptions: discount rate 5.14 % p.a., directors' compensation increases 3.25 % p.a., adjustment to current pensions 1.50 % p.a. The fluctuation took into consideration age-based probabilities, which correspond to an average fluctuation ratio of 6.02 %. Other provisions in the amount of T€ 33,028 result mainly from interest provisions of T€ 21,867 (prior year: T€ 20,546), provisions for consulting amounting to T€ 804 (prior year: T€ 2,631), annual financial statements preparation costs of T€ 282 (prior

year: T€ 171), provisions for personnel costs (including LTIP) of T€ 9,745 (prior year: T€ 130) and provisions for Supervisory Board compensation of T€ 276 (prior year: T€ 26).

Non-current **liabilities** to banks decreased compared to the prior year by T€ 180,682 to T€ 515,387. This was caused by the PIK Loan and the accrued interest associated with the loan. The Company may pay at each semi-annual interest payment date or opt to pay in kind by additional debt as new PIK Loan. On July 27, 2010, Kabel Deutschland Dritte Beteiligungs GmbH ("KD Dritte"), a Group subsidiary, purchased T€ 36,686 of the outstanding PIK Loan of KDH AG at an average rate of 97 % of the face value. In December 2010, KDH AG purchased the portion of KD Dritte's PIK Loan at a rate of 99.59 % of the face value amounting to T€ 38,183, which was equivalent to the fair market value at the purchase date.

Further details regarding the financial position can be found in the notes to the financial statements.

Capital Expenditure

In the fiscal year ended March 31, 2011, there was no capital expenditure.

Opportunity and Risk Report

Risk Management System

Risk management consists of the aggregation and monitoring of all organizational rules and measures, which are aligned with management's strategy and designed to identify and manage risks.

The risk management system is an integral component of all processes within our organization. It is designed to identify unplanned developments as early as possible so that they can be actively controlled by management.

Our risk environment can change rapidly and unexpectedly as a result of various influences. It is therefore necessary to react quickly and try to ensure that no situation can cause substantial damage or have long-term impact on assets, financial position or earnings.

In general, the operating units are responsible for the identification and mitigation of risks. Therefore, all managers perform an additional task as risk managers, and have the

authority to take risks and the responsibility to monitor them. The system is supported by the central risk management unit which carries out risk controlling. Segregation of duties is ensured.

The risk controlling unit has process responsibility and produces the quarterly reports for the Management Board which enables detailed assessment and full transparency of the risk situation. In addition to the regular standard reporting, immediate reporting is put in place if the early warning system shows a certain risk measure exceeding a critical value or if special defined circumstances demand investigation. Furthermore, risk controlling is responsible for the continuous development of the risk management system and for setting organization-wide standards. Risks which overlap departments are also monitored.

Within the framework of the in-house risk management system the below mentioned risks are monitored closely in order to take appropriate measures if necessary.

Internal Control Systems relating to Accounting

The internal control system consists of principles, procedures and measures - established by the Management Board - which are aligned with the organizational implementation of management decisions:

- Assurance of effectiveness and profitability of business operations (including the protection of assets and the prevention of and exposure to economic loss).
- Correctness and reliability of internal and external accounting and
- Compliance with legal regulations which are decisive for the Group.

The Group uses an internal control system to ensure correct accounting. This guarantees prompt, standardized, correct and complete accounting and processing of business transactions and processes as well as the adherence to legal standards. Changes to accounting regulations are continually checked for relevance and their effects upon the Group financial reports and where necessary the internal guidelines and systems are amended accordingly. The organization of the internal control system includes organizational and technical measures, e.g. agreement processes, automatic checks for plausibility, separation of functions as well as the adherence to guidelines and regulations.

The internal control system is based on the COSO framework (Committee of the Sponsoring Organizations of the Treadway Commission) and the COBIT framework (Control Objectives for Information and Related Technology). Within the Group, all control-relevant business processes are part of a central IT system and are transparent. In addition, we run regular checks on employees who are responsible for controls and processes.

The accounting process which can significantly influence individual financial accounts, the overall statement of annual financials as well as management reports is part of our internal control and risk management system. In this regard our measures include following key elements:

- Identification of the essential risk fields and controls relevant for the billing process
- Monitoring controls for the supervision of the accounting process and its results on Management Board and strategic business segment level
- Preventative control measures in Finance as well as in operational and business performance processes which generate essential information for the annual financial report, including the review of the economic situation and including a separation of function and predefined approval processes in the relevant departments
- Measures which ensure the correct computer processing of issues and data related to billing
- Measures for the monitoring of internal control and risk management systems related to billing

Furthermore, the Internal Audit department is an important function within the Group control system. As part of its risk-oriented audits it examines amongst other things the accounting-relevant processes and reports its findings.

The monitoring and definition of the internal control system is also a task of the audit committee.

In general it can be said that an internal control system cannot guarantee completely that incorrect information will be found in external reporting. However, the risks of reporting inaccurate information are markedly minimized.

Risks

Risks relating to our Industry

We operate in a highly competitive industry, and competitive pressures could have a material adverse effect on our business.

The cable and telecommunications markets in Germany are exposed to considerable price and margin pressure.

We may not achieve our growth targets if there is no increase in demand for cable and telecommunications products and services in Germany. In addition, the market environment in Germany is different than in other countries; penetration rates, RGUs and ARPUs of non-German cable operators can therefore not be relied upon as an indicator of our growth potential.

Risks relating to our Business

Failure to control customer churn, including the decline in our number of cable subscribers, may adversely affect our business and financial results.

We may be unable to renew on commercially attractive terms, if at all our existing contracts with housing associations and Level 4 network operators upon their expiration. We may also not be able to acquire new subscribers by entering into new contracts with housing associations and Level 4 network operators.

If we fail to continue existing products or introduce and establish new or enhanced products and services successfully, our revenues, margins and cash flows could be lower than expected.

Our business is subject to rapid changes in technology and if we fail to respond to technological developments, our business may be adversely affected.

Failure to maintain and further develop our cable network or make other network improvements could have a material adverse effect on our operations and impair our financial position.

Many components of our cable network are based on rent and lease contracts. These contracts can be terminated by both parties after the minimum duration or anytime upon good cause. Termination of these contracts might result in additional cost for prolongation of the contracts or the alternative solution or - in the worst case - in a loss of business if there is no adequate alternative.

We rely on Deutsche Telekom and certain of its affiliates for cable duct space and other important services.

The switch-off of analog satellite signals or of entire channels might adversely affect our business.

We do not have guaranteed access to programs and are dependent on agreements with certain program providers. This may negatively impact our profitability if we are unable to extend the contracts on comparable terms and conditions.

Failure to reach agreements with collection societies for copyright fees may adversely affect our business.

The occurrence of events beyond our control could result in damage to our central systems and service platforms, including our digital playout facility, and our cable network.

The security of our encryption system was compromised by illegal piracy and may in the future again be compromised by illegal piracy, which may adversely affect our business and profitability.

We depend on equipment and service suppliers who may discontinue their products or seek to charge us prices that are not competitive, which may negatively impact our business and profitability.

Sensitive customer data is an important part of our daily business and leakage of such data may violate laws and regulations which could result in fines, loss of reputation and customer churn and adversely affect our business.

Loss of our key management and other personnel, or an inability to attract key management and other personnel, could adversely impact our business.

Risks in relation to outsourcing of services may adversely affect our business and may cause higher costs than initially anticipated.

Strikes or other industrial actions could disrupt our operations or make it more costly to operate our facilities.

We may acquire assets which could potentially deliver less revenues, cash flows and earnings than anticipated. We may experience difficulties integrating these assets in a timely manner and we may not realize expected anticipated synergies.

We are subject to increasing operating costs and inflation risks which may adversely affect our earnings.

We are subject to risks from legal and arbitration proceedings.

The insolvency risk of major suppliers and customers may have an adverse impact on our revenues.

We are subject to significant government regulation, which may increase our costs and otherwise adversely affect our business.

Due to regulation, we do not have complete control over the prices that we may charge to broadcasters or that we may charge for wholesale offers to Level 4 network operators, which

may adversely affect our cash flows and profitability and our ability to compete for agreements with housing associations and subscribers.

We are required to carry certain programs on our network, which may adversely affect our competitive position and results of operations.

We are subject to consumer protection laws and the general terms and conditions incorporated in our customer contracts may be held to be unenforceable by the German civil courts, which could adversely affect our business and results of operations.

Risks relating to our Financial Profile

Our substantial debt and our dependence on changing market interest rates could adversely affect our financial health and our ability to raise additional capital to fund our operations.

Our debt agreements contain restrictions that could limit our flexibility in operating our business.

Our ability to generate cash depends on many factors beyond our control, and we may not be able to generate the cash required to service our debt.

Despite our current level of indebtedness, we may still be able to incur substantially more debt, which could further increase the risks associated with our significant indebtedness.

We have unfunded liabilities with respect to our pension plans and other post-retirement benefits.

We could lose our tax loss carry forwards and interest carry forwards if there was a change in our shareholder structure which would result in significantly higher tax liabilities and would adversely affect our business.

We have a history of net losses and may report losses in the future, which may adversely affect our business and our ability to acquire financings in the future.

The Group has substantial indebtedness under its PIK Loan and we may not be able to refinance on favorable terms, or at all.

We could be required to pay additional taxes and other duties following tax audits of us or our subsidiaries.

We might not be in a position to make use of tax deductions for our interest expenses.

Summary

In conclusion, we can determine that the existence of the Group has never been under threat. Furthermore, we presently have no knowledge of any other developments which could pose such a threat to the existence, assets, financial situation or profits of the Group.

We judge the overall risk situation of the Group as manageable.

Opportunities

Our Group operates in a large and highly attractive European geographic area. We are the largest cable television service provider in terms of subscribers and homes passed in Germany. Our network coverage area comprises 13 of the 16 German federal states, including the metropolitan areas of the three largest German cities, Berlin, Hamburg and Munich. As of December 31, 2009[3], the states in which we operate had a population of 47.1 million and 23.7 million homes and they accounted for more than half of Germany's gross domestic product ("GDP"), which, on a standalone basis, would constitute the fifth largest economy in the European Union in terms of GDP (Source: Statistisches Bundesamt). We believe the scale of our operations in combination with our network ownership provides us with a significant advantage to disproportionately benefit from the growth opportunities in our market.

The German market offers significant growth opportunities for the cable sector. The German broadband Internet access market has grown rapidly over the last five years. Despite this strong growth, broadband Internet penetration in Germany was estimated at only 63 % in 2010, which was below the broadband Internet access penetration in the most penetrated Western European countries, such as The Netherlands (85 %), Denmark (87 %) and Switzerland (79 %) (Source: Euromonitor).

We believe that, due to its competitive advantage, the German cable distribution technology will continue to attract broadband Internet access customers from other distribution technologies such as DSL. The German Premium-TV market has historically been underdeveloped. In future, we also expect that we will benefit from further growth potential in our TV business as we continue our roll-out of DVRs and expand our Premium-TV services with the launch of HDTV programming and VoD.

Our TV Business generates predictable and relatively stable cash flows from operating activities. Cable is the leading TV distribution platform in Germany, with 51.4 % of German homes receiving TV signals via cable as of June 2010 (Source: Digitalreport TNS Infratest, ALM/ZAK (July 2010)). We believe this percentage has remained largely unchanged since 2003 despite the introduction of alternative distribution platforms such as digital terrestrial television

[3]Based on the latest information available.

broadcast and television via Internet. This stability combined with relatively low churn rates in the core segments of our TV Business and our predictable cost base and capital expenditures have led to relatively stable cash flows from operating activities.

We have a large but underpenetrated customer base and network. Despite strong growth, over the last three years total RGUs per subscriber (1.45 as of March 31, 2011) and monthly ARPU per subscriber (€ 13.40 for fiscal year ended March 31, 2011) have been low compared to cable operators in other countries.

This is partially due to the comparatively late roll-out of New Services in our network. Going forward however, our offerings of TV services as well as broadband Internet and fixed-line phone services provide us with the opportunity to cross-sell and up-sell additional services to existing customers. Furthermore we believe that our triple play products, which are currently marketed to 83.2 % of our upgraded homes passed, will significantly enhance our ability to attract new customers.

We operate Germany's second largest media and telecommunications network and have the advantage of a superior technology and bandwidth capability. We believe that the size and reach of our cable network positions us well in the converging media and telecommunications markets. The control over our own access network including the "last mile" to customers provides us with increased flexibility in product design and service, time-to-market odds and certain cost advantages relative to operators without an own access network. Our upgraded cable network has the capacity to transmit analog and digital TV broadcasting signals in parallel with broadband Internet, phone and other interactive services to multiple users per household. We believe that with the support of our high quality network we will continue to benefit from increased broadband Internet penetration and the migration of customers to HDTV and interactive TV applications. As we continue to implement DOCSIS 3.0, our network will have the ability to consistently deliver broadband speeds of 100 Mbit/s or potentially faster, which is twice the speed of standard VDSL. We therefore expect to maintain our current price/performance leadership position in the foreseeable future.

We benefit from scalable economics with a largely fixed cost structure and success-based capital expenditures. We believe our network ownership and large subscriber base allow us to operate on a lower cost basis than many of our German peers, in particular those that unbundle local loops, use bitstream access or resell services of Deutsche Telekom. Some of our cost elements, such as a significant portion of our network operations, sales and administrative costs, are fixed, which allows us to generate high incremental returns as we grow our business. Since our network also serves as the platform for our broadband Internet and fixed-line phone products, we benefit from the incremental contribution of additional products and services that are delivered over a shared asset base. This is validated by the fact that since the launch of our New Services in March 2006, our adjusted EBITDA margin increased from 35.0 % for the fiscal year ended March 31, 2007 to 45.6 % for the fiscal year ended March 31, 2011, despite continued investments in our sales, marketing and service capabilities.

Over the next few years we plan to upgrade parts of our network that are not yet capable of delivering two way services. This activity will provide additional marketable homes which should offer good opportunities for growth in the Internet, Phone and Premium TV businesses.

Our management team has significant experience in the cable, television and telecommunications industries in Germany, with a proven track record of increasing productivity, reducing costs, making strategic acquisitions as well as maintaining and developing strong customer relationships. Our Chief Executive Officer who joined us in May 2007 has held senior executive positions in the information and communication industry for 21 years and has worked for companies such as Siemens Business Services and Fujitsu Siemens Computers. Our Chief Financial Officer has more than 15 years of experience in the German cable sector, serving as Chief Financial Officer at PrimaCom AG and its predecessor, KabelMedia GmbH, prior to joining us in 2003. Our Chief Operating Officer has extensive experience in the German media sector, having held various positions within the German media-company Kirch Group before joining us in 2003. Our Chief Marketing Officer joined us in 2007 from the Swiss cable operator Cablecom Holdings GmbH, where he was responsible for the marketing and sales of its consumer business as well as the product areas.

Financing

KDH AG incurred a net loss of T€73,020 for the fiscal year ended March 31, 2011 (prior year: T€59,699), which was primarily the result of interest payments. The Company expects interest expenses to continue to lead to net losses in future years. On account of its chosen mode of financing and the performance of its direct and indirect holdings, however, the Company does not anticipate any difficulties in relation to the timely fulfillment of its financial obligations or any potential over-indebtedness as defined in the German Insolvency Ordinance (InsO).

Financial Covenants Relating to the PIK Loan

The PIK Loan includes a range of financial covenants which KDH AG has to achieve. If KDH AG unexpectedly breaches one or more of these covenants, its creditors may declare all outstanding sums due and payable. In that case, the Company would have to refinance and would be dependent on various factors including the state of the market.

Investments in Subsidiaries

A reduction in the value of the investment in KDG could affect the Company's ability to refinance its debts. However, an impairment is not expected on the basis of the performance of direct or indirect subsidiaries, or of the value assessment.

Employees

As of the balance sheet date, KDH AG had 3 employees.

Disclosures pursuant Section 289 para. 4 of the German Commercial Code ("HGB" - Handelsgesetzbuch)

The information required under Section 289 para. 4 HGB is as follows:

Description and Composition of the Subscribed Capital:

The subscribed capital of KDH AG amounts to T€ 90,000 and is divided into 90,000,000 no par value bearer shares with a pro rata amount of € 1.00 each. The capital has been fully paid.

There are no different types of shares; all shares are associated with the same rights and duties, which in particular arise under Sections 12, 53a, 188 ff. and 186 German Stock Corporation Act (Aktiengesetz, "AktG"). A demand by the shareholders for the securitization of their shares is precluded under Section 4 para. 3 of the Articles of Association. Every share confers one vote at the Shareholders' Meeting. The shareholders' share in the earnings of the Company shall be determined in accordance with their share in the share capital (Section 60 AktG).

Restrictions that affect Voting or the Transfer of Shares

Certain Members of the management, include the Management Board and certain additional executives, acquired shares in connection with a management participation program. These shares, which are now held directly or indirectly, were subject to a contractual restriction on disposal (lock-up) entered into with the underwriting banks involved in the initial public offering. This restriction on disposal ran through March 22, 2011, which was one year from the

first day of trading of the KDH AG shares on the Frankfurt Stock Exchange. The banks waived this lock-up restriction in connection with the block sale of shares by Luxco in the beginning of March 2011.

The shares held by LuxCo are also subject to a contractual lock-up restriction with the same underwriting banks through June 3, 2011.

Direct or indirect Participations in Capital that exceed 10 % of the Voting Rights

Under the German Securities Trading Act (Wertpapierhandelsgesetz) investors who have reached, exceeded or fallen below certain threshold percentages of voting rights in listed companies are required to notify the Company. By the balance sheet date the following companies have notified the Company in regards to exceeding the threshold of 10 %:

LuxCo

On March 8, 2011 the following companies have informed KDH AG that its shareholding and voting rights have fallen below the thresholds of 30 % and 25 % .

Cable Holding S.A., Luxembourg, Grand Duchy of Luxembourg, notified that it holds 19,727,627 shares and voting rights, i.e. approximately 21.92 % of the voting rights. The following companies, all seated in George Town, Grand Cayman, Cayman Islands are direct or indirect holders of Cable Holding S.A. and notified the Company that the entire voting right participation is to be attributed to each of them pursuant to Section 22 para. 1 sentence 1 no. 1 in connection with sentence 3 WpHG in the following order:

- Cayman Cable Holding L.P.
- Cayman Cable Holding G.P. Co. Ltd.
- Providence Equity Offshore Partners IV L.P.
- Providence Equity Offshore Partners V L.P.
- Providence Equity Offshore GP IV L.P.
- Providence Equity Offshore GP V L.P.
- Providence Equity Partners (Cayman) IV Ltd.
- Providence Equity Partners (Cayman) V Ltd.
- Providence Fund Holdco (International) L.P.
- Providence Holdco (International) GP Ltd.

BlackRock

On March 14, 2011 the companies listed below notified the Company that the threshold of 10 % was exceeded on March 8, 2011. On this date the voting rights which are to be attributed to each of the below listed companies pursuant to Section 22 para. 1 sentence 1 no. 6 in connection with sentence 2 WpHG, amounted to:

- 11.00 % as notified by BlackRock, Inc., New York, USA (this corresponds to 9,901,898 voting rights),
- 10.80 % as notified by BlackRock Financial Management, Inc, New York, USA (this corresponds to 9,719,915 voting rights) and
- 10.80 % as notified by BlackRock Holdco 2, Inc., Wilmington, Delaware, USA (this corresponds to 9,719,915 voting rights).

Holders of Shares with special Rights that confer Controlling Powers

There are no shares with special rights that confer controlling powers.

Type of Voting Control when Employees have a Share in the Equity and do not exercise their Rights of Control directly

To the extent that employees participate indirectly in the equity of the Company in connection with a management participation program, they shall exercise their right to vote only indirectly. This exercise of voting rights shall be undertaken through an intermediate affiliated company, Cayman Cable Holding L.P., a company established and existing under the law of the Cayman Islands, which in turn holds an interest in LuxCo and thus an indirect interest in the Company.

The majority shares in Cayman Cable Holding L.P. are held by various funds of the Providence Group and, therefore, can make decisions regarding the exercise of the voting rights at LuxCo and thus indirectly also over the exercise of the voting rights of LuxCo in the Company.

Appointment and Removal of the Board of Management, Amendments of the Articles of Association

The appointment and removal of the members of the Management Board is regulated in Sections 84 and 85 AktG as well as in Section 31 Co-determination Act (Mitbestimmungsgesetz, “MitbestG”). Under these provisions members of the Management Board shall be appointed by the Supervisory Board for a maximum period of five years. A re-appointment or an extension of the term of office is also permissible for five years. Under Section 31 MitbestG a majority of at least two-thirds of the members of the Supervisory Board is required for the appointment of members of the Management Board. If an appointment does not occur in accordance with this, the Arbitration Panel of the Supervisory Board shall make a recommendation for the appointment within one month after the voting. The Supervisory Board shall then appoint the members of the Management Board with a majority of the votes of its

members. If an appointment still does not occur in accordance with this, then the Chairman of the Supervisory Board shall have two votes in the next voting.

According to Section 5 of the Articles of Association, the Management Board of KDH AG shall consist of one or more persons. The Supervisory Board shall determine the actual number of members of the Management Board. The Supervisory Board has appointed a Chairman of the Management Board (and a Deputy Chairman). The Supervisory Board has established rules of procedure for the Management Board and in particular, stipulated in these rules transactions which require the approval of the Supervisory Board. The Supervisory Board has a quorum when at least half of the members from which it shall be constituted in total, participate in the passing of a resolution. To the extent that the law does not compel something different, resolutions by the Supervisory Board shall be made by a simple majority of the votes cast.

The Supervisory Board can revoke the appointment of a member of the Management Board and of the Chairman of the Management Board if there is an important reason to do so (Section 84 para. 3 AktG).

In case of amendments of the Articles of Association, Section 179 ff. AktG shall be observed. The German Stock Corporation Act contains special regulations (Sections 182–240 AktG) for amendments of the Articles of Association in the event of increasing or reducing the share capital. Under these regulations the Shareholders' Meeting can in principle authorize the Management Board to undertake certain (capital) measures within the framework set up by the Shareholders' Meeting (existing authorizations of KDH AG are set forth below). The Shareholders' Meeting shall make the decision regarding amendments to the Articles of Association (Sections 119 para. 1 no. 5, 179 para. 1 AktG). The resolution must be passed by at least three-quarters of the share capital that is represented at the adoption of the resolution. The Articles of Association can designate a different controlling interest (higher and lower) and impose additional requirements. The Articles of Association of KDH AG provide in its Section 17 para. 2 that resolutions of the Shareholders' Meeting shall be passed with a simple majority of the votes cast, and, in so far as a majority of the share capital is necessary, with a simple majority of the registered share capital that is represented at the voting, unless a higher majority is required by the Articles of Association or by mandatory law. The latter is the case, for example, in relation to the creation of authorized capital (Section 202 para. 2 sentences 2 and 3 AktG) or contingent capital (Section 193 para. 2 sentences 1 and 2 AktG), for which a majority of three quarters of the capital represented at the passing of the resolution is necessary in each case.

The Supervisory Board is empowered to decide upon changes to the Articles of Association that affect only the wording according to Section 11 of the Articles of Association. Furthermore, it is empowered to amend the wording according to Section 4 para. 5 and 6 of the Articles of Association following a capital increase based on total amount or part of the

Authorized Capital I and following a capital increase based on total amount or part of the Contingent Capital 2010/I.

Powers of the Board of Management, in particular with Respect to the Possibility of Issuing or Redeeming Shares

Authorized Capital

By shareholder resolution dated February 19, 2010 the Management Board is authorized, subject to the approval of the Supervisory Board, to increase the share capital of the company until February 18, 2015 by issuing up to 45,000,000 new no par value bearer shares against cash and/or contributions in kind once or several times up to a total amount of T€ 45,000, whereby the subscription rights of the shareholders can be excluded (Authorized Capital 2010/I). In principle the new shares are to be offered for subscription to the shareholders; they can also be subscribed to by credit institutions or business enterprises within the meaning of Section 186 para. 5 sentence 1 AktG with the obligation to offer them for subscription to the shareholders.

However, the subscription rights of the shareholders can be excluded wholly or in part in the following cases:

(i) The Management Board is, subject to the approval of the Supervisory Board, authorized to exempt fractional amounts from the shareholders' subscription rights.

(ii) In addition to this, the Management Board is, subject to the approval of the Supervisory Board, authorized to exclude the shareholders' subscription rights in the case of capital increases against contributions in kind for the purpose of the (also indirect) acquisition of companies, divisions of companies, interests in other companies or other assets.

(iii) The Management Board is, subject to the approval of the Supervisory Board, further authorized to preclude the shareholders' subscription rights if the new shares are issued against cash contributions and the issue price is not significantly lower than the stock exchange price of the shares of the company already listed at the time of the final determination of the issue price, which should be made at a point in time as close to the placement of the shares as possible, and the calculated pro rata amount attributable to the new shares does not exceed in total the threshold of 10 % of the share capital of the Company either at the effective date of this authorization or at the time of the exercise of this authorization. Any shares shall count towards this limit that (a) are issued or sold during the duration of this authorization subject to the exclusion of the shareholders' subscription rights in direct or analogous application of Section 186 para. 3 sentence 4 AktG, as well as those (b) that are issued or can be issued for servicing subscription rights or for the

performance of conversion obligations arising from convertible bonds and/or warrant bonds, profit participation rights and/or income bonds (and/or any combination of these instruments) (together “bonds“) to the extent that the bonds are issued after the effective date of this authorization in analogous application of Section 186 para. 3 sentence 4 AktG with the exclusion of the shareholders' subscription rights.

(iv) The Management Board is, subject to the approval of the Supervisory Board, authorized to exclude the subscription rights of the shareholders (a) to the extent necessary in order to be able to confer new no par value bearer shares to the holders and/or creditors of bonds which are issued by the Company or by a Company in which the company holds a direct or indirect interest (“Affiliated Companies“) upon their exercise of conversion or option rights or the performance of a conversion obligation, as well as (b) also to exclude to the extent necessary in order to confer a subscription right to new shares on holders of conversion and/or option rights, and/or creditors of convertible bonds with conversion obligations that were or will be issued by the Company or Affiliated Companies in the scope to which they would be entitled as shareholders following the exercise of the conversion or option rights and/or following the performance of the conversion obligations.

The Management Board is authorized to determine the further details of the capital increases from the Authorized Capital 2010/I and their implementation subject to the approval of the Supervisory Board.

The Supervisory Board is authorized to amend the wording of the Articles of Association of the company after the full or partial implementation of the increase in the share capital out of the 2010/I Authorized Capital and after expiration of the authorization period in accordance with the scope of the capital increase(s) from the Authorized Capital 2010/I.

Authorized but unissued Capital

The share capital of the Company is contingently increased by the resolution of the Shareholders' Meeting of March 15, 2010 by T€ 45,000 (Contingent Capital 2010/I) by the issue of up to 45,000,000 new no par value bearer shares. The authorized but unissued capital serves to confer shares to owners/creditors of convertible bonds and warrant bonds in accordance with the authorization of March 15, 2010.

Treasury Shares

By resolution of the Shareholders' Meeting dated March 15, 2010 the Management Board is, subject to the approval of the Supervisory Board, authorized to acquire until March 14, 2015 treasury shares in a volume of up to 10 % of the share capital existing at the time of the adoption of the resolution (this corresponds to 9,000,000 shares). An acquisition for the purpose of trading in treasury shares is excluded. Shares purchased on the basis of this authorization together with other shares of the Company that the Company has purchased and still owns at the time of the acquisition shall not represent more than 10 % of the share capital.

The authorization can be utilized at one time or in installment amounts, once or a number of times, by the Company, but also by dependent companies or companies under majority ownership of the Company or by third parties who are acting for the account of the Company or of dependent companies or companies under majority ownership of the Company.

The acquisition can be effected through the stock exchange or by means of a public offer to all shareholders. In the event of an acquisition via the stock exchange the purchase price (without related ancillary costs) may not exceed or undercut by more than 20 % the stock exchange price calculated on the trading day by means of the opening sales in XETRA trading (or an analogous successor system).

In the event of an acquisition of shares by means of a public offer, the purchase price offered or the limits of the purchase price range per share (without related ancillary costs) may not exceed or undercut by more than 20 % the stock exchange closing rate in XETRA trading (or an analogous successor system) on the third stock exchange trading day prior to the day of the public announcement of the offer. If after the publication of the public offer significant fluctuations in the prevailing price occur, then the offer can be adjusted. In this case a possible adjustment will be tailored to the price on the third stock exchange trading day prior to the public announcement.

The volume of the offer can be limited. To the extent that the total subscription exceeds the set volume, acceptance must be effected according to quota. Preferential acceptance of small numbers of up to 1,000 tendered shares per shareholder can be provided for.

Moreover, in addition to sale through a stock exchange or via an offer to all shareholders, the Management Board is authorized to utilize the shares acquired on the basis of this authorization as follows:

(a) They can be called in without the calling in or its implementation requiring a further Shareholders' Meeting resolution.

(b) With the approval of the Supervisory Board they can be offered to third parties against in-kind contributions in connection with company mergers or for the purpose of (also indirect) acquisition of companies, divisions of companies, interests in companies or other assets and be transferred to these third parties.

(c) With the approval of the Supervisory Board they can be sold to third parties against cash payment if the price at which the shares will be sold is not significantly lower than stock exchange price (without the ancillary cost of acquisition) of the Company's shares at the time of the sale; the stock exchange price of the Company's shares in the XETRA trading system (or an analogous successor system) at the time of setting the sales price shall be deemed to be relevant.

Shares sold on the basis of this authorization may in total not exceed the upper limit for the simplified subscription rights preclusion of 10 % of the share capital, neither at the time of the effective date nor at the time of the exercise of this authorization. Included in this number are shares of the Company that are issued by the Company during the term of this authorization with the exclusion of the subscription rights of the shareholders in direct or analogous application of Section 186 para. 3 sentence 4 AktG. Moreover, included in this number are shares that are issued or can still be issued to service conversion or option rights and/or conversion obligations to the extent that the bond that brings about a corresponding conversion or option right and/or is the basis for a corresponding conversion obligation was issued during the term of this authorization in accordance with this provision precluding the shareholders' subscription rights.

(d) With the approval of the Supervisory Board they can be used to service option and conversion rights or conversion obligations arising out of obligations that are issued by the Company or an Affiliated Company.

The above mentioned authorizations for the use or recall of treasury shares can be made use of in one action or in installments, once or a number of times, individually or jointly.

The shareholders' subscription rights to purchase treasury stock are excluded to the extent that these shares will be utilized in accordance with the above mentioned authorizations under letters (b) to (d).

Essential Agreements by the Company that are Subject to the Condition of a Change of Control as a Result of a Takeover Offer

Mandatory prepayments of the PIK Loan are required in case of (i) a change of control and (ii) receipt of proceeds from certain asset sales. The Company is also entitled, at its own option, to prepay the PIK Loan, in whole or in part, at any time without penalty. The agreement governing the PIK Loan provides for events of defaults which, if any of them occurs, would permit or require the principal of and accrued interest on the PIK Loan to become or to be declared due and payable.

Some agreements with pay-TV suppliers provide for an extraordinary right of termination in the event that a competitor of the contractual partner or an entity affiliated with a competitor gains dominating control over the Company.

Indemnity Agreements of the Company, which have been made in Case of a Takeover Offer with the Members of the Management Board or the Employees

There are no such agreements.

Compensation Report

Basic Principles of the Compensation System for the Management Board and Supervisory Board

The following compensation report summarizes the basic principles of the compensation system for the Management Board and Supervisory Board of KDH AG that was used to determine the compensation of the Management Board and Supervisory Board in the prior fiscal year.

The compensation system for members of the Management Board of KDH AG was reformed in the fiscal year ended March 31, 2011 after the initial public offering in March 2010. On May 19, 2010, the Supervisory Board of KDH AG has resolved the new compensation structure as set out below with retroactive effect for the entire fiscal year ended March 31, 2011. The compensation structure was implemented within the new management employment agreements concluded with the members of the Management Board. For a transitional period the members of the Management Board received compensation from KDG GmbH which was also in settlement of services rendered as members of the Management Board of KDH AG.

The new compensation system for the members of the Management Board was approved by resolution of the General Meeting on October 20, 2010.

I. Compensation of the Management Board

The full Supervisory Board defines reasonable compensation for the individual members of the Management Board. The criteria for the reasonableness of the total income are the tasks and the performance of each Management Board member and the situation of the

Company. Total compensation may not exceed standard compensation in the absence of special justifying reasons.

Total compensation for the members of the Management Board essentially comprises three elements: the fixed salary, the short-term variable bonus for the fiscal year and the long-term variable bonus based on a Long-Term Incentive Plan (LTIP). Added to this are retirement pensions and standard benefits.

Fixed Salary

An annual fixed salary is paid out in equal monthly installments independent of performance and represents the fixed element of compensation.

Short-term variable Bonus

In addition, a short-term variable bonus in the form of a profit-dependent performance bonus is paid annually in arrears for the fiscal year. The amount of the performance bonus depends on the extent to which performance targets are reached, given certain company-specific parameters defined by the Supervisory Board in agreement with the Management Board at the start of each fiscal year. If targets are 100 % reached, the performance bonus is equal to the agreed target bonus amounting to 80 % of the fixed salary. If targets are 70 % reached, a bonus amounting to 10 % of the agreed target bonus is paid. If targets are less than 70 % reached, no bonus is paid. The upper limit of the performance bonus is 150 % of the contractually agreed target bonus. The extent to which targets have been reached is calculated and determined by the Supervisory Board at the end of each fiscal year on the basis of the actual operating results.

For the fiscal year ended March 31, 2011, the following parameters were used to define performance targets: revenues from the TV Business (including Premium-TV), revenues from the Internet and Phone business, EBITDA, EBITDA minus Capex (i.e. investments for long-term capital goods) taking account of changes in net working capital (i.e. various current asset items), and customer satisfaction (one-third each from the Customer Service Center, the Technical Service Center and Technical Operations).

Long-term variable Bonus

The members of the Management Board also participate in a long-term performance-based compensation program, the so-called Long-Term Incentive Plan (LTIP). This LTIP comprises two stock-based elements: a virtual performance share program provided annually (LTIP I) and a one-time grant of virtual stock options (LTIP II).

LTIP I

The virtual performance share program is a performance-based compensation program based on the total shareholder return (TSR) of KDH stock within a 4-year period ("vesting period") relative to the development of the MDAX.

At the beginning of each fiscal year, each member of the Management Board will be allotted a number of virtual shares ("Performance Shares") duly determined at the discretion of the Supervisory Board. Depending on the attainment of certain performance targets, the Performance Shares will be due for payout four years after they are granted. Performance targets will be defined by the development of total shareholder return of KDH stock relative to the MDAX during the four-year vesting period. Payout will be made in cash and will be calculated based on the number of Performance Shares due for payout multiplied by the volume-weighted average closing price of KDH stock in XETRA trading over the last 30 trading days before the vesting date. If the development of the total shareholder return of KDH stock equals the development of the MDAX, the performance targets are 100 % reached, and 100 % of the allotted Performance Shares will be paid out. If the development of the total shareholder return of KDH stock beats the development of the MDAX, the number of Performance Shares due for payout will increase relative to the extent to which the total shareholder return of KDH stock outperforms the MDAX, up to a maximum of 200 % of the number of Performance Shares originally allotted. This 200 % ceiling will be reached if the development of the MDAX is exceeded by 40 percentage points or more. If the development of the total shareholder return of the KDH stock underperforms the development of the MDAX by 20 percentage points or less, the number of Performance Shares due for payout will be reduced by up to 50 % in proportion to the degree of underperformance. Straight-line interpolation will be applied between the upper and lower thresholds. If the MDAX is underperformed by more than 20 percentage points, the performance target will be missed and the Performance Shares will be cancelled without compensation. The Performance Shares will also be cancelled without compensation if the MDAX is underperformed and at the same time the KDH stock price at the vesting date (applying the volume-weighted average closing price of KDH stock in XETRA trading over the last 30 trading days prior to the vesting date) plus any dividend paid out in the vesting period falls short of the issue price of the Performance Shares.

LTIP II

As of April 1, 2010, the members of the Management Board received a one-time allotment of virtual stock options, in a number duly determined at the discretion of the Supervisory Board. The stock options have a term of six years.

The virtual stock options will vest in several tranches on February 19, 2012 (40 % of the options), March 31, 2013 (additional 30 % of the options) and March 31, 2014 (remaining 30 % of the options), respectively, provided that in each case particular performance targets are reached. The defined performance targets were target EBITDA levels that must be achieved

over a certain time period and target prices of KDH stock that must be reached within defined performance time frames. If the respective target prices have not been reached within the relevant performance time frame, the exercise eligibility can be reached subsequently up to the expiration of the exercise period, if and when the target price for one of the subsequent performance time frames is met either before the start of or within this subsequent performance time frame, provided the respective Management Board member is in office at the time the target is reached (so-called "catch-up vesting"). The virtual stock options can be exercised for the first time four years after being granted and within a two-year exercise period. In the event of a material adverse change of the capital markets, the Supervisory Board can also extend the term of the options and the exercise period by up to two years. Virtual stock options not exercised within the (original or extended) exercise period shall be forfeited without compensation. Upon exercise of the virtual options, the difference between the issue price of KDH stock at the IPO (€ 22) and the volume-weighted average closing price of KDH stock in XETRA trading over the last 30 days prior to the exercise date will be paid out in cash.

In the event of extraordinary developments, the Supervisory Board can limit the number of performance shares subject to payout as well as the number of exercisable virtual stock options.

Payments in the Event of Termination/Retirement

The members of the Management Board acquire vested pension rights under a pension plan. The pension agreement with each member of the Management Board provides for a right to lifelong pension payments to the retired Board Member or his surviving family members in the event that the Board Member reaches the age of 65, in the event of permanent disability, or in the event of death, in accordance with the pension scheme of the Group. If a Board Member reaches normal retirement age, payments are made from a capital account plan funded by annual contributions, the amounts of which depend on the annual fixed salary and age of the Board Member. The amount of the annual contributions is equal to 2.5 % of the annual fixed salary, plus 9 % of any amount of the annual fixed salary in excess of the income limit for public pension contributions, multiplied by an age-dependent factor. The total amount of contributions paid into the capital account plan represents the pension benefit balance. Payments from the capital account may involve cash payment (lump sum payment or installment payments) or annuitized payment of the pension benefit balance available at the time of retirement, permanent disability, or death. In the event of disability pension benefits are equal to 100 % of the pension benefit balance available at the time of disability. In the event of death, the surviving spouse is entitled to 100 % of the pension benefit balance. If there is no surviving spouse, children under the age of 27 are entitled to 100 % of the pension benefit balance in equal shares.

If a member of the Management Board leaves the Company before reaching retirement age, vested pension benefits are not forfeited. To the extent that payment of the pension benefit balance is annualized, regular pension payments are adjusted at a rate of 6 % per annum. If

payment of the pension benefit balance is annualized, it may be agreed to pay a widow's/widower's pension in the amount of 60 % of the pension benefit.

Benefits

The members of the Management Board are entitled to standard (incl. non-cash) benefits, including use of a company car, D&O insurance, life insurance, and employer contributions to health insurance plans and, in some cases, a housing allowance or reimbursement for fees for tax advisors.

Release from Obligation to disclose Compensation of individual Board Members

By unanimous resolution of the Shareholders' Meeting dated March 15, 2010, KDH AG was, in accordance with Section 286 para. 5 and Section 314 para. 2 sentence 2 HGB, released for the fiscal year ending on March 31, 2010 and for the four fiscal years thereafter, from its obligation under Section 285 No. 9 (a) sentences 5 to 8 and Section 314 para. 1 No. 6 (a) sentences 5 to 8 HGB to disclose the amount of compensation paid to each individual member of the Management Board. Accordingly, no information about compensation paid to individual members of the Management Board of KDH AG is disclosed.

II. Compensation of the Supervisory Board

The compensation of the Supervisory Board was determined by the Shareholders' Meeting and is governed by Section 12 of the articles of association of KDH AG ("Compensation"). Each member of the Supervisory Board receives a fixed salary in the amount of T€ 20 (basic salary) after the end of each fiscal year. The chairman of the Supervisory Board receives a fixed salary four times the basic salary, and the vice-chairman receives a fixed salary one and a half times the basic salary. The chairman of the executive committee receives, in addition, twice the basic salary, and the chairman of the audit committee receives four times the amount of the basic salary paid to members of the Supervisory Board. Every ordinary member of the audit committee additionally receives 0.75 times of the basic salary. Members of the Supervisory Board who serve as regular members, Chairman, or Vice-Chairman of the Supervisory Board or are member of a committee for only part of a fiscal year are compensated on a pro rata basis.

In addition, members of the Supervisory Board are paid T€ 1 for each meeting of the plenary Supervisory Board at which they are personally in attendance. Compensation for attendance of meetings is limited to T€ 1 per calendar day. In addition, the Company reimburses members of the Supervisory Board for expenses incurred by them in the performance of their duties and responsibilities as members of the Supervisory Board, including VAT payable on their compensation and expenses provided that VAT is invoiced separately.

Since the six employee representatives in the Supervisory Board of KDH AG, Ms. Susanne Aichinger, Ms. Petra Ganser, Ms. Petra Hesse, as well as Messrs. Ronald Hofschläger, Norbert Michalik and Joachim Pütz, were by court decision of May 27, 2010 appointed to be members of the Management Board at the request of the Management Board (the request of which was coordinated with the company's Works Council and the ver.di union), they are for the fiscal year ending on March 31, 2011 entitled only to prorated payment of the aforementioned compensation based upon their length of service.

Particular Events after the Balance Sheet Date

On April 7, 2011, the Group has re-acquired T€ 200,000 of its outstanding PIK Loan at par value plus related interest of T€ 6,389.

On May 9, 2011 KDVS launched a formal request to amend its Senior Credit Facility in a way that its Senior Net Debt to EBITDA covenant will be temporarily increased from 3.5x to 4.25x as of June 30, 2011, stepping back down to the original level of 3.5x by December 31, 2012. With the increased headroom, the KDVS improves its flexibility to issue new senior secured debt, which would allow for earlier redemption of its 2014 PIK loans. On May 23, 2011 the amendment was effectively approved since by then lenders holding more than the required 66.7% of the senior credit facility consented.

Corporate Governance Statement Pursuant to Section 289a HGB

The statement on corporate governance with corporate governance report, relevant information about the corporate governance practices and the description of the functioning of the Management Board and Supervisory Board and the composition and functioning of its committees are published on the company's website at www.kabeldeutschland.com.

Final Declaration of the Management Board Regarding Relations with Affiliated Companies in Accordance with Section 312 AktG

In the fiscal year 2010/2011, Kabel Deutschland Holding AG was a dependent company owned by Cable Holding SA Luxembourg. The Management Board of KDH AG has accordingly prepared a report regarding its relationship to affiliated companies. In the report the Management Board gave the following final declaration pursuant to Section 312 para. 3 AktG:

"Our Company has, with respect to the legal transactions and measures reported in the report on related parties transactions, according to the circumstances known to us at the time of entering into the legal transaction or undertaking or refraining from a measure, received an adequate compensation in all legal transactions and has not been disadvantaged by undertaking or refraining from such measures."

Outlook

The Company is the Group management and holding company. As the Group ultimate parent company, the Company performs the standard tasks of a holding company such as strategic development of the Group, financing activities and the provision of services for its affiliated companies. The future outlook of a holding company therefore depends largely on the development and success of the Group's operating companies, in particular KDG and KDVS. Given the business outlook described below for the operating companies and the Group we are convinced that the holding company will continue to be able to cover their operating costs. However, KDH AG's cumulative interest expense on the PIK Loan, which is currently not due but payable on final repayment of the loan, may result in the KDH AG reporting future losses. The Board will continuously review the various options and the best time to refinance the PIK Loans that would allow KDH AG to pay out future dividends depending on the overall development of the Group's business.

Our business proved resilient in the recessionary macroeconomic environment of 2008 and 2009 and we think our business will continue to develop in a robust manner in the years to come. However, any high inflationary environment might have an adverse effect on our business success going forward (rising factor costs and interest rates).

Since 2006 the Group undertook an extensive investment program to upgrade its network, introduce New Services and expand its marketing and sales capabilities, allowing for the sale of broadband Internet access and fixed-line phone services and for a broader offering of Premium-TV services, e.g. HDTV, DVR or Video-on-Demand. We capitalized on our existing network assets and benefited from economies of scale with a largely fixed cost structure and success-based capital expenditures. As a result of this strategy we have achieved significant organic growth of revenues, EBITDA and free cash flow as well as a reduction of net debt in recent years. We expect this pattern of success to continue over the next two years and beyond as we continue to pursue this strategy.

TV Business

We expect our Basic Cable business to continuously generate stable revenues and cash flows despite the fact that the Basic Cable subscriber base is likely to decline further. As in

the past, however, this decline should occur mostly in the segment of indirect, low-ARPU subscribers due to continued disconnections of Level 4 network operators. Future acquisitions of Level 4 network operators in our footprint such as the acquisition of networks and customers in Mainz and Osnabrueck in 2010, could further lead to a higher share of direct customers in our Basic Cable subscriber base. As in the past we will continue to evaluate potential value accretive acquisition targets and might, subject to market conditions and regulatory approval, further benefit from the ongoing consolidation of the German cable industry.

We think that the growing awareness of and demand for digital TV services will provide ample opportunities for us to drive innovation in the TV market and penetrate our Basic Cable subscriber base with additional Premium-TV services. During the next two years we plan to penetrate our customer base with our enhanced Digital Video Recorders and set-top boxes while extending our HDTV offering. Moreover we introduced our interactive Video-on-Demand service in March 2011 and intend to roll-out this service in our upgraded network during the next years. Selling these New Services on a stand-alone basis or packaging them with our traditional pay-TV services will in our expectation create more growth in our TV Business and should positively contribute to the EBITDA and cash flow development of our Group.

Internet and Phone Business

As in recent years we expect that the Internet and Phone business will be the major contributor to future growth in revenues and EBITDA of the Group’s subsidiaries. While growth of the German broadband market is slowing down, with increasing penetration we expect to increase our broadband subscribers and revenues at rates significantly above market average. The cable industry has been gaining market share from DSL players and we expect our growth to be fueled increasingly by churning DSL subscribers who are attracted by differentiating products and price-performance-leadership of cable technology. This technology leadership will be strengthened by increased availability of our DOCSIS 3.0 services which provide speeds of 100 Mbit/s or more. We plan to be in a position to offer these speeds across our entire upgraded network during 2012.

Network Projects and Capital Expenditure

Accommodating for further growth of subscribers, traffic and New Services we will continue to invest into our network and service platforms over the coming years. Also in the future the majority of our capital expenditure will be success based, i.e. driven by the acquisition and installation of new subscribers and the expenditures for equipment related to our services. During the next fiscal year, however, we will also complete the redesign and renewal of our core network (which started already last fiscal year) as we extend our backbone network to a regional level and migrate from satellite based to fiber based TV distribution. Furthermore we

will upgrade additional network segments for Internet and Phone services. Despite these extraordinary efforts we expect that the relative capital expenditure intensity of our business – measured by the ratio of capital expenditure over sales – will not change significantly in the short-term and continue its declining trend in the mid- to long-term as we grow our revenue base while only moderately increasing capital expenditure in absolute terms.

As a consequence of the expected developments described above the operating free cash flow (EBITDA minus capital expenditure) of our current business should continue to grow over the next two years. This will enable us to further reduce the net debt leverage of the Group's current business and to fully meet the Company's financing obligations in the years to come (covenants, interest and principal payments).

Unterfoehring May 24, 2011

Dr. Adrian von Hammerstein	Paul Thomason
Chief Executive Officer	Chief Financial Officer
Dr. Manuel Cubero del Castillo-Olivares	Erik Adams
Chief Operating Officer	Chief Marketing Officer

Kabel Deutschland Holding AG, Unterfoehring

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.

Unterfoehring, May 24, 2011

Dr. Adrian v. Hammerstein
Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares
Chief Operating Officer

Paul Thomason
Chief Financial Officer

Erik Adams
Chief Marketing Officer

Audit opinion

We have audited the financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Kabel Deutschland Holding AG, Unterföhring, Germany, for the fiscal year from April 1, 2010 to March 31, 2011. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB ['Handelsgesetzbuch': German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks relating to future development."

Munich, Germany, May 24, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]	*[signed]*
Dahmen	Christ
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]