Kabel Deutschland Holding AG
Unterfoehring

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

for the Fiscal Year Ended
March 31, 2012

Kabel Deutschland

Selected Key Figures	Fiscal year ended March 31, 2012 € million	2011 € million	Variance € million	Variance %
Consolidated Statement of Income				
Revenues	1,699.7	1,598.9	100.8	6.3%
Adjusted EBITDA [1)]	795.5	729.1	66.4	9.1%
Adjusted EBITDA margin (in %) [2)]	46.8	45.6	-	-
Depreciation and Amortization	395.9	490.2	(94.3)	(19.2)%
Net profit / (loss) for the period	159.4	(45.3)	204.7	-
Earnings per Share (in €) [3)]	1.78	(0.50)	2.28	-
Consolidated Statement of Financial Position				
Cash and cash equivalents	133.8	28.3	105.5	372.8%
Net debt [4)]	2,690.0	2,747.1	(57.1)	(2.1)%
Leverage net debt to Adjusted EBITDA	3.4	3.8	-	-
Consolidated Statement of Cash Flows				
Cash flows from operating activities	729.9	753.9	(24.0)	(3.2)%
Net cash used in investing activities (incl. acquisitions)	(391.5)	(366.1)	(25.4)	6.9%
thereof cash paid for capital expenditure (without acquisitions) [5)]	(391.2)	(337.0)	(54.2)	16.1%
Cash flows from financing activities	(232.9)	(630.8)	397.9	(63.1)%
Changes in cash and cash equivalents	105.4	(243.0)	348.4	-
Operating free cash flow [6)]	404.3	392.1	12.2	3.1%
Network (in thousands)				
Homes passed	15,293	15,293	0	0.0%
Homes passed upgraded for two-way communication	12,682	12,608	74	0.6%
Homes passed upgraded for two-way communication being marketed [7)]	10,632	10,496	136	1.3%
Subscribers (in thousands)				
Direct subscribers (incl. Internet and Phone “Solo” subscribers) [8)]	7,536	7,540	(4)	(0.1)%
Indirect Basic Cable subscribers	1,009	1,205	(196)	(16.3)%
Total unique subscribers (homes connected)	**8,545**	**8,745**	**(200)**	**(2.3)%**
RGUs (in thousands) [9)]				
Basic Cable	8,702	8,878	(176)	(2.0)%
Premium-TV [10)]	1,680	1,264	416	32.9%
Internet and Phone	3,067	2,556	511	20.0%
Total RGUs	**13,449**	**12,698**	**751**	**5.9%**
RGUs per subscriber (in units)	**1.57**	**1.45**	**0.12**	**8.3%**
ARPU (in € / month)				
Total blended TV ARPU per subscriber [11)]	9.86	9.52	0.34	3.6%
Total blended Internet and Phone ARPU per subscriber [12)]	28.24	29.15	(0.91)	(3.1)%
Total blended ARPU per subscriber [13)]	**14.44**	**13.40**	**1.04**	**7.8%**
Employees				
Employees	2,781	2,714	67	2.5%

[1] EBITDA represents profit from ordinary activities before depreciation and amortization. We calculate the "Adjusted EBITDA" as profit from ordinary activities before depreciation and amortization, expenses for LTIP, merger expenses, restructuring items and IPO related expenses (in the prior year).

[2] Adjusted EBITDA margin is a calculation of Adjusted EBITDA as a percentage of total revenues.

[3] There is no variance between basic and diluted Earnings per Share.

[4] Debt stated at nominal values minus cash and cash equivalents.

[5] Capital expenditure consists of cash paid for investments in intangible assets as well as property and equipment and does not include cash paid for acquisitions.

[6] Adjusted EBITDA minus cash paid for investments (without acquisitions).

[7] Homes passed being marketed mean households to which we currently sell our internet and / or phone products.

[8] Internet and Phone "Solo" subscribers are non-Basic Cable service customers subscribing to Internet and / or Phone services only.

[9] RGU (revenue generating unit) relates to sources of revenue which may not always be the same as subscriber numbers. For example, one person may subscribe to two different services, in which case two RGUs would be assigned to that one subscriber.

[10] Premium-TV RGUs consist of RGUs for our pay-TV product Kabel Digital (Kabelanschluss HD, Kabel Premium HD and Kabel International) as well as our DVR products Kabel Komfort HD and Kabel Komfort Premium HD.

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

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

[13] Total blended ARPU per subscriber is calculated by dividing the recurring TV service and Internet and Phone subscription revenues including usage dependent fees (excluding installation fees and other non-recurring revenues) generated in the relevant period in the TV Business and Internet and Phone segments by the sum of the monthly average number of total unique subscribers in that period.

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This is a translation of the German "Jahresfinanzbericht gemäß § 37v und § 37y WpHG der Kabel Deutschland Holding AG für das Geschäftsjahr zum 31. März 2012". 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 for the fiscal year 2011/2012, including the related audit reports.

OVERVIEW OF THE ACTIVITIES OF THE SUPERVISORY BOARD

During the fiscal year 2011/2012, 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 reported 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. 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.

Focal subjects the Supervisory Board has dealt with in the fiscal year 2011/2012 were refinancing measures (in particular amendment of the senior credit agreement, drawing of credit facilities and issuance of senior secured notes to repay the PIK Loan and to refinance existing credit facilities), the share buyback program, appointment of a new CFO and accession of new Supervisory Board members.

CHANGES IN THE MANAGEMENT BOARD

We were able to recruit Dr. Andreas Siemen as new CFO. We are particularly proud of being able to present a much-respected and highly qualified colleague from within the company. Dr. Siemen is an expert in the telecommunications and media industries and has been working for Kabel Deutschland since 2003, among other things making a substantial contribution to the success of the IPO and the refinancing of the company in his role as Director Corporate Development. In addition to Dr. Siemen, further candidates were interviewed for the position of CFO. There were both internal and external candidates. Dr. Siemen excelled within the framework of a comprehensive selection process and was endorsed as new CFO by the Executive Committee, the entire Supervisory Board and also by the Management Board. Dr. Siemen assumed the CFO position of Paul Thomason who had left the company for personal reasons. The Supervisory Board thanks Mr. Thomason for his great dedication, his on-going support in finding a successor and for ensuring an orderly handover.

CHANGES IN THE SUPERVISORY BOARD

Upon request of the Management Board with unanimous consent of the Supervisory Board Annet Aris, Catherine Mühlemann, Paul Stodden and Torsten Winkler were appointed by court to be members of the Supervisory Board as from November 1, 2011 after the shareholder representatives John Carl Hahn, Robert Sudo, Biswajit Subramanian and Ian West had resigned from their office as members of the Supervisory Board with effect as from the end of October 2011. It was applied to limit the term of theses appointments up to the next Shareholders' Meeting in which the shareholders will then have the opportunity to vote on the new Supervisory Board members. A brief introduction to our new members follows:

Annet Aris has been a partner with McKinsey for many years specializing in European Media. She started teaching strategy, focusing on media management with INSEAD in 2003. Annet Aris was a member of the board of OPTA for many years, the Dutch regulator for Telecommunication, Cable, Internet and Postal Services.

Catherine Mühlemann has many years of experience in the media business. She started as media consultant with the Swiss public broadcaster and was as head of programming one of the founders of Switzerland's first private broadcaster TV3. In 2001, she started working for the US company Viacom in Germany and subsequently headed up MTV Networks in Central Europe and the Emerging Markets. Today, Catherine Mühlemann is an entrepreneur in the Mediamedia business, a member of the board of directors and a co-owner of Swiss Andmann Media Holding GmbH.

Paul Stodden has more than 25 years of experience in the general management of international TMT companies like Siemens Nixdorf, Fujitsu Siemens Computers, debitel and Orion Cable. Today, Paul Stodden is the CEO of Antevorte Performance Management GmbH & Co. KG and is Associated Partner of Atreus Interim Management GmbH.

Torsten Winkler is very familiar with the German and international finance and media sector. He has twelve years experience in private equity, most of which he spent with Providence Equity Partners. He joined Vitruvian Partners in 2009 and is responsible for the firm's activities in Germany, Austria and Switzerland. From 2006 to 2010, Torsten Winkler was a member of the Supervisory Board of Kabel Deutschland GmbH.

The Chairman of the Supervisory Board, Tony Ball, and the Chairman of the Audit Committee, Martin Stewart, remained as shareholder representatives in the Supervisory Board.

At the beginning of December 2011, the election of employee representatives was finalized. The Supervisory Board members Susanne Aichinger, Petra Ganser, Ronald Hofschläger and Joachim Pütz were confirmed in office and Irena Gruhne and Helmut von der Lieck were elected as new member of the Supervisory Board.

The Supervisory Board is in particular pleased about the fact that today five of the twelve members of the Supervisory Board are women.

As in the past fiscal year, Tony Ball is the Chairman and Joachim Pütz is the Deputy Chairman of the Supervisory Board.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board created the following committees 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 MitbestG. The members of the Conciliation Committee in the fiscal year 2011/2012 were: Tony Ball (Chairman of the Conciliation Committee), Susanne Aichinger and Joachim Pütz as well as, until his retirement from the Supervisory Board, John Hahn who was followed by Paul Stodden as member of the Conciliation Committee.

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 the fiscal year 2011/2012, these were Ronald Hofschläger and Joachim Pütz as well as, until his retirement from the Supervisory Board, John Hahn who was followed by Catherine Mühlemann as member of the Executive Committee.

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. To this end it 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 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 2011/2012, these were: Martin Stewart, who is an independent member of the Supervisory Board and possesses 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 Ganser as well as, until their retirement from the Supervisory Board, Robert Sudo and Petra Hesse who were followed by Torsten Winkler and Susanne Aichinger as members of the Audit Committee.

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 Shareholders' Meeting. It comprises the Chairman of the Supervisory Board, who also acts as Chairman of the Nomination Committee, and two further shareholder representatives. In the fiscal year 2011/2012, these were John Hahn and Robert Sudo until the end of October 2011 and Annet Aris and Paul Stodden as from November 2011.

MEETINGS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

In the fiscal year 2011/2012, the Supervisory Board held four ordinary meetings. In addition, it held two extraordinary meetings which were scheduled at short notice and which Biswajit Subramanian and Martin Stewart were unable to attend due to other commitments. Thus, they could not attend half of the total number of the Supervisory Board meetings. However, they liaised with the Management Board and other Supervisory Board members, were kept informed of matters in hand and cast their vote in text form prior to the meetings. Further, Martin Stewart concentrated on his responsibilities as Chairman of the Audit Committee. Petra Hesse also was not able to attend half of the meetings of the Supervisory Board in the past fiscal year due to illness. The meetings of the Supervisory Board 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 four meetings and, in particular, laid the groundwork for decisions by the Supervisory Board on corporate and Management Board objectives and personnel matters of the Management Board. Specifically the appointment of Dr. Siemen as new CFO, periodic extension of the office of the members of the Management Board and remuneration matters. In addition, the Executive Committee passed resolutions outside of a meeting. The Audit Committee held five meetings in the fiscal year 2011/2012, in particular for the purposes of auditing of the half-year and quarterly financial reports and regarding matters of independence and the appointment of the auditor. The Nomination Committee has not yet convened in the fiscal year 2011/2012. 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 May 26, 2010 versions of the recommendations of the Governmental Commission in respect of the German Corporate Governance Code. It has 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) in March 2012. 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.

MAIN FEATURES OF THE REMUNERATION SYSTEM

The remuneration system of the Management Board of Kabel Deutschland Holding AG was implemented after the Company's IPO and approved by way of resolution at the Shareholders' Meeting on October 20, 2010. The details can be found in the Compensation Report available on the Company's website.

In order to provide greater transparency on the remuneration of the Management Board members for the benefit of the shareholders, the Supervisory Board and the Management Board proposed to the Shareholders' Meeting to publish the individualized remuneration of the members of the Management Board. The Shareholders' Meeting on October 13, 2011 approved this proposal by way of resolution. Thus, the individualized remuneration is published in the annual financial report for the fiscal year 2011/2012.

AUDITING OF THE ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

At the Shareholders' Meeting of Kabel Deutschland Holding AG on October 13, 2011, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for the fiscal year ended March 31, 2012, 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 2011/2012 (balance sheet date: March 31, 2012), as well as the consolidated financial statements prepared in accordance with IFRS and the Group management report (balance sheet date: March 31, 2012), 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 AktG and determined that the risk management system established by the Management Board complies with the legal requirements.

The financial statements 2011/2012, 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 13, 2012.

The Audit Committee, in a meeting held on June 12, 2012 carefully reviewed and examined, together with the Chief Financial Officer and the auditor, the financial statements cited above as well as the audit reports concerning the annual and consolidated financial statements and reported thereon to the entire Supervisory Board at the latter's meeting on June 13, 2012. 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, and the Group management report at its meeting on June 13, 2012. Upon request, the Management Board additionally provided an oral explanation of the financial statements 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 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, 2012. Thus, Kabel Deutschland Holding AG's annual financial statements of March 31, 2012 have been approved. The Supervisory Board discussed the Management Board's proposal for the appropriation of the accumulated 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 DECLARATION AND 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. In this report, the Management Board provides details – also for the Supervisory Board – on corporate management in accordance with Section 3.10 of the German Corporate Governance Code and Section 289a of the German Commercial Code (HGB).

1. DECLARATION OF COMPLIANCE IN ACCORDANCE WITH SECTION 161 GERMAN STOCK CORPORATION ACT (AktG)

Under Section 161 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 website.

In March 2012, the Management Board and the Supervisory Board filed a declaration pursuant to Section 161 AktG that Kabel Deutschland Holding AG, since the last declaration of compliance in May 2011, has complied and will continue to comply with the recommendations of the Government Commission for the German Corporate Governance Code published by the Federal Ministry of Justice in the official Section of the electronic Federal Gazette 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. Agreeing a deductible would not be a suitable method of improving the motivation and sense of responsibility for the tasks and functions of the members of the Supervisory Board.

- Diversity is taken into account when appointing the Management Board and when executive positions are filled within the Company. However, the focus is on the expert qualifications offered by – female and male – candidates (deviation from sections 4.1.5 and 5.1.2 of the Code).

- By shareholder resolution dated March 15, 2010, the Shareholders' Meeting exercised the option described in section 4.2.4 of the Code to deviate 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. This resolution was annulled by resolution of the Shareholders' Meeting on October 13, 2011. Thus, the individualized information will be disclosed as from the annual financial report for the fiscal year 2011/2012.

- 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 paragraph 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 paragraph 3 sentence 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 there is no variable remuneration paid to the Supervisory Board and as the remuneration of the Supervisory Board members is regulated by the Articles of Association, we do not consider an individualized disclosure to be necessary.

- The Supervisory Board decided to examine the efficiency of its activities in the next fiscal year 2012/2013 since six of its twelve members are only in their office since November/December 2011 following their appointment by court order respectively their election by the employees (deviating from section 5.6 of the Code).

- 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 declarations from former years that are 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 / Declaration of Compliance.

2. RELEVANT INFORMATION REGARDING CORPORATE GOVERNANCE PRACTICES

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.

Kabel Deutschland had already adopted a corporate *Code of Conduct* several years ago, requiring all employees to abide by high legal and ethical standards. Focus of the *Code of Conduct* is to set forth a minimum standard for each employee, in particular with regard to honest and fair conduct in the workplace, observance of law, integrity and fairness, data protection and third party rights, correct internal reporting, avoidance of corruption, bribery and conflicts of interest, dealing with donations and other benefits as well as a whistle blowing system.

Management staff of the Company has likewise agreed to follow the *Code of Ethics* and all ethical standards adopted by the Company. The *Code of Ethics* contains, in particular, provisions concerning the standards of honest and ethical corporate governance, disclosure of information, monitoring of the Group's compliance with law, correct internal reporting, fair competition, prohibition of insider trading and money laundering, dealing with donations and other benefits as well as safeguarding of the Company's assets.

To implement, manage and continue to develop the company-wide corporate compliance program, Kabel Deutschland 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 Compliance Manager takes relevant measures to ensure the continuing development of the compliance program implemented by Kabel Deutschland, with the emphasis being on anti-corruption and anti-trust measures.

In the fiscal year 2011/2012, a compliance policy was developed, as part of compliance management, which regulated the structure, responsibilities for and principles of compliance management at Kabel Deutschland. In addition, wide-reaching preventative measures were taken to ensure that anti-corruption provisions were adhered to. An important element of anti-corruption prevention in the fiscal year 2011/2012 was the creation of a relevant corporate policy. This policy supplements the *Code of Conduct* and provides specific details on the regulations contained therein regarding sound moral dealings with business partners, officials and public authorities. Kabel Deutschland views integrity as an essential basis for a relationship of trust with customers and business partners and an important instrument for sustaining long-term business success. This company policy is supplemented by various awareness campaigns and publications providing further information regarding the legal provisions underlying the policy and examples which clearly explain them to the Company's employees.

The tasks associated with compliance management over the past fiscal year also included the further development of training concepts, the further recording and evaluation of compliance risks as well as the establishing and investigation of factual and legal information relating to notifications received.

More than five 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 all management staff and any other employees of the Group who wish to report potential violations of applicable laws or policies.

Insider trading laws are 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 at Kabel Deutschland will be included in an insider register.

Control and Risk Management System

Kabel Deutschland is faced with a multitude of opportunities and risks. By carefully monitoring uncertainties and optimizing opportunities, the Group protects itself and creates value for its shareholders. KDH AG accordingly uses a risk management system which is carefully adapted to its environment and its operations.

Risk Management System

Risk management consists of compiling and monitoring all organizational regulations and measures which are aligned with management's strategy and designed to identify and manage risks.

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

The risk environment can change quickly and unexpectedly due to a variety of factors. It is therefore necessary to react quickly to prevent a situation arising where there is significant damage or long-term impact on the net assets, finances or operating results.

The decisions on identifying opportunities and minimizing risks are generally made in the operating units. Therefore all managers perform an additional task as risk managers and they have the authority to take and monitor risks. The system is supplemented by the central risk management unit which performs risk control, thus ensuring that the duties are segregated.

The risk control unit is responsible for processes and ensures that the risk situation is assessed comprehensively and is transparent by means of quarterly reporting to the Management Board. In specially defined cases which require thorough investigation, and where defined limits in the early warning system are exceeded, this regular standard reporting is supplemented by immediate reporting. In addition, risk control is also responsible for the ongoing enhancement of the risk management system and for setting company-wide standards. Risks that overlap departments are also monitored.

The risks listed below are closely monitored as part of the Group risk management system so that appropriate measures can be implemented if necessary.

Internal Control System relating to Accounting

The internal control system includes certain principles, procedures and measures established by the Management Board, which are geared to organizational implementation of the decisions of management:

- Assurance of effectiveness and profitability of the business operations (this includes the protection of assets, including the prevention and detection of economic loss)
- Correctness and reliability of internal and external accounting
- Compliance with the legal provisions relevant for the Group

The Group uses the internal control system to ensure correct accounting. This guarantees prompt, standardized, correct and complete accounting and processing of business transactions and processes and compliance with legal standards. Changes in accounting regulations are continuously reviewed for their relevance and effects on the financial statements of the Group, and if necessary, the internal policies and systems are adjusted 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 compliance with 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). At Kabel Deutschland all control-related business processes are part of a transparent central IT system. Regular checks are also made on personnel in charge of controls and processes.

This accounting process, which can significantly influence the individual financial accounts and the overall statement of the annual financials, including the management report, is part of our internal control and risk management system. The following main elements are included in this regard:

- Identification of the key risk fields and controls that are relevant for the accounting process
- Monitoring controls for monitoring the accounting process and its results at Management Board level and strategic business segment level
- Preventive control measures in finance and accounting and in operational and business performance processes, which generate the key information for the annual financial statements, including review of the economic situation as well as a separation of functions and predefined approval processes in relevant departments
- Measures which ensure the correct computer processing of accounting-related issues and data
- Measures for monitoring the internal control and risk management system related to accounting

In addition, the Internal Audit department has a key function within the Group control system. As part of its risk-oriented audits, it examines inter alia the accounting-related processes and reports the results.

In general, it should be noted that an internal control system provides no absolute guarantee that defective information in external reporting will be found. However, the risks of potential defective information are minimized as far as possible.

3. WORK OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The **Management Board** of Kabel Deutschland Holding AG consists of four members, the Chairman Dr. Adrian von Hammerstein as well as Dr. Manuel Cubero del Castillo-Olivares, Mr. Erik Adams and Dr. Andreas Siemen. The Management Board has sole responsibility for managing the business of the Company with the objective of the creation of sustainable value and in the interest of the Company with regard to the concerns of its shareholders, its employees and other parties related to the Company. Additional details are governed, in particular, by the Rules of Procedures for the Management Board that were adopted by the Supervisory Board. The Management Board develops the strategic orientation of the Company, coordinates this with the Supervisory Board on a regular basis, and also looks after its implementation.

The Chairman of the Management Board is responsible for the coordination of all areas of business for which the Management Board as a whole is responsible. The Chairman of the Management Board exchanges information and discusses matters with the Chairman of the Supervisory Board on a regular basis, and represents the Management Board and the Company in relation to the public.

The current four members of the Management Board share responsibilities on the board as provided for in the schedule of responsibilities. Each member of the Management Board independently manages the area of business assigned to him, in conformity with resolutions of the Management Board.

Irrespective thereof, the members of the Management Board are jointly responsible for the overall management of the Company. The strategy of the Company, major issues of business policy, as well as all matters of particular significance for the Company and/or its affiliates are therefore decided by the plenary Management Board. Transactions and measures of particular importance are, in addition, subject to the prior consent of the Supervisory Board. The plenary Management Board meets regularly, generally every week, with meetings chaired by the Chairman of the Management Board. Resolutions by the Management Board may also be adopted outside of meetings, in particular in writing, by fax or e-mail.

The Management Board reports to the Supervisory Board on the Company's course of business on a regular basis, at least once each quarter. In addition, the Management Board must report to the Supervisory Board any transactions that may be of major significance to the profitability or liquidity of the Company, in due time for the Supervisory Board to have an opportunity to respond before the transaction is executed. Finally, the Management Board must report to the Supervisory Board any important events or affairs within the meaning of Section 90 para. 1 sentence 3 AktG.

The **Supervisory Board** of the Company has 12 members in total, of which six members shall be elected by the Shareholders' Meeting and six members shall be elected in accordance with the provisions of the German Co-Determination Act (MitbestG) from among the Company's employees.

The shareholder representatives in the Supervisory Board are the Chairman Mr. Tony Ball, Mrs. Annet Aris and Mrs. Catherine Mühlemann as well as Messrs. Martin Stewart, Paul Stodden and Torsten Winkler. The employee representatives are the Deputy Chairman Mr. Joachim Pütz as well as Mrs. Susanne Aichinger, Mrs. Petra Ganser, Mrs. Irena Gruhne and Messrs Ronald Hofschläger and Helmut von der Lieck.

The Supervisory Board advises and supervises the Management Board in the management of the Company on a regular basis and must be consulted with respect to all decisions of fundamental significance. The Supervisory Board appoints and dismisses members of the Management Board and determines the compensation of the Management Board. The principles governing the work of the Supervisory Board and its cooperation with the Management Board are set forth in the Rules of Procedures for the Supervisory Board. The Chairman of the Supervisory Board coordinates the activities of the Supervisory Board and the cooperation of the Supervisory Board with the Management Board.

The Supervisory Board actively participates in the consultations and debates of the Management Board, obeys the duties imposed by law and the Articles of Association, and monitors the management on the basis of the reports of the Management Board and joint meetings.

The Supervisory Board holds at least two meetings in a calendar half-year. Resolutions by the Supervisory Board may also be adopted outside of meetings, in particular in writing, by fax or e-mail.

4. COMPOSITION AND WORK OF THE COMMITTEES OF THE SUPERVISORY BOARD

In order for the Supervisory Board to carry out its tasks in an optimal manner, the Rules of Procedure for the Supervisory Board provide for four fixed committees. 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 MitbestG. The members of the Conciliation Committee in the fiscal year 2011/2012 were: Tony Ball (Chairman of the Conciliation Committee), Susanne Aichinger and Joachim Pütz as well as, until his retirement from the Supervisory Board, John Hahn who was followed by Paul Stodden as member of the Conciliation Committee.

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, issues of compensation for the Management Board and investment and divestment decisions. 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 the fiscal year 2011/2012, these were Ronald Hofschläger and Joachim Pütz as well as, until his retirement from the Supervisory Board, John Hahn who was followed by Catherine Mühlemann as member of the Executive Committee.

The **Audit Committee** deals particularly with issues relating to 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. To this end it 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 are also reviewed by the Audit Committee, together with the Management Board, prior to publication. The Audit Committee accordingly meets at least on a quarterly basis. The Audit Committee is comprised of four members. In the fiscal year 2011/2012, these were: Martin Stewart, who is an independent member of the Supervisory Board and possesses 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 Ganser as well as, until their retirement from the Supervisory Board, Robert Sudo and Petra Hesse who were followed by Torsten Winkler and Susanne Aichinger as members of the Audit Committee.

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 Shareholders' Meeting. It comprises the Chairman of the Supervisory Board, who also acts as Chairman of the Nomination Committee, and two further shareholder representatives. In the fiscal year 2011/2012, these were John Hahn und Robert Sudo until the end of October 2011 and Annet Aris and Paul Stodden as from November 2011.

The composition of the committees of the Supervisory Board can be found on the website of the Company (www.kabeldeutschland.com).

5. FURTHER INFORMATION ON 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 / Events / General Meeting. Numbers attending and the results of the votings are published online immediately after the Shareholders' Meeting. This promotes the exchange of information between Kabel Deutschland Holding AG and its shareholders. Around 68% of the share capital was represented when resolutions were adopted at the Shareholders' Meeting held in Munich on October 13, 2011.

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 HGB. Kabel Deutschland Holding AG's annual 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 October 13, 2011, 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/or 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 the fiscal year 2011/2012 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.

Compensation of Management Board and Supervisory Board

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.

The compensation paid to the individual members of the Management Board is reported in the notes to the consolidated financial statements divided according to non performance-based (fixed remuneration and ancillary benefits) and performance-based components (variable annual bonus) as well as components with long-term incentive effect (Long-Term Incentive Plan, "LTIP") respectively in accordance with the legal requirements. These disclosures in the notes to the consolidated financial statements can be found in the annual financial report under "Related Parties" and are integral part of this Corporate Governance Report.

The compensation of the Supervisory Board was determined by the Shareholders' Meeting and is governed by Section 12 of the Articles of Association of Kabel Deutschland Holding AG. The overall compensation is also reported in the notes to the consolidated financial statements in the annual financial report under "Related Parties". These disclosures in the notes to the consolidated financial statements are integral part of this 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 the fiscal year 2011/2012, 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 €	Trading volume in €
01.07.2011 OTC	Basil Management Inc.	Company closely associated to a member of the Supervisory Board	Bearer shares with no par value / DE000KD88880	Sale	225,000	41.09	9,245,250

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 Supervisory 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 March 31, 2012.

Stock Option Plans; Share-based Incentive Systems

Effective from the 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 performance-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.

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Financial Position as of March 31, 2012 and as of March 31, 2011

Assets	Notes	March 31, 2012 €	March 31, 2011 T€
Current assets			
Cash and cash equivalents	3.1	133,783,665.60	28,335
Trade receivables	3.2	88,807,702.08	83,030
Inventories	3.3	31,495,986.99	16,244
Receivables from tax authorities	3.4	284,318.49	365
Other current financial assets	3.5	15,617,709.51	9,839
Prepaid expenses	3.5	12,302,841.38	11,987
Total current assets		282,292,224.05	149,799
Non-current assets			
Intangible assets	3.6	630,367,773.57	673,185
Property and equipment	3.7	1,198,017,620.17	1,158,502
Equity investments in associates	3.8	8,123,113.65	13,169
Deferred tax assets	4.9	612,247.00	1,373
Other non-current financial assets	3.9	7,793,000.00	0
Prepaid expenses	3.9	32,614,066.15	18,268
Total non-current assets		1,877,527,820.54	1,864,498
Total assets		2,159,820,044.59	2,014,297

Equity and liabilities	Notes	March 31, 2012 €	March 31, 2011 T€
Current liabilities			
Current financial liabilities	3.12.1	27,921,435.67	208,528
Trade payables		287,882,490.19	266,178
Liabilities to associates		147.14	0
Other current provisions	3.14	21,677,657.88	34,521
Liabilities due to income taxes	4.9	72,798,613.39	85,152
Deferred income	3.11	237,139,860.29	238,599
Other current liabilities [1]	3.10	88,904,801.51	106,115
Total current liabilities		**736,325,006.07**	**939,092**
Non-current liabilities			
Non-current financial liabilities	3.12.2	2,831,853,980.55	2,546,209
Deferred tax liabilities	4.9	41,347,065.00	64,610
Provisions for pension	3.13	48,979,888.99	44,594
Other non-current provisions	3.14	24,792,842.82	23,199
Other non-current liabilities [2]	3.15	51,425,486.96	28,934
Deferred income		1,922,403.48	674
Total non-current liabilities		3,000,321,667.80	2,708,221
Equity			
Subscribed capital	3.16	88,522,939.00	90,000
Capital reserve		68,058,337.94	126,495
Cash flow hedge reserve		(43,032,086.80)	0
Asset revaluation surplus		816,950.02	995
Accumulated deficit		(1,691,214,078.33)	(1,850,799)
		(1,576,847,938.17)	(1,633,308)
Non-controlling interests		21,308.89	292
Total equity (deficit)		(1,576,826,629.28)	(1,633,016)
Total equity and liabilities		2,159,820,044.59	2,014,297

[1] Included in other current liabilities are financial liabilities (see note 3.10).

[2] Included in other non-current liabilities are financial liabilities (see note 3.15).

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

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Income

for the Period from April 1, 2011 to March 31, 2012 and from April 1, 2010 to March 31, 2011

	Notes	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
		€	T€
Revenues	4.1	1,699,734,427.72	1,598,892
Cost of services rendered thereof depreciation / amortization T€250,378 (prior year: T€288,845)	4.2	(784,287,006.24)	(801,468)
Other operating income	4.3	12,111,719.10	12,342
Selling expenses thereof depreciation / amortization T€123,897 (prior year: T€176,108)	4.4	(424,651,879.38)	(467,380)
General and administrative expenses thereof depreciation / amortization T€21,661 (prior year: T€25,201)	4.5	(130,007,603.20)	(135,430)
Profit from ordinary activities		**372,899,658.00**	**206,954**
Interest income	4.7	2,890,846.15	4,264
Interest expense	4.7	(201,575,136.19)	(272,667)
Income from associates	4.8	1,626,831.05	4,147
Profit / (loss) before taxes		**175,842,199.01**	**(57,302)**
(Taxes) / benefit on income	4.9	(16,434,660.35)	12,010
Net profit / (loss) for the period		**159,407,538.66**	**(45,292)**
Attributable to:			
Equity holders of the parent		159,406,312.93	(45,293)
Non-controlling interests	4.10	1,225.73	1
		159,407,538.66	**(45,292)**
Earnings per Share (in €) [1]:			
Basic Earnings per Share	4.11	1.78	(0.50)
Diluted Earnings per Share	4.11	1.78	(0.50)

[1] Earnings per Share are calculated based on an average number of shares outstanding reflecting also the share buybacks (see notes).

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

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Comprehensive Income

for the Period from April 1, 2011 to March 31, 2012 and from April 1, 2010 to March 31, 2011

	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
	€	T€
Net profit / (loss) for the period	**159,407,538.66**	**(45,292)**
Changes in fair value of hedging instruments	(60,951,963.80)	0
Income tax	17,919,877.00	0
Other comprehensive income	**(43,032,086.80)**	**0**
Total comprehensive income	**116,375,451.86**	**(45,292)**
Attributable total comprehensive income to:		
Equity holders of the parent	116,374,226.13	(45,293)
Non-controlling interests	1,225.73	1

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

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Cash Flows

for the Period from April 1, 2011 to March 31, 2012 and from April 1, 2010 to March 31, 2011

	Notes	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
		T€	T€
1. Cash flows from operating activities			
Net profit / (loss) for the period		159,408	(45,292)
Adjustments to reconcile net profit / loss to cash flows from operating activities:			
Taxes / (benefit) on income		16,435	(12,010)
Interest expense		201,575	272,667
Interest income		(2,891)	(4,264)
Accretion / depreciation and amortization on fixed assets		395,937	490,153
Loss on disposal / sale of fixed assets		102	3,382
Income from associates		(1,627)	(4,147)
		768,939	700,489
Changes in assets and liabilities:			
(Increase) / decrease of inventories		(15,252)	(3,797)
(Increase) / decrease of trade receivables		(5,778)	4,925
(Increase) / decrease of other assets		(16,944)	(1,817)
Increase / (decrease) of trade payables		21,463	26,298
Increase / (decrease) of other provisions		(10,886)	9,789
Increase / (decrease) of deferred income		(211)	(2,488)
Increase / (decrease) of provisions for pension		1,989	3,052
Increase / (decrease) of other liabilities		19,749	15,960
Cash provided by operations		763,069	752,411
Income taxes (paid) / received		(33,202)	1,478
Net cash from operating activities		729,867	753,889
2. Cash flows from investing activities			
Cash received from disposal / sale of fixed assets		2,737	1,585
Cash paid for investments in intangible assets		(82,755)	(76,636)
Cash paid for investments in property and equipment		(308,458)	(260,359)
Cash received / (paid) for acquisitions, net of cash acquired	1.3	(10,525)	(31,746)
Interest received		779	1,091
Dividends received from associates		6,673	0
Net cash used in investing activities		(391,549)	(366,065)
3. Cash flows from financing activities			
Cash payments to shareholders for reacquiring treasury shares		(60,000)	0
Cash payments to non-controlling interests		(108)	(6)
Cash received non-current financial liabilities	3.12	1,570,452	400,000
Cash repayments of current and non-current financial liabilities	3.12	(1,543,875)	(816,126)
Cash payments for reduction of finance lease liabilities	3.7	(10,673)	(9,666)
Interest and transaction costs paid		(188,665)	(205,036)
Net cash used in financing activities		(232,869)	(630,834)
4. Cash and cash equivalents at the end of the period			
Changes in cash and cash equivalents (subtotal of 1 to 3)		105,449	(243,010)
Cash and cash equivalents at the beginning of the period		28,335	271,345
Cash and cash equivalents at the end of the period	3.1	133,784	28,335
Additional information			
Investments relating to finance lease		4,262	7,631

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

Kabel Deutschland Holding AG, Unterfoehring

Consolidated Statement of Changes in Equity

for the Period from April 1, 2010 to March 31, 2012

	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 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 income 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 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)**
Net income for the period	0.00	0.00	0.00	0.00	159,406,312.93	159,406,312.93	1,225.73	159,407,538.66
Changes in other comprehensive income (net of tax)	0.00	0.00	(43,032,086.80)	0.00	0.00	(43,032,086.80)	0.00	(43,032,086.80)
Total comprehensive income for the period	*0.00*	*0.00*	*(43,032,086.80)*	*0.00*	*159,406,312.93*	*116,374,226.13*	*1,225.73*	*116,375,451.86*
Dividend distribution to non-controlling interests	0.00	0.00	0.00	0.00	0.00	0.00	(7,789.29)	(7,789.29)
Other changes of non-controlling interests	0.00	163,273.63	0.00	0.00	0.00	163,273.63	(263,759.63)	(100,486.00)
Reclassification of asset revaluation surplus	0.00	0.00	0.00	(178,243.68)	178,243.68	0.00	0.00	0.00
Reacquired treasury shares	(1,477,061.00)	(58,600,414.62)	0.00	0.00	0.00	(60,077,475.62)	0.00	(60,077,475.62)
Balance as of March 31, 2012	**88,522,939.00**	**68,058,337.94**	**(43,032,086.80)**	**816,950.02**	**(1,691,214,078.33)**	**(1,576,847,938.17)**	**21,308.89**	**(1,576,826,629.28)**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR KABEL DEUTSCHLAND HOLDING AG AS OF MARCH 31, 2012

1. GENERAL INFORMATION

Kabel Deutschland Holding AG ("KDH AG" or the "Company") and its consolidated subsidiaries (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, according to its own estimate.

KDH AG is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880. Prior to the initial public offering ("IPO") in March 2010, KDH AG was wholly owned by Cable Holding S.A., Luxembourg ("LuxCo"). In the course of the IPO, LuxCo sold 34.5 million shares and reduced its ownership to 61.67%. During the fiscal year ended March 31, 2011, LuxCo reduced its ownership to 21.92% through two placements and sold its remaining shares on July 5, 2011. With that last placement, 100% of the Company's 90 million subscribed shares were in free float. On September 16, 2011, the Management Board of KDH AG approved a share buyback program of up to €60 million (excluding transaction costs). Approximately 1.48 million shares were repurchased through the stock exchange for €60 million for the purpose of reducing subscribed capital following the retirement of the shares. After the Supervisory Board's approval, the share buyback period began on September 19, 2011 and ended when the approved buyback volume was reached on December 9, 2011. On March 12, 2012, the Management Board of KDH AG approved the retirement of 1.48 million shares and the corresponding reduction of subscribed capital.

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 and has its registered office in Unterfoehring, Betastraße 6 – 8, Germany (commercial register of Munich HRB 184452). As the parent company of the Group it performs the typical tasks of a holding company including the strategic development of the Group, and the provision of services and financing for its affiliated companies. KDH's business is primarily conducted by the wholly owned operating subsidiary Kabel Deutschland Vertrieb und Service GmbH ("KDVS GmbH"). This company was created through the mergers ("Merger") of Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS"), Kabel Deutschland Breitband Services GmbH ("KDBS"), BMH Berlin Mediahaus GmbH and six other non-operating entities[1] into Kabel Deutschland GmbH ("KDG") retroactively as of April 1, 2011. The Merger was completed in August 2011 including the change of name of KDG into KDVS GmbH. 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.

On May 29, 2012, the Management Board released the Consolidated Financial Statements to the Supervisory Board pursuant to International Accounting Standard ("IAS") 10 "Events after the Reporting Period".

1.1 BASIS OF PREPARATION

The consolidated financial statements of the Group for the two years ended March 31, 2012 and March 31, 2011 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"). The Group therefore applied all IFRSs issued by the IASB and the interpretations issued by the IFRS Interpretations Committee ("IFRIC"), which are effective as of March 31, 2012, adopted by the EU and applicable to the Group. The designation IFRS also includes all valid IAS; the designation IFRIC also includes all valid interpretations of the Standing Interpretations Committee ("SIC").

1) Kabel Deutschland Vertrieb und Service Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vertrieb und Service Beteiligungs GmbH & Co. KG; Kabel Deutschland Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs GmbH & Co. KG and Kabel Deutschland Vermögen GmbH & Co. KG.

1.2 BASIS OF PRESENTATION

The Group's fiscal year consists 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. All values are rounded to the nearest thousand ("T€") unless indicated otherwise. Totals in tables were calculated using precise figures and rounded to T€. The Group's consolidated financial statements have been prepared using consistent accounting and consolidation methods for all periods presented. 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"), which are valued at fair value.

1.3 CONSOLIDATION

Scope of Consolidation

In addition to the parent company, KDH AG, the consolidated financial statements as of March 31, 2012 include all companies in which KDH AG holds a direct or indirect interest of more than 50% of the outstanding voting rights and / or which 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 and between the 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 in the consolidated financial statements using the purchase method of accounting under IFRS 3 "Business Combinations".

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control and cease to be fully consolidated from the date on which the Group loses 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 as defined by IAS 28 "Investments in Associates" but not control over the business and the financial policies, 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 Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at fair value on the acquisition date 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 determines the identifiable assets and liabilities assumed for classification in accordance with the contractual terms, economic circumstances and pertinent conditions as of 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 fair value at the acquisition date of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and recognized through profit and 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 "Financial Instruments: Recognition and Measurement" either through profit and loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not remeasured and its subsequent settlement is accounted for in 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 on the income statement.

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

On April 30, 2008, KDVS acquired from TeleColumbus, a Level 4 network operator in Germany, network businesses in eight German federal states where the Group also has cable TV operations. Since August 2008, arbitration proceedings have been pending with regard to the final determination of the purchase price payable under the share purchase agreement. While several issues with respect to the purchase price determination were settled in May 2009, the parties continue to dispute whether and to which extent the purchase price has to be further adjusted for costs incurred by some target companies for certain central functions such as customer care, IP, IT, finance and human resources. In September 2010, the arbitration court decided that the neutral expert's decision (*Schiedsgutachten*) issued under the share purchase agreement in May 2009, which stated that these costs must not be accounted for under the purchase price formula, is not binding pursuant to Section 319 para. 1 of the German Civil Code ("Bürgerliches Gesetzbuch (BGB)"). The amount of the purchase price adjustment with respect to the costs for central functions is currently the subject of ongoing arbitration proceedings.

Conditional purchase price payments had been agreed for the acquisition of companies / assets carried out in the prior fiscal year, which were paid to the sellers in the fiscal year ended March 31, 2012.

In March 2012, KDVS GmbH acquired the remaining minority interest in KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung ("KCB") and in KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung ("KCW"), as well as the corresponding voting rights. Since March 27, 2012, both of these companies have been wholly owned by KDVS GmbH.

The purchase consideration for the shares acquired in KCB (0.42% shareholding) and the shares acquired in KCW (2.35% shareholding) amounted in total to T€100 at fair value.

1.4 CURRENCY TRANSLATION

Functional and Reporting Currency

The items included in the financial statements of each Group company are valued on the basis of the currency that corresponds to the currency of the primary economic environment in which the company operates (functional currency). The consolidated financial statements are presented in Euros, the functional and reporting currency of KDH AG.

Transactions and Balances

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 unless they are recognized in equity as qualified cash flow hedges (see section 2.6.3).

Non-monetary assets and liabilities denominated in foreign currencies existing as of the balance sheet date which are to be carried at fair value are converted to Euros at the European Central Bank rate as of the date that the fair value was determined.

The Group used the following exchange rates (spot rates):

	March 31, 2012	March 31, 2011
€1	US$1.3356	US$1.4207

2. ACCOUNTING AND VALUATION METHODS

2.1 ACCOUNTING STANDARDS RECENTLY ISSUED BY THE IASB

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

The revised IAS 24 "Related Party Disclosures" was issued in November 2009 and becomes effective for financial years beginning on or after January 1, 2011. The application of the revised regulations requires the adjustment of the prior year's figures. Based on the revised standard entities that are controlled or significantly influenced by a government are required to disclose only information or transactions that are individually or collectively significant. In addition, the definition of a related party was simplified and a number of inconsistencies were eliminated. The adoption of revised IAS 24 did not have a material impact on the presentation of the Group's results of operations or financial position.

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 changes did not have a material impact on the presentation of the Group's results of operations or financial position.

The following 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 IFRIC 14	November 2009	Prepayments of a Minimum Funding Requirement
IFRIC 19	November 2009	Extinguishing Financial Liabilities with Equity Instruments

New Accounting Standards 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 and interpretations that have been issued by May 29, 2012, have been endorsed by the EU but are not effective as of March 31, 2012.

In October 2010, the IASB issued amendments to IFRS 7 "Financial Instruments: Disclosures" on improving disclosures about financial instruments during transfers of financial assets. The amendment prescribes the disclosure of quantitative and qualitative data on transfers of financial assets for which the transferred assets have been derecognized in their entirety or where the transferring entity has a continuing involvement. These amendments will only become effective for fiscal years beginning on or after July 1, 2011. The Group does not currently anticipate any impacts on its Consolidated Financial Statements.

The Group has not applied any of the following IFRSs and IFRICs that have been issued but have not yet been endorsed by the EU as of May 29, 2012 and are not effective as of March 31, 2012.

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 instruments, including some hybrid contracts. It uses a single approach to determine whether a financial instrument 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 instruments. 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, 2015; 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, 2015. 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 on the statement of income 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 statement of income, rather than within the profit or loss. The Group is currently assessing the impacts of the adoption on the Group's consolidated financial statements.

In May 2011, the IASB issued IFRS 10 "Consolidated Financial Statements". The standard is effective for fiscal years beginning on or after January 1, 2013. The application of the new standard requires the adjustment of the prior year's figures. 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 investee.

In May 2011, the IASB issued IFRS 11 "Joint Arrangements". The standard is effective for fiscal years beginning on or after January 1, 2013. The application of the new standard requires the adjustment of the prior year's figures. IFRS 11 replaces 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 differentiate only between joint operations and joint ventures.

In May 2011, IFRS 12 "Disclosure of Interests in Other Entities" was issued and becomes effective for annual periods beginning on or after January 1, 2013. The application of the new standard requires the adjustment of the prior year's figures. 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.

In May 2011, amendments to IAS 27 "Separate Financial Statements" were issued and become effective for fiscal years beginning on or after January 1, 2013. The application of the revised regulations requires the adjustment of the prior year's figures. The consolidation requirements, which were previously part of IAS 27, have been revised and are now contained in IFRS 10 "Consolidated Financial Statements". The amended IAS 27 will in future exclusively govern the presentation of subsidiaries, joint ventures and associates in the separate financial statements, but not in the consolidated financial statements.

In May 2011, the IASB issued an amended version of IAS 28 "Investments in Associates and Joint Ventures". These amendments become effective for fiscal years beginning on or after January 1, 2013. The application of the revised regulations requires the adjustment of the prior year's figures. IAS 28 (as amended in 2011) supersedes IAS 28 (2003) "Investments in Associates" and amends its current scope. IAS 28 will in future apply to all entities that are investors with joint control of, or significant influence over, an investee (associate or joint venture).

The Group is currently assessing the impacts on its Consolidated Financial Statements of all of the above amendments affecting financial accounting and valuation.

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement". These amendments will become effective prospectively 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 on its Consolidated Financial Statements.

In June 2011, amendments to IAS 1 "Presentation of Financial Statements" were issued and become effective for fiscal years beginning on or after July 1, 2012. The application of the revised regulations requires the adjustment of the prior year's figures. These amendments improve and align the presentation of items of other comprehensive income ("OCI") of the Consolidated Statement of Comprehensive Income in financial statements prepared in accordance with IFRSs. These amendments require companies to group items within OCI according to whether they can be reclassified in the profit or loss section of the statement of income or remain in equity. The amendments also reaffirm existing requirements to present items in OCI and profit or loss as either a single statement or two consecutive statements. Requiring OCI to be presented as part of the statement of income or as a subsequent statement will make it easier for investors or users of financial statements to evaluate the impact of OCI items on the performance of an entity. The Group is currently assessing the impacts on its Consolidated Financial Statements.

In June 2011, amendments to IAS 19 "Employee Benefits" were issued and become effective for fiscal years beginning on or after January 1, 2013. The application of the revised regulations requires the adjustment of the prior year's figures. These amendments improve accounting for pensions and other post-employment benefits in three ways. First, they improve comparability and faithfulness of presentation by eliminating the option of deferring the recognition of gains and losses, which is known as the 'corridor method'. Second, they streamline the presentation of changes in assets and liabilities resulting from defined benefit plans, including requiring remeasurements to be presented in OCI, thereby separating those changes from changes that may be perceived to be the result of an entity's day-to-day operations. Third, the amendments also enhance the disclosure requirements for defined benefit plans, providing more accurate information on defined benefit plans and the exposure which entities taking part in those plans may encounter. The amendments will give users of financial statements a clearer picture of an entity's obligations resulting from the provision of defined benefit plans. The Group expects impacts of the amendments through the elimination of the 'corridor method', which KDH had previously applied, and is currently assessing the quantitative impacts of adoption on its Consolidated Financial Statements.

In December 2011, the IASB published supplements to IAS 32 ''Financial Instruments: Presentation'' and IFRS 7, which clarify the requirements for the balancing of financial assets and financial liabilities resulting in additional disclosures in the notes to the financial statements. The supplements are to be applied for fiscal years beginning on or after January 1, 2013 (disclosure in notes) and January 1, 2014 (clarifications). The application of the revised regulations requires the adjustment of the prior year's figures. The Group is currently assessing the impacts on its Consolidated Financial Statements.

In May 2012, the IASB issued "Annual Improvements 2009-2011 cycle". The amendments affect five standards and are effective for financial years beginning on or after January 1, 2013. The Group is currently assessing the impact of the adoption on the Group's Consolidated Financial Statements.

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

Pronouncement	Date of issue by the IASB	Title
Amendments to IAS 12	December 2010	Deferred Tax: Recovery of Underlying Assets
Amendments to IFRS 1	December 2010	Severe Hyperinflation
Amendments to IFRS 1	March 2012	Government Loans with a below-market Rate of Interest

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 ESTIMATES

The Group regularly reviews whether the useful lives of tangible and intangible assets for depreciation or amortization purposes can be retained. During the quarter ended September 30, 2011, the expected useful lives of cable networks, the acquired customer lists in the segment Internet and Phone, the capitalized subscriber acquisition costs in the segments Internet and Phone and TV Business (Premium-TV) as well as smartcards were reassessed based on new facts and circumstances. This reassessment of the useful lives led to prospective changed depreciation in the fiscal year ended March 31, 2012 and future fiscal years. The changes in useful life became effective as of August 1, 2011. For more detailed explanations please refer to section 3.6.

2.3 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.

2.4 TRADE RECEIVABLES

Trade receivables are disclosed at their nominal amount less bad debt allowances for any amounts deemed doubtful. 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). 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.

2.5 INVENTORIES

Raw materials, consumables, supplies, and merchandise are recorded at the lower of cost or net realizable value. Cost is calculated using the weighted average cost method in accordance with IAS 2 "Inventories". The entity's inventories are regularly reviewed for impairment.

2.6 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 financial asset expire; or
- 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 only 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.

2.6.1 Financial Assets

Financial assets in the scope of IAS 39 are classified as:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets; or
- derivatives designated as hedging instruments in an effective hedge.

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 also 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 the consolidated statement of income as incurred. Such financial assets are presented at fair value, and changes are recognised in the consolidated statement of income.

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 receivable are composed of trade and other receivables (see section 2.4).

Cash and cash equivalents are also included in loans and receivables. Cash and cash equivalents are composed of cash balances and call deposits with original maturities of three months or less (see section 2.3).

2.6.2 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 value.

2.6.3 Derivative Financial Instruments including Hedge Accounting

Derivative financial instruments are used exclusively for the purpose of hedging foreign currency and interest rate risks arising from financing activities. The Group exercises the option of accounting for the currency hedge of a fixed obligation in the consolidated statement of income as a cash flow hedge instead of as a fair value hedge. 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, 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 consolidated statement of comprehensive income or in the statement of changes in equity under cash flow hedge reserve. 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.

The cash flow hedge reserve is reversed when the hedging instrument expires or is sold, ended or exercised without replacement or being rolled over, or when the criteria for accounting for it as a hedge relationship are no longer fulfilled. The cumulative profits or losses, which have so far been recognized in the cash flow hedge reserve, remain in OCI until the expected transaction or fixed obligation influences earnings, i.e., they are transferred to the statement of income in the period in which the hedged transaction influences the consolidated statement of income, e.g. when hedged financial income or expenses are recognized.

2.6.4 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% 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. The Group's share of income, reduced by distributions and by the amortization associated with the purchase accounting, is disclosed in the analysis of fixed assets as a change in equity investment.

2.7 INTANGIBLE ASSETS

2.7.1 Goodwill

Please see section 1.3 Business combinations and goodwill for information on the accounting for and valuation of goodwill.

2.7.2 Customer List

In connection with the initial acquisition of the cable business by the Group in March 2003, certain parts of the purchase price have been allocated to the acquired customer list. This part of the customer list was fully amortized during the past fiscal year ended March 31, 2012 on the basis of its economic life of 8.5 years. In the analysis of fixed assets, a disposal was assumed for the fully amortized customer list. In previous years further additions to the customer list were primarily related to the acquisition of Level 4 network operators and customer contracts and relationships in conjunction with both share and asset deals. The fair value of the customer lists at each acquisition date has been estimated using the multi-period excess earnings method. The weighted remaining useful life of the customer lists is 4.13 years and 4.60 years as of March 31, 2012 and March 31, 2011, respectively.

2.7.3 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. Rebates, trade discounts and bonuses are deducted from the purchase price.

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 minimum 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.

2.7.4 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.

2.7.5 Amortization of Intangible Assets

The estimated useful life of customer list is based on the term of the average contract life of individual end users who generate significant contribution margins, taking into account the average subscriber churn rate.

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 section 2.7.3). The Group amortizes these costs over 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:

Asset category	Useful lives
Customer List	6.5 to 8.5 years
Subscriber Acquisition Costs	6.5 to 8.5 years
Software, licenses and other intangible assets	1 to 15 years

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

2.8 PROPERTY AND EQUIPMENT

2.8.1 General Information

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.

2.8.2 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 and Phone services as well as digital TV signals. The Group leases the necessary equipment to the customers, normally bundled with the delivery of services to be received using these CPE. These leases, for which KDH is the lessor, are classified as an operating lease in accordance with IFRIC 4 "Determining Whether an Arrangement Contains a Lease" and IAS 17 "Leases" (see also section 2.16.1). 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 Agreements

In accordance with IAS 17, 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 recognized directly in the consolidated statement of income.

2.8.3 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.

2.8.4 Depreciation and Disposal of Fixed Assets

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

Asset category	Useful lives
Buildings on non-owned land	3 to 10 years
Technical equipment	3 to 30 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 other operating expense, except for technical equipment losses, which are recognized in other materials and services.

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

2.9 EQUITY

Issued capital and capital reserves are stated at nominal value. Capital reserves are set up essentially 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.

2.10 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 section 2.10.1) 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 CGU 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 cost 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.

2.10.1 Determination of Recoverable Amount

The recoverable amount of an asset or CGU as defined in IAS 36 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.

2.10.2 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.

2.11 TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities are recognized at amortized cost.

2.12 EMPLOYEE BENEFITS

2.12.1 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.

2.12.2 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 AG 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 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.

2.13 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.

2.14 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:

2.14.1 Installation and Network Connection

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

2.14.2 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, revenues and corresponding 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.

2.14.3 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.

2.14.4 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 section 2.16.1). Revenue regarding service components is recognized according to IAS 18 "Revenue".

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

2.15 TAXES ON INCOME

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 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 Taxes

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 income 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; or
- 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.

2.16 KEY JUDGMENTS AND ESTIMATION UNCERTAINTY

The preparation of the consolidated financial statements in conformity with IFRS 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.

2.16.1 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 uses derivative financial instruments in the form of interest swaps and interest floors as well as currency swaps to manage the financial risks associated with the Group’s underlying business activities and with financing these activities. The Group does not trade derivative financial instruments.

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. If appropriate, derivative financial instruments are designated in the financial statements in fair value, cash flow or net investment hedge relationships. The interest and currency swaps entered into in the fiscal year ended March 31, 2012 were all designated as cash flow hedges. During the fiscal year ended March 31, 2012, the Group had also entered into four derivatives, which for accounting purposes were not designated as components of a hedging relationship (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 CPE (see also section 2.8.2). The 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.

CPE are recognized as technical equipment in accordance with IAS 16 "Property, Plant and Equipment" 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 duct space 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 2, 3 and 4 networks. Providing customers with digital pay video and audio signals has so far been carried out via Level 2 networks, including through leased transponder capacity. As part of a comprehensive restructuring of signal transmission, the Group has replaced the previously used transponder capacity with backbones.

The Group has determined for certain backbone contracts 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.

2.16.2 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"). The total fair values for derivative financial instruments amounted to liabilities of T€70,786 and €0 as of March 31, 2012 and March 31, 2011, respectively, and represented a financial liability.

Share-based Payments

During the fiscal year ended March 31, 2012, the Group had a Long-Term Incentive Plan 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 volume-weighted average closing price of KDH AG stock in XETRA trading over the last 30 trading days prior to 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€20,459 and T€17,373, respectively, for the fiscal years ended March 31, 2012 and March 31, 2011. As of March 31, 2012 and March 31, 2011 the carrying amount of obligations from long-term incentive programs amounted to T€37,833 and T€17,373.

Useful Life of Certain Assets

The useful lives of tangible and intangible assets are subject to estimation uncertainty. In the quarter ended September 30, 2011, the expected useful lives of cable networks, the customer lists acquired for a consideration in the segment Internet and Phone, the capitalized subscriber acquisition costs in the segments Internet and Phone and TV Business (Premium-TV) as well as smartcards were reassessed based on new facts and circumstances collected over the past years. The changes in useful life became effective as of August 1, 2011. The useful lives of the assets in question have since changed as follows:

Assets	Useful Life		Carrying Amount
	until July 31, 2011	since August 1, 2011	as of March 31, 2012
			in T€
Cable networks	20 years	30 years	325,331
Customer lists (Internet and Phone)	8.5 years	6.5 years	25,599
Subscriber acquisition costs (Internet and Phone)	12 or 24 months	6.5 years	29,008
Subscriber acquisition costs (Premium-TV)	12 or 24 months	8.5 years	64,380
Smartcards	5 years	3 years	8,129

Internally Generated Software and Customer List

The Group recognizes intangible assets developed internally (consisting of software used by the Group) to the extent that the criteria in 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, 2012 and March 31, 2011, respectively, T€15,003 and T€10,867 of costs for internally generated software were capitalized.

The customer list is primarily amortized on a straight-line basis over 8.5 years for the TV Business segment and 6.5 years for the Internet and Phone Business segment. The estimated useful life is based on the term of the average contract life. The carrying amount of the customer list amounted to T€137,494 and T€208,026 as of March 31, 2012 and March 31, 2011, 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, 2012 and March 31, 2011 the carrying amount of trade receivables amounted to T€88,808 and T€83,030, respectively.

Provisions 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, 2012 and March 31, 2011, the provision for pensions amounted to T€48,980 and T€44,594, respectively, net of plan assets.

Asset Retirement Obligation

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 broadband cables primarily located in leased cable ducts and for separately leased technical operating areas. 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 duct space and technical operating areas under IFRS. Approximately 94% of the Group's obligations are related to network engineering. This primarily includes the leased technical operating areas and broadband cable in leased cable duct space of DTAG and other network operators. The transfer of signal delivery has changed the estimated schedule for the replacement of technical equipment. As a result, leases for technical operating areas were partially or completely cancelled and demolition has begun on the installations located there. KDH assumes that 25% of the technical equipment will be replaced by other technologies after 10 years, 10% will be replaced after 15 years and the remaining 65% of the technical equipment is expected to be replaced after 30 years. 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€27,067 and T€25,880 as of March 31, 2012 and March 31, 2011, respectively.

The Group is also exposed to costs of returning 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€4,209 and T€3,884 as of March 31, 2012 and March 31, 2011, respectively.

3. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 CASH AND CASH EQUIVALENTS

in T€	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011
Cash at banks	133,757	28,308
Cash on hand	27	27
Cash and Cash Equivalents	**133,784**	**28,335**

Cash and cash equivalents are composed of cash at banks and cash on hand. Cash at banks was pledged under the Senior Credit Facility Agreement and corresponding amendments (see section 3.12) as security in favor of the relevant lending banks and was T€132,099 and T€24,165, as of March 31, 2012 and March 31, 2011, respectively. As of March 31, 2012, the pledged bank accounts reflect all the bank accounts of KDVS GmbH (as of March 31, 2011 KDVS and KDG) and exclude the other Group entities.

3.2 TRADE RECEIVABLES

in T€	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011
Gross trade receivables	114,111	112,259
Bad debt allowance	(25,303)	(29,229)
Trade receivables	**88,808**	**83,030**

Allowances for doubtful trade receivables

in T€	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011
Balance at beginning of the period	(29,229)	(34,727)
Provision for bad debt [1)]	(14,220)	(3,471)
Write-Offs and other charges as well as income from reversal of bad debt allowances [1)]	18,145	8,970
Balance at end of the period	**(25,303)**	**(29,229)**

1) Parts of the release of bad debt allowances as of March 31, 2012 are income from the release that could not be presented separately from the bad debt allowances in the prior year due to a change of system.

The increase in gross receivables is primarily due to the increase in revenue generating units ("RGU") and the introduction of new products and the deferred receivables necessary for making sales in this connection. These receivables are accounted for and are being paid in installments spread over the minimum contract duration of these products. The simultaneous reversal of impairments for doubtful debts is essentially based on the further optimization of the maturity structure of the receivables as part of the continuous improvement of the collection process.

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

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Neither past due nor impaired	40,165	44,989
Net carrying amount past due but not impaired at the reporting date		
less than 30 days	29,683	19,640
31–60 days	4,640	5,517
61–90 days	11,629	7,261
more than 90 days	2,691	5,623
Past due, not impaired total	48,643	38,041
Total not impaired	**88,808**	**83,030**

Receivables with an invoice amount of in total T€17,782 and T€15,697, excluding VAT, at March 31, 2012 and March 31, 2011, respectively, were determined to be fully impaired.

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 GmbH (prior year: KDVS) with a carrying amount of T€86,361 and T€78,651 as of March 31, 2012 and March 31, 2011, respectively were assigned in accordance with the Senior Credit Facility Agreement and corresponding amendments (see section 3.12) as security in favor of the relevant lending banks.

3.3 INVENTORIES

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Raw materials, consumables and supplies	4,554	3,616
Work in process	0	144
Finished goods and merchandise	26,942	12,483
thereof carried at net realizable value	232	89
Inventories	**31,496**	**16,244**

Depending upon specified use, CPE, included above in 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 an expense amounts to T€17,971 and T€16,843 for the years ended March 31, 2012 and March 31, 2011, respectively.

For the fiscal years ended March 31, 2012 and March 31, 2011, the expenses recognized in cost of services rendered resulting from the depreciation of inventories totaled T€274 and T€3, 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€284 and T€365 as of March 31, 2012 and March 31, 2011, respectively.

3.5 OTHER CURRENT FINANCIAL ASSETS AND CURRENT PREPAID EXPENSES

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Other current financial assets		
Payments in advance for commission fees	3,431	2,452
Deposits	2,456	2,243
Creditors with debit balance	2,047	998
Fair Value Derivative	3,506	-
Miscellaneous other receivables	4,178	4,146
Other current financial assets	**15,618**	**9,839**
Current prepaid expenses		
Network leases	5,849	4,927
Insurance	268	110
Software support	3,525	2,222
Maintenance	1,066	2,000
Other	1,595	2,728
Current prepaid expenses	**12,303**	**11,987**

Other current financial assets are comprised of financial assets in accordance with IAS 32 in form of deposits, creditors with debit balance, the current portion of the fair value of the derivative as well as miscellaneous other financial assets in the amount of T€11,227 and T€5,939 as of March 31, 2012 and March 31, 2011, respectively. Based on the other current financial assets in accordance with IAS 32, the Group will receive cash at a later point in time. In the fiscal year ended March 31, 2012, interest and currency hedges were entered into in connection with various tranches of the Senior Credit Facility. Some of these are designated as hedging relationships. Derivatives are measured at fair value and recognized in accordance with their maturities either as short-term or as long-term financial assets or liabilities (see also sections 3.12 and 5.6).

3.6 INTANGIBLE ASSETS

Software and Licenses and other Contractual and Legal Rights

Software and licenses and other contractual and legal rights 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. Capitalized subscriber acquisition costs are amortized over the expected customer relationship period. In the TV Business (Premium-TV) as well as Internet and Phone Business, empirical data was collected in the past years so that by now reliable past evidence exists. Thus, beginning in August 2011, the estimated useful life of subscriber acquisition costs in the Internet and Phone Business was increased from 12 or 24 months, respectively, corresponding to the fixed minimum contract duration, to 6.5 years, which reflects the expected customer relationship period. In Premium-TV, the useful life of subscriber acquisition costs was increased from 12 or 24 months, respectively, corresponding to the fixed minimum contract duration, to 8.5 years, which also reflects the expected customer relationship period for all Basic Cable services. Sales commissions are amortized on a straight-line basis. This amortization amounted to T€21,561 and T€33,358 for the years ended March 31, 2012 and March 31, 2011, respectively. The change in useful life reduced the amount of amortization on the net carrying amount as of the date of the change in useful life from T€35,434 to T€19,013 in the fiscal year ended March 31, 2012, and reduced the expected average full fiscal year's amortization in future fiscal years from T€35,434 to T€10,802, compared with a valuation on the basis of the original assumption of useful life.

For the fiscal years ended March 31, 2012 and March 31, 2011, sales commissions in an amount of T€54,447 and T€43,665, respectively, were capitalized.

Internally Generated Software

For the fiscal years ended March 31, 2012 and March 31, 2011 approximately T€8,042 and T€4,222, respectively, of costs for internally developed software were capitalized. Included in costs for internally developed software for the fiscal year ended March 31, 2012, are T€3,546 for closed projects and T€4,496 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 4.6 years.

Customer List

In the last fiscal year ended March 31, 2011 the Group recorded additions in the customer list of T€3,958.

The estimated useful life of customer list is based on the term of the average contract duration of individual end users who generate significant contribution margins, taking into account the average subscriber churn rate. Initially, because of a lack of historical data, the expected useful life of the Internet and Phone customer list was aligned with the useful life of 8.5 years of the Group's already existing customer list in the TV Business segment. Due to the experience gained over the past years regarding the average expected customer relationship period, the Group revised the estimated useful life of the Internet and Phone Business customer list from 8.5 years to 6.5 years, effective August 1, 2011. The amortization of the customer list totaled T€70,592 and T€113,277 for the fiscal years ended March 31, 2012 and March 31, 2011, respectively. The change in useful life increased the full fiscal year's amortization of the customer list in the Internet and Phone segment from T€6,134 to T€8,651 in the fiscal year ended March 31, 2012 and the expected average amortization of future fiscal years on the customer list that existed at the time of the change in the useful life increased from €6,134 and T€9,909.

Since the useful life of the original customer list related to the acquisition of the Group in March 2003 expired in September 2011, the current full fiscal year's amortization is reduced by T€45,009.

The remaining useful life of the customer list, resulting from the various network acquisitions is between 0.4 – 7.7 years.

Goodwill

For the fiscal year ended March 31, 2012 the Group recorded no changes in goodwill due to acquisitions. The goodwill recognized totaled T€287,273 as of March 31, 2012 and March 31, 2011, respectively.

For further information relating to intangible assets, reference is made to the analysis of fixed assets in Appendix 1 and Appendix 2.

3.7 PROPERTY AND EQUIPMENT

Property and equipment is primarily composed of network and IT assets, CPE as well as parts of the network infrastructure under finance lease agreements. The Group's total property and equipment amounted to T€1,198,018 and T€1,158,502 as of March 31, 2012 and March 31, 2011, respectively. This sum primarily comprises technical and IT equipment related to cable networks including data centers, IP- and IT-platforms totaling to T€1,155,692 and includes additions in the amount of T€301,180.

Included in the above mentioned paragraph are the following items:

Networks

A review of the technical usability of the Level 3 networks provided that through technological progress particularly in data transfer methods and through the actual implementation of new technologies in the Group's network, the cable networks will be unchanged and technically fully operational also in the mid- and long-term. To reflect these facts and circumstances, the expected useful lives have been increased from 20 to 30 years. The amortization amounted to T€46,421 and T€93,837 for the fiscal years ended March 31, 2012 and March 31, 2011, respectively. The change in useful life decreased the current full fiscal year's depreciation from T€95,378 to T€46,157, while the average depreciation of the net carrying amount of the capitalized Level 3 networks as of the date of the change in useful life in future fiscal years is expected to decrease from T€95,378 to T€21,546.

Operating Lease for CPE

Assets such as modems, receivers and digital video recorders ("DVR"), which are CPE assets, are depreciated over three years using the straight-line method. The technical progress leading to high definition ("HD") technology and the associated rapid technical changes result in shorter innovation and product life cycles for smartcards. Consequently, the estimated useful life has been decreased from 5 to 3 years. The change in useful life is effective from August 2011. The change in useful life increased the depreciation of the net carrying amount as of the date of the change in useful life from T€3,272 to T€6,868 in the fiscal year ended March 31, 2012, while the average depreciation of the net carrying amount in future fiscal years increased from T€3,272 to T€5,989. As of March 31, 2012 and March 31, 2011, the net carrying amount of total CPE (including modems, receivers, DVRs and smartcards) amounted to T€119,697 and T€85,003, respectively. CPE is presented in the analysis of fixed assets as part of technical equipment.

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

Minimum lease payment	Fiscal Year ended March 31,	
in T€	2012	2011
Within one year	25,188	9,636
After one year but not more than five years	5,989	139
After five years	0	0
Total minimum lease payment[1]	**31,177**	**9,775**

[1] The increase is essentially the result of the increase in the minimum contract duration as well as the introduction of new, high-quality hardware which has been leased at an increased quantity compared to the prior year.

KDH is exposed to costs of returning CPE at the end of the lease term. For the fiscal years ended March 31, 2012 and March 31, 2011, additions of T€1,948 and T€1,305, respectively, were capitalized. In the fiscal years ended March 31, 2012 and March 31, 2011, T€1,493 and T€1,180, respectively, were charged as depreciation for these costs of returning of CPE.

Finance Lease

The Group has capitalized as technical equipment various finance leases with different terms for Level 2, 3 and 4 networks.

As of March 31, 2012 and March 31, 2011, the net carrying amount of the leased assets totaled T€10,173 and T€13,398, respectively. Additions in the amount of T€4,262 were recorded due to new finance lease contracts for certain Level 4 residential distribution networks. Beginning in November 2011, the program feed was transferred from transponders to a direct feed through glass fiber backbones. In February 2012, KDH's transponder for signal distribution were switched off. The transponder leases for the Level 2 networks expired in April 2012. In the fiscal years ended March 31, 2012 and March 31, 2011, the Group recorded depreciation expense of T€7,487 and T€10,852, respectively. The Group also recorded interest expense related to these finance leases of T€1,479 and T€1,487 for the fiscal years ended March 31, 2012 and March 31, 2011, and ancillary costs of T€1,517 and T€2,333. The Group paid T€10,674 and T€9,666 to reduce the financial liability, respectively.

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

	Minimum lease payment	Present value of payments	Minimum lease payment	Present value of payments
in T€	as of March 31, 2012		as of March 31, 2011	
Within one year	3,261	1,454	11,780	10,669
After one year but not more than five years	9,488	3,291	5,295	3,022
After five years	10,906	6,786	6,323	4,252
Total minimum lease payment	**23,655**	**11,531**	**23,398**	**17,943**
Less future interest expenses from finance leases	12,124		5,455	
Present value of minimum lease payment	**11,531**		**17,943**	

For further information relating to property and equipment, reference is made to the analysis of fixed assets in Appendix 1 and Appendix 2.

Asset Retirement Obligations included in Property and Equipment

KDH leases space in the cable ducts predominantly 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 recognized as provisions as of April 1, 2003 in connection with the transfer of the business from DTAG with a corresponding increase in the carrying amount of the related assets. Further additions related to new asset retirement obligations were recognized subsequently and were T€289 and T€502 for the years ended March 31, 2012 and March 31, 2011, respectively. Depreciation is charged over the expected useful life of the respective assets which resulted in a depreciation expense of T€1,722 and T€1,831 for the years ended March 31, 2012 and March 31, 2011, respectively.

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 changes in investments in associates amounted to T€-5,046 and T€4,147 for the fiscal years ended March 31, 2012 and March 31, 2011, respectively, and reflect KDH's share of income of the two associates Kabelfernsehen München Servicenter GmbH & Co. KG ("KMS") und Kabelfernsehen München Servicenter GmbH as well as a distribution of T€6,673 received by KDH from KMS in the fiscal year ended March 31, 2012 for the years 2004 – 2009. This distribution was accounted for as a reduction in the carrying value of equity investments in 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, 2010 and December 31, 2009, respectively.

Combined balance sheets of both associates	Financial Statements of the associates as of December 31,	
in T€	2010	2009
Assets	87,100	81,735
Liabilities	43,500	49,533

Combined revenues and profit of both associates	For the fiscal year of the associates from January 1 - December 31,	
in T€	2010	2009
Revenues	47,877	46,898
Profit	11,639	10,009

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

3.9 OTHER NON-CURRENT FINANCIAL ASSETS AND NON-CURRENT PREPAID EXPENSES

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Other non-current financial assets		
Fair Value Derivative	7,793	-
Other non-current financial assets	**7,793**	-
Non-current prepaid expenses		
Network leases	32,347	18,268
Other	267	-
Non-current prepaid expenses	**32,614**	**18,268**

Other non-current financial assets are comprised of financial assets in accordance with IAS 32 in form of the non-current portion of the fair value of the derivative in the amount of T€7,793 as of March 31, 2012. Based on the other non-current financial assets in accordance with IAS 32, the Group will receive cash at a later point in time. In the fiscal year ended March 31, 2012, interest and currency hedges were contracted in connection with various tranches of the Senior Credit Facility. Some of these are designated as hedging relationships. Derivatives are measured at fair value and recognized in accordance with their maturities either as short-term or as long-term financial assets or liabilities (see also sections 3.12 and 5.6).

The increase in long-term prepaid expenses is essentially due to prepayments in connection with supplemental agreements to backbone contracts.

3.10 OTHER CURRENT LIABILITIES

in T€	Fiscal Year ended March 31, 2012	March 31, 2011
Liabilities for personnel expenses	39,671	40,688
Liabilities to silent and limited partners	21,291	21,715
Finance lease liabilities	1,454	10,669
Value added and employment tax liabilities	13,810	7,411
Debtors with credit balances	738	911
Miscellaneous other liabilities	11,941	24,720
Other current liabilities	**88,905**	**106,115**

Liabilities for personnel expenses include primarily liabilities from variable compensation components, commissions, holiday entitlement not yet taken as well as additional gratifications not yet paid. Liabilities for personnel expenses are accounted for at amortized cost.

Liabilities to silent and limited partners are accounted for at amortized cost and also include – besides liabilities to silent partner of KCB and KCW as well as to non-controlling interests in "Urbana Teleunion" Rostock GmbH & Co. KG – interest payments attributable to the silent and limited partners. The significant reduction in liabilities under finance leases is due to the elimination of transponder leasing liabilities due to the expiry of the relevant contracts.

In the prior year, almost half of the various other liabilities were related to contingent purchase price obligations for the acquisition of companies / assets. These were settled in the fiscal year ended March 31, 2012.

Other current liabilities are comprised of financial liabilities in accordance with IAS 32 in form of liabilities to silent and limited partners, creditors with a debit balance as well as the current portion of finance lease liabilities in the amount of T€23,919 and T€46,730 as of March 31, 2012 and March 31, 2011, respectively. Based on the other current financial liabilities in accordance with IAS 32, cash will flow out from the Group at a later point in time.

3.11 DEFERRED INCOME

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

3.12 FINANCIAL LIABILITIES (CURRENT AND NON-CURRENT) AND SENIOR NOTES

3.12.1 Current Financial Liabilities

in T€	Fiscal Year ended March 31, 2012	March 31, 2011
PIK Loan – voluntary prepayment	-	200,000
Accrued interest related to		
PIK Loan	-	6,113
Senior Credit Facility	16,845	2,415
2018 Senior Notes	5,417	-
Derivatives	5,660	-
Current financial liabilities	**27,921**	**208,528**

On April 7, 2011, T€206,389 PIK Loan liabilities were redeemed with existing liquidity from the Revolving Credit Facility ("Tranche B"). As of March 31, 2011 the liabilities were already shown under Current Financial Liabilities since notice to the PIK Loan lenders was given that a premature partial repayment of T€200,000 would be made and related interest through the repayment date of T€6,389 would be paid on April 7, 2011.

As of June 17, 2011 KDVS issued new 6.5% Senior Secured Notes ("2018 Senior Notes") in the amount of T€500,000 for which T€5,417 interest has been accrued (payable on January 31 and July 31 of each year beginning on January 31, 2012) (see also paragraph "2018 Senior Notes" in section 3.12.2).

In the fiscal year ended March 31, 2012, the Group entered into interest and currency hedges in connection with various tranches of the Senior Credit Facility. Some of these are designated as hedging relationships. Derivatives are measured at fair value and recognized in accordance with their maturities either as short-term or as long-term financial assets or liabilities (see also sections 3.12.2 and 5.6).

Included in current liabilities for derivatives are T€2,240 in connection with the current portion of the remaining carrying amount of the option price for the interest rate floors purchased (see also section 3.12.2).

3.12.2 Non-current Financial Liabilities

As of March 31, 2012, non-current financial liabilities consisting of the 2018 Senior Notes, the Senior Credit Facility and derivatives entered into and not designated as a hedge relationship, developed as follows:

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
2018 Senior Notes	496,419	-
Senior Credit Facility	2,315,327	2,018,604
PIK Loan	-	527,605
Derivatives	20,107	-
Non-current financial liabilities	**2,831,854**	**2,546,209**

Senior Credit Facility

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Senior Credit Facility Tranche A	-	1,125,000
Senior Credit Facility Tranche B	-	-
Senior Credit Facility Tranche C	71,319	535,000
Senior Credit Facility Tranche D	400,000	400,000
Senior Credit Facility Tranche E	500,000	-
Senior Credit Facility Tranche F	570,452	-
Senior Credit Facility Tranche G	781,988	-
Senior Credit Facility	2,323,758	2,060,000
Accrued financing and transaction costs	(39,748)	(41,396)
Embedded Derivative	(14,703)	-
Interest Hedge	34,892	-
Currency Hedge	19,277	-
Foreign exchange rate effect	(8,148)	-
Senior Credit Facility, net of financing and transaction costs	**2,315,327**	**2,018,604**

On May 12, 2006 KDVS entered into a Senior Credit Facility Agreement. This agreement was composed of two facilities, a fully drawn T€1,150,000 Term Loan ("Tranche A") and a T€200,000 Revolving Credit Facility ("Tranche B"). According to the original agreement, Tranche A and Tranche B matured on March 31, 2012. On July 19, 2007 KDVS amended the Senior Credit Facility and increased Tranche B under the same terms and conditions to T€325,000. The Senior Credit Facility is secured by all material assets of KDVS GmbH and a first priority pledge on 100% of the shares of KDVS GmbH held by KDH AG.

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, 2012, and March 31, 2011, €0 was drawn 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. Proceeds in the amount of T€535,000 from the Senior Add-on Facility Tranche C have been drawn at April 30, 2008. As of May 9, 2008, the Tranche C commitment was reduced to the amount drawn of T€535,000. The variable interest rate of Tranche C totals 3.25% above EURIBOR. 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. Accordingly, after the amendment processes, T€988,250 of Tranche A, T€224,030 of Tranche B and T€496,543 of Tranche C were available to the Group until maturity on March 31, 2014 in return for an increased margin.

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, KDVS executed a T€400,000 Senior Add-on Facility ("Tranche D") with a final maturity of December 2016, ranking pari passu with existing outstandings under the Group's Senior Credit Facility. The floating rate loan was issued at EURIBOR plus 4.0% at an issue price of 99.75%. All financing and transaction costs were capitalized and deducted from the loan amount in accordance with IAS 39. 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 (Euro Senior Notes and US Dollar Senior Notes, together the "2014 Senior Notes").

On May 30, 2011, the Group reached an agreement with the lenders on an amendment to allow for a temporary step-up of the Senior Net Debt to EBITDA covenant (Senior Leverage Covenant) from less than 3.5:1 to less than 4.25:1 beginning June 30, 2011, and returning successively to the original level of less than 3.5:1 by December 31, 2012. The amendment increased the headroom under the Group's Senior Leverage Covenant and therewith improved its flexibility to issue new senior secured debt.

On June 6, 2011, KDVS executed a T€500,000 Senior Add-on Facility ("Tranche E") with a final maturity of June 2018, ranking pari passu with existing outstandings under the Group's Senior Credit Facility. The floating rate loan was issued at EURIBOR plus 3.25% at an issue price of 100.00%. All financing and transaction costs were capitalized and deducted from the loan amount in accordance with IAS 39. The draw down date for Term Loan Tranche E was June 28, 2011. The proceeds from Term Loan Tranche E, together with the newly issued 2018 Senior Notes in the amount of T€500,000, were used to repay all the aggregate of the remaining PIK Loan, the drawings under Tranche B and T€250,000 of Term Loan Tranche A. Accelerated amortization of financing and transaction costs related to the partial repayment of T€250,000 of Tranche A was recorded as interest expense and amounted to T€3,756.

On June 15, 2011 the Group also extended the maturity of T€100,000 of its Tranche B, which would have matured in March 2012, to June 2015. This Tranche ("Tranche B2") has been available since March 31, 2012 and will expire on June 30, 2015. As a result, only T€970 of Tranche B was not extended past the original maturity of March 31, 2012 and has not been available to the Group since April 1, 2012.

On January 20, 2012, KDVS GmbH executed a TUS$750,000 Senior Add-on Facility ("Tranche F") with a final maturity in February 2019, ranking pari passu with existing outstandings under the Group's Senior Credit Facility. The floating rate loan was issued at USD LIBOR plus 3.25% at an issue price of 100%. The permissible minimum LIBOR rate was fixed at 1.00%, hence the minimum interest rate is 4.25%. All financing and transaction costs were capitalized and deducted from the loan amount in accordance with IAS 39. The draw down date for Tranche F was February 3, 2012. On February 9, 2012, the proceeds were used for early repayment of T€385,999 of Term Loan Tranche A and T€170,694 of Term Loan Tranche C. Financing and transaction costs relating to the prepayment were recorded as interest expense and amounted to T€6,416.

In the period from January 23 to February 1, 2012, KDVS GmbH made an offer to the existing lenders of Tranches A and C to invest in a successor loan facility ("Tranche G"), thereby extending the term of their existing commitment by three years until March 2017. The commitments for this facility became effective on February 10, 2012. Tranche G is a new pari passu Senior Add-on Facility of KDVS GmbH in the amount of T€781,988 (thereof T€489,001 from existing Tranche A lenders and T€292,987 from existing Tranche C lenders, transferred to Tranche G when the commitments took effect). The proceeds from the existing Tranches A and C, reported as Tranche G, are already available to KDVS GmbH, and will be formally converted into this tranche effective March 31, 2014. Tranche G matures in March 2017. The variable interest rate of Tranche G in total as of March 31, 2012 is thus EURIBOR plus 3.41%. Including the commitment fee of 0.25% on the proceeds from the existing Tranche C the variable interest rate for Tranche G effectively amounts to 3.5% above EURIBOR.

In February 2012, as part of the debt restructuring, the Group also extended the maturity of T€140,400 of the revolving credit facility Tranche B, which would have matured in March 2014, until March 2017. This Tranche ("Tranche B3") becomes available on March 31, 2014 and will expire on March 31, 2017. The commitments for this facility became effective on January 20, 2012. The proceeds from the existing Tranche B, already reported as Tranche B3, are available to KDVS GmbH now, and will be formally converted into this tranche effective March 31, 2014.

To hedge against fluctuations in future interest payments under various tranches of the Senior Credit Facility for which interest payments based on variable rates were agreed, and to hedge against currency risk arising from Tranche F of the Senior Credit Facility, the Group has entered into currency swaps, interest swaps and interest floor options with various banks during the fiscal year ended March 31, 2012.

As of March 31, 2012, the following open interest swaps designated as cash flow hedges for interest rate risks and the following currency swaps designated as cash flow hedges for changes in the EUR/USD exchange rate were in place:

Type of Derivative	Number of Derivatives	Notional Amount	Fair Value (Net Asset) / Net Liability March 31, 2012 T€
Interest Rate Swaps	9	T€900,000	49,925
Currency Swaps	5	TUS$750,000	19,277

These derivative financial instruments were all entered into with six different, leading global investment and commercial banks in order to mitigate as much as possible any potential credit risk.

With these interest swap agreements the variable portion (EURIBOR) of the interest rate on the Group's T€400,000 Senior Credit Facility Tranche D was effectively exchanged for a fixed interest rate of 2.07% from August 31, 2011 until December 31, 2016. Including the margin of 4.00% the effective all-in rate for Tranche D is 6.07%.

In addition, the variable portion (EURIBOR) of the interest rate on the Group's T€500,000 Senior Credit Facility Tranche E was effectively exchanged for a fixed interest rate of 2.44% from July 29, 2011 until June 30, 2017. Including the margin of 3.25% the effective all-in rate for Tranche E is 5.69%.

To hedge against currency exchange risks associated with the US Dollar Tranche F, currency swaps were entered into in February 2012 for a term of five years (from February 3, 2012 until January 31, 2017). These will cover both the variable interest payments in US Dollars and the redemption amount of the nominal value. The hedged EUR/USD exchange rate is 1.3147. The USD LIBOR plus 3.25% variable rate was exchanged for EURIBOR plus 3.30% during this period.

In addition, the minimum LIBOR rate of 1.00% specified in Tranche F was effectively eliminated through the purchase of a five-year interest floor. Premiums for that interest floor are paid in equal monthly installments over the term and increase the interest margin in relation to the nominal value in Euros (T€570,452) by 0.58%, so that the effective hedged interest rate of Tranche F adjusted for the interest floor is EURIBOR plus 3.88%. This interest floor is not designated in a hedging relationship and is therefore accounted for as stand-alone derivative.

As a result of the derivative financial instruments described, the interest rate risk is hedged for 38.73% of the principal amount outstanding under the Senior Credit Facility as of March 31, 2012. In addition, 100% of the risk relating to the principal amount of Tranche F resulting from variances in the exchange rate is also hedged.

The following table shows a breakdown of the present value of the future short-term and long-term cash flows for the interest and currency swaps, based on the contractually agreed schedule for expected cash flows:

Type of Derivative	Current March 31, 2012 T€	Non-current March 31, 2012 T€	Total March 31, 2012 T€
Interest Rate Swaps	15,033	34,892	49,925
Currency Swaps	0	19,277	19,277

Both of these hedges are fully effective as of March 31, 2012 according to IAS 39, both retrospectively since initial designation as well as prospectively. Therefore, the unrealized gains and losses from the effective portion of the changes in fair value of the hedge instruments since the designation are recognized directly in equity as part of the cash flow hedge reserve. The direct effects from the hedge instrument currently captured in the cash flow hedge reserve are transferred to the income statement in the period in which the hedged translation affects the result for the period in the form of interest or currency expense. Gains and losses from the ineffective portion of changes in the fair value of the derivative designated as a cash flow hedge are recognized directly in the consolidated statement of income. No hedge ineffectiveness had to be recognized by the Group in its consolidated statement of income in the fiscal year ended March 31, 2012.

The following table shows the composition and the maturities of the Senior Credit Facility on March 31, 2012:

Senior Credit Facility	Notional amount in T€	Margin	Commitment Fee	Effective Margin	Maturity
Tranche B (revolving credit facility) [1]					
Tranche B1	83,630	3.50%	1.40%	4.90%	March 2014
Tranche B2	100,000	3.25%	1.30%	4.55%	June 2015
Tranche B3	140,400	3.50%	1.40%	4.90%	March 2017
Total Tranche B	**324,030**				
Tranche C	71,319	3.25% [4]	0.25% [2]	3.50%	March 2014
Total Tranche C	**71,319**				
Tranche D	400,000	4.00%		4.00%	December 2016
Total Tranche D	**400,000**				
Tranche E	500,000	3.25%		3.25%	June 2018
Total Tranche E	**500,000**				
Tranche F	570,452	3.25%		3.25%	February 2019
Total Tranche F	**570,452**				
Tranche G [3]					
from existing Tranche A lenders	489,001	3.50%		3.50%	March 2017
from existing Tranche C lenders	292,987	3.25% [4]	0.25% [2]	3.50%	March 2017
Total Tranche G	**781,988**				

1) Amount drawn as of the balance sheet date March 31, 2012 €0

2) Fees for Tranche C only until March 30, 2013

3) Extended portion from existing Tranche A and Tranche C lenders

4) Margin for amounts drawn under the existing Tranche C from March 31, 2013: 3.50% p.a.

Interest rates on Tranches B, C, D, E and G of the Senior Credit Facility are based on one, two, three or six month EURIBOR as stipulated in the contract, plus a variable margin. The future effective margin (margin including impact of commitment fee) is determined based on the ratio of consolidated senior net borrowings to consolidated EBITDA (as defined in the Senior Credit Facility Agreement). The margin for the outstanding portions of Tranche C and for Tranches D, E and G are calculated as follows:

Senior Credit Facility	Ratio of consolidated senior net borrowings to consolidated EBITDA (as defined in the Senior Credit Facility Agreement)	
Margin (in % p.a.)	Greater than 2:1	Less than or equal 2:1
Tranche B (revolving credit facility)		
Tranche B1	3.500	3.250
Tranche B2	3.250	3.000
Tranche B3	3.500	3.250
Tranche C [1]	3.500	3.250
Tranche D	4.000	3.750
Tranche E	3.250	3.000
Tranche G		
from existing Tranche A lenders	3.500	3.250
from existing Tranche C lenders [1]	3.500	3.250

[1] The indicated margins (in % p.a.) based on the ratio of consolidated senior net borrowings to consolidated EBITDA only take effect from March 31, 2013. Up to and including March 30, 2013, a fixed margin of 3.25% p.a. plus a commitment fee of 0.25% p.a. apply.

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 (Senior Leverage Covenant) had been reset to 'less than 3.50:1' throughout the lifetime of the Senior Credit Facility. However, following the May 2011 Amendment this Senior Leverage Covenant was temporarily increased to 'less than 4.25:1' beginning June 30, 2011 and gradually returns to the original level of 'less than 3.50:1' by December 31, 2012. The current financial covenants include but are not limited to the following:

Covenant Test	Requirement as of March 31, 2012
Consolidated EBITDA to net interest expense	Greater than 3.00:1
Consolidated senior net borrowings to consolidated EBITDA	Less than 4.00:1

The consolidated EBITDA to net interest covenant will remain unchanged at 'greater than 3.00:1' throughout the lifetime of the Senior Credit Facility. As of March 31, 2012, the Group's ratio of EBITDA to net interest amounted to 7.82:1. The ratio of consolidated senior net borrowings to consolidated EBITDA amounted to 3.36:1.

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;
- pay dividends or make other payments via subsidiaries to KDH AG;
- 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 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, particularly in connection with asset sales.

As of March 31, 2012 an amount of T€0 was drawn under Tranche B. T€71,319 under Tranche C at an interest rate of 4.37% (based on an average EURIBOR of 1.12%) as well as T€400,000 under Tranche D at a hedged interest rate of 6.07% were drawn. Furthermore, T€500,000 under Tranche E at a hedged interest rate of 5.69%, T€570,452 under Tranche F at an interest rate of 3.92% (based on an average EURIBOR of 0.62%) as well as T€781,988 under Tranche G at an interest rate of 3.23% (based on an average EURIBOR of 0.53%) were drawn as of March 31, 2012.

2018 Senior Notes

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
2018 Senior Notes	500,000	-
Accrued financing and transaction costs	(3,581)	-
2018 Senior Notes	**496,419**	**-**

On June 17, 2011 KDVS (now KDVS GmbH since the Merger) issued T€500,000 of 6.50% 2018 Senior Notes due in 2018 at par. All financing and transaction costs were capitalized and deducted from the nominal value of the 2018 Senior Notes in accordance with IAS 39. The 2018 Senior Notes rank pari passu with the loans outstanding under the Senior Credit Facility and share the same security. The nominal value of the 2018 Senior Notes outstanding as of March 31, 2012 was T€500,000.

The 2018 Senior Notes mature on June 30, 2018. Its interest is payable on January 31 and July 31 of each year beginning on January 31, 2012. The 2018 Senior Notes contain 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;
- pay dividends or make other payments via subsidiaries to KDH AG;
- transfer, lease or sell assets;
- merge or consolidate with other entities;
- enter into certain transactions with affiliates; and
- impair the security interests of the holders of the Notes.

Under the Senior Secured Notes indenture, the amount of restricted payments (including dividends) that can be made by KDVS GmbH to KDH AG is, subject to certain adjustments and exceptions, limited in a way that the ratio of consolidated senior net borrowings to consolidated EBITDA on the date of any such restricted payment, after giving pro forma effect to such restricted payment, is not allowed to exceed 4.00:1.

Each of the covenants is subject to a number of important exceptions and qualifications.

At any time prior to June 30, 2014, the Group may redeem all or part of the 2018 Senior Notes at a redemption price equal to 100% of their nominal value, plus accrued and unpaid interest, plus a "make whole" premium. At any time thereafter the 2018 Senior Notes may be redeemed at (as a percentage of the nominal value):

- on and after June 30, 2014: 103.250%;
- on and after June 30, 2015: 101.625%;
- on and after June 30, 2016: 100.000%.

Upon the incurrence of a change of control (which is defined in the indenture governing the Senior Secured Notes), each holder of the 2018 Senior Notes has the right, subject to certain exceptions, to require the issuer to repurchase such holder's 2018 Senior Notes at a purchase price equal to 101% of their principal amount, plus accrued and unpaid interest to the repurchase date.

The proceeds from the Notes, together with the T€500,000 Term Loan Tranche E, were used to repay all of the remaining PIK Loan, the drawings under the Revolving Credit Facility Tranche B and a portion of Term Loan Tranche A under the Senior Credit Facility.

In addition, in the case of certain asset dispositions (which term is defined in the indenture governing the Senior Secured Notes), each holder of the 2018 Senior Notes has the right, subject to certain exceptions, to require the issuer to repurchase such holder's 2018 Senior Notes with the net available cash from such dispositions at a purchase price equal to 100% of their principal amount, plus accrued and unpaid interest to the repurchase date.

The indenture governing the Senior Secured Notes provides for events of defaults which, if any occurs, would permit or require the principal of and accrued interest on the 2018 Senior Notes to become or to be declared due and payable.

PIK Loan

The PIK Loan developed as follows:

in T€	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011
Amount payable	-	515,387
Accrued interest	-	15,754
Accrued financing and transaction costs	-	(3,536)
PIK Loan	**-**	**527,605**

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

The PIK interest was paid on May 19 and November 19 of each year through the issuance of additional PIK Loans under the same terms and conditions.

The PIK Loan was repaid in full during the first quarter of the fiscal year ended March 31, 2012:

- T€206,389 (including accrued interest) was redeemed on April 7, 2011 with existing liquidity (see section 3.12.1);
- T€540,594 (including accrued interest) was redeemed on June 17, 2011 primarily with proceeds from the newly issued 2018 Senior Notes. Financing and transaction costs relating to the prepayment were recorded as interest expense and amounted to T€3,390.

Derivatives

in T€	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011
Fair value embedded Derivative	9,463	-
Present value liability USD-LIBOR Floor-Options	10,645	-
Derivatives	**20,107**	**-**

During the fiscal year ended March 31, 2012 there were four derivative financial instruments that were not designated in a hedging relationship for accounting purposes. The derivatives were all entered into or arose as a consequence of the arrangement and accounting of Tranche F of the Senior Credit Facility. The Group did not enter into derivative financial instruments outside of hedging relationships during the fiscal year ended March 31, 2011.

Three of these derivatives, all of which were interest floor options based on the 1-month LIBOR, with a strike rate of 1% and a maturity date in 2017 were not designated in a hedging relationship and are used for economic hedging of the Group's risk from changes in interest rate arising from an interest floor embedded into Tranche F. These do not meet the restrictive requirements of IAS 39 for hedge accounting and therefore could not be designated by the Group in a hedging relationship for accounting purposes.

These interest floors were entered into with three different, leading investment and commercial banks that are active worldwide in order to mitigate as much as possible any potential credit risk. The present value of the option price was recognized as a liability. The liability is repaid in monthly installments of T€273 consisting of an interest portion and a principal portion. The interest portion is expensed over the term. The remaining carrying amount as of March 31, 2012 of the non-current liability relating to this option price is T€10,645.

The embedded interest floor is presented as a floor written (sold) to the lenders of Tranche F of the Senior Credit Facility with a strike rate of 1% and a maturity date in 2019 identical to the tranche's maturity date. This written interest floor must be accounted for separately. Changes in fair value must be recognized directly in the consolidated statement of income as required by the relevant accounting standards.

The outstanding principal amounts and fair values of the interest rate hedging transactions not designated in hedging relationships as of March 31, 2012 are shown in the following table:

Type of Derivative	Number of Derivatives	Notional Amount	Fair Value (Net Asset) / Net Liability March 31, 2012 T€
Embedded Interest Rate Floor (sold)	1	TUS$750,000	12,883
Interest Rate Floors (purchased)	3	TUS$750,000	(11,299)

The following table shows a breakdown of the present value of the future short-term and long-term cash flows for the interest floors, based on the contractually agreed schedule for expected cash flows:

Type of Derivative	Current March 31, 2012 T€	Non-current March 31, 2012 T€	Total March 31, 2012 T€
Embedded Interest Rate Floor (sold)	3,420	9,463	12,883
Interest Rate Floors (purchased)	(3,506)	(7,793)	(11,299)

Changes in the fair value of the three interest floors entered into with financial institutions (including the associated interest payments and accruals) are recognized directly in the consolidated statement of income; they amounted to T€1,940 in the fiscal year ended March 31, 2012.

3.13 PROVISION FOR PENSIONS

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.

In the fiscal year ended March 31, 2012, the Group revised its pension commitments. The annual contributions for CA and NCA employees are unchanged at 2.5% of their annual base salaries, with an additional contribution made for NCA employees equal to 7.5% (previously 9%) of the amount by which their annual base salaries exceed 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 5% (previously 6%) of the most recent pension account balance. The contribution rates for individual pension commitments are determined on an individual basis.

These changes to the pension commitments, especially the reduction of the implied interest rate for the annual contribution from 6% to 5%, led to a reduction of the provision for pensions and a one-time effect amounting to T€1,289, which was recognized in the consolidated statement of income as negative past service cost in the fiscal year ended March 31, 2012.

Plan assets amount to T€605 and consist of insurance policies purchased to cover the pension commitments and pledged as collateral.

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

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Current service cost	4,013	4,084
Interest expenses	2,397	2,099
Expected return on plan assets	(20)	-
Past service cost	(1,289)	-
Plan disbursements	8	(29)
Net benefit expenses	**5,109**	**6,154**

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:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Cost of services rendered	506	949
Selling expenses	1,225	1,825
General and administrative expenses	992	1,310
Other	(12)	(29)
Interest expense	2,397	2,099
Net benefit expenses	**5,109**	**6,154**

Benefit liability

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Defined benefit obligation	56,229	46,066
Fair value of plan assets	(605)	(580)
	55,624	45,487
Unrecognized actuarial gains	(6,644)	(892)
Benefit liability	**48,980**	**44,594**

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

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Defined benefit obligation at April 1	46,066	40,382
Current service cost	4,013	4,084
Interest cost	2,397	2,099
Actual benefit payments	(574)	(272)
Retransfers to DTAG	(141)	(180)
Past service cost	(1,289)	-
Actuarial losses / (gains)	5,756	(47)
Defined benefit obligation at March 31	**56,229**	**46,066**

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

Underlying actuarial assumptions

in %	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Discount rate as of March 31	4.50	5.25
Future salary increases	3.25	3.25
Future pension increases [1]	1.00 - 1.50	1.00 - 1.50
Average staff turnover	6.11	6.02

[1] Fixed due to contractual agreements

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

Fiscal Year ended March 31, in T€	2012	2011	2010	2009	2008
Defined benefit obligation	56,229	46,066	40,382	32,257	29,119
Plan assets	(605)	(580)	0	0	0
Deficit	55,624	45,486	40,382	32,257	29,119
Experience adjustments on plan liabilities	122	19	(26)	(1,366)	(626)

3.14 OTHER PROVISIONS (CURRENT AND NON-CURRENT)

in T€	Balance as of April 1, 2011	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2012
Jubilee payments	138	(16)	0	7	0	129
Asset retirement / CPE obligations	29,763	(140)	(1,745)	2,512	886	31,276
Restructuring	19,162	(13,504)	(414)	3,685	0	8,929
Other	8,658	(2,609)	0	89	0	6,138
Total provisions	**57,721**	**(16,269)**	**(2,159)**	**6,293**	**886**	**46,472**

As of March 31, 2012 other provisions can be segregated into current obligations (T€21,678) and non-current obligations (T€24,793).

in T€	Balance as of April 1, 2010	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2011
Jubilee payments	140	(11)	0	9	0	138
Asset retirement / CPE obligations	28,929	(200)	(2,530)	1,345	2,219	29,763
Restructuring	6,383	(753)	(890)	14,422	0	19,162
Other	10,535	(2,053)	(39)	215	0	8,658
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).

Provisions for Asset Retirement Obligations

All asset retirement obligation calculations as of March 31, 2012 utilize an inflation rate of 1.89% (20-year OECD average ("OECD" – Organization for Economic Co-operation and Development); prior year: 1.98%). 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, 2012 and March 31, 2011 increased the provision by T€605 and T€1,194, respectively.

For obligations related to returns of CPE, an inflation rate and a risk-free refinancing interest rate based on the expected length of time until CPE is returned were utilized. Because the estimated useful life of smartcards had been decreased from 5 to 3 years since August 2011, all obligations related to CPE returns are henceforth calculated based on an inflation rate of 1.27% and a refinancing interest rate of 1.15%, for a return horizon of 3 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, 2012 and March 31, 2011 increased the provision by T€1,907 and T€151, respectively.

The changes in the interest portion of the provision for Asset Retirement Obligations amounted to T€866 in the fiscal year ended March 31, 2012. Included is the expensed accrual of T€1,155 as well as an interest adjustment of T€-269 recognized directly in equity through an increase in the corresponding fixed assets (see section 3.7 Asset Retirement Obligations).

Provisions for Restructuring

In order to ensure the long-term competitiveness of the Group, the management and structure of certain sales areas have been reorganized and adapted to meet market and customer needs. In doing so, the emphasis was on strengthening the sales focus by pooling the management of distribution channels and regional sales locations. In addition, Sales interfaces to some headquarter functions have been reorganized accordingly.

In the fiscal year ended March 31, 2012, a provision for implementing the restructuring measures in Sales and the adjacent headquarter functions in the amount of T€3,229 was accrued. During the current fiscal year an amount of T€879 or T€572 were utilized or reversed. The provision is essentially consisting of personnel expenses.

In the fiscal year ended March 31, 2012, a provision of T€2,669 was accrued for the Merger (see section 1 General), of which T€762 were already utilized during the current fiscal year. This provision mainly contains IT related expenses, such as expenses for the data migration of merged companies, consultancy fees and costs for legal advice.

Other

As of March 31, 2011, other provisions amounted to T€8,658. During the fiscal year ended March 31, 2012 T€2,609 were utilized mainly for onerous contracts and payments of legal fees regarding to the ongoing litigation related to the acquisition from TeleColumbus. As of March 31, 2012 the remaining total of T€6,138 is primarily related to the ongoing litigation regarding the acquisition from TeleColumbus.

3.15 OTHER NON-CURRENT LIABILITIES

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Liabilities related to long-term incentive programs	37,833	17,373
Finance lease contracts	10,078	7,274
Provision of smartcards	1,493	3,130
Other	2,022	1,156
Other non-current liabilities	**51,425**	**28,934**

Other non-current liabilities consist of financial liabilities according to IAS 32 in form of finance lease liabilities and liabilities to smartcard providers in the amount of T€11,571 and T€10,405 as of March 31, 2012 and March 31, 2011, respectively. Based on the other non-current financial liabilities in accordance with IAS 32, cash will flow out from the Group at a later point in time.

3.16 SHAREHOLDERS' EQUITY

Subscribed Capital

The subscribed capital of KDH AG was reduced from T€90,000 to T€88,523 in the fiscal year ended March 31, 2012. It now comprises 88,522,939 bearer shares with no par value and a pro rata portion of the share capital of €1.00 per share. KDH AG's subscribed capital is fully paid in.

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

By unanimous resolution of the extraordinary Shareholders' Meeting of KDH AG of March 15, 2010, the Management Board was authorized in accordance with Section 71 para. 1 no. 8 AktG, subject to the approval of the Supervisory Board, to acquire treasury shares until March 14, 2015 in a volume of up to 10% of the share capital existing at the time of the adoption of the resolution in the amount of T€90,000. As part of the resolution, the Management Board was also authorized to retire the treasury shares thus acquired without such retirement or its implementation requiring a further Shareholders' Meeting resolution (retirement authorization pursuant to Section 71 para. 1 no. 8 sentence 6 AktG).

In the period from September 19, 2011 to December 9, 2011, the Management Board, with the approval of the Supervisory Board, repurchased through the stock exchange a total of 1,477,061 no par value shares representing a pro rata portion of the share capital of T€1,477 at a purchase price of approximately T€60,000 (excluding transaction costs). The amount used to acquire the 1,477,061 shares was covered by unrestricted capital reserves pursuant to Section 272 para. 2 no. 4 HGB.

By resolution of March 12, 2012, the Management Board, under the authorization granted to it pursuant to Section 71 para. 1 no. 8 sentence 6 AktG, initiated the retirement of the 1,477,061 treasury shares acquired by reducing the share capital by an amount of T€1,477 and derecognizing the corresponding treasury shares from the securities account held by the Company at a bank. The reduction of share capital through retirement of treasury shares was subsequently announced on March 13, 2012 in accordance with Section 30b para. 1 sentence 1 no. 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

As of May 10, 2012, the implementation of the capital reduction and the amendment of the wording of the Articles of Association in accordance with Article 11 of the Articles of Association in connection with Section 179 para. 1 sentence 2 AktG, as resolved by the Supervisory Board on March 13, 2012, have been entered in the commercial register.

Authorized Capital and Contingent Capital

As of March 31, 2012 KDH AG has the following authorized capital and contingent capital in place:

	Amount in T€	No par value bearer shares in thousand	Purpose
Authorized Capital 2010/I	45,000	45,000	Increase in equity (until February 18, 2015) [1)]
Contingent Capital 2010/I	45,000	45,000	Granting bearer shares to holders or creditors of convertible and/or warrant bonds (until March 14, 2015) [1)]

1) subject to the approval of the Supervisory Board

Authorized Capital

Subject to the approval of the Supervisory Board, the Management Board is authorized by resolution 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 bearer shares with no par value against contributions in cash and / or in kind (''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.

Shareholders' subscription rights can be excluded wholly or in part.

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.

Contingent Capital

The Company's share capital is increased conditionally by resolution of the Shareholders' Meeting of March 15, 2010 by up to T€45,000 through the issuance of up to 45,000,000 new bearer shares with no par value ("Contingent Capital 2010/I"). The purpose of the contingent capital increase is to grant bearer shares with no par value to the holders and lenders of bonds issued until March 14, 2015 on the basis of the Shareholders' Meeting authorization of March 15, 2010 in return for cash payments, and to provide for conversion or option rights to bearer shares of the Company with no par value or represent a conversion obligation.

The issue of new bearer shares with no par value from the Contingent Capital 2010/I may take place only at a conversion or option price that meets the requirements specified in the authorization granted by resolution of the Shareholders' Meeting of March 15, 2010. The contingent capital increase shall be carried out only to the extent that option or conversion rights are utilized or holders and lenders required to convert their bonds fulfill their conversion obligation, and to the extent that no compensation in cash is granted or treasury shares of the Company or new shares are issued out of authorized capital to service these rights and obligations. The new bearer shares with no par value participate in earnings from the beginning of the fiscal year in which they are created through exercise of option or conversion rights or through fulfillment of conversion obligations. The Management Board is authorized to specify the further details regarding the implementation of the contingent capital increase.

Capital Reserve

For the years ended March 31, 2012 and March 31, 2011, the capital reserve amounted to T€68,058 and T€126,495, respectively. The decline primarily resulted from the excess of the buyback value of the no-par-value shares retired on March 13, 2012, including transaction costs, over their pro rata value of €1.00 and amounts to a total of T€58,437. Included in the remaining capital reserve is an amount of T€1,477 which, in accordance with the provisions of commercial law, was reclassified into a restricted capital reserve pursuant to Section 237 para. 5 AktG based on the share buyback and the retirement of the shares acquired. The remaining capital reserve represents primarily the consideration of share based payments of prior years.

Cash Flow Hedge Reserve

Changes in the fair value of the foreign-currency cash flow hedges and of cash flow hedges based on variable interest rates are recognized directly in equity under cash flow hedge reserve if they have been designated in a hedging relationship. The accumulated amount is released to the consolidated statement of income insofar as the hedged transaction affects profit or loss of the relevant year.

In connection with the transactions that were entered into to hedge against interest rate and currency exchange risks arising from the Senior Credit Facility and which were designated in hedging relationships, changes in the effective portion of the fair value resulted in an amount of T€60,951 recognized as a net loss in the cash flow hedge reserve within equity. The details regarding this change are described in the following table:

	Interest Rate Swaps April 1, 2011 - March 31, 2012 T€	Currency Swaps April 1, 2011 - March 31, 2012 T€	Total April 1, 2011 - March 31, 2012 T€
Cash Flow Hedge Reserve April 1, 2011	**0**	**0**	**0**
Net loss deferred in Cash Flow Hedge Reserve due to change in the fair value of the derivatives (effective portion)	56,626	19,268	75,894
Reclasses from Cash Flow Hedge Reserve to expense			
Related to hedges of the EURIBOR	(6,795)	0	(6,795)
Related to hedges of the EUR/USD exchange rate for the notional amount of Tranche F	0	(8,148)	(8,148)
Net amount of reclasses from Cash Flow Hedge Reserve to expense	(6,795)	(8,148)	(14,943)
Deferred taxes recognized in equity	(14,650)	(3,269)	(17,919)
Net change of the Cash Flow Hedge Reserve	35,181	7,851	43,032
Cash Flow Hedge Reserve March 31, 2012	**35,181**	**7,851**	**43,032**

The transfer from the cash flow hedge reserve to income or expense are offset by the deviations in the statement of income in actual interest payments from hedged interest rates (via interest swaps) as well as deviations in the statement of income from the hedged amount (via currency swaps) of the fair value of the US Dollar denominated Tranche F of the Senior Credit facility.

Asset Revaluation Surplus

During the fiscal year ended March 31, 2009, KDH acquired additional shares in companies, in which KDH already held interest. These acquisitions resulting in control of these companies by KDH from that point on therefore represented a step acquisition. The difference in the proportionate fair value of the acquired assets as of the original acquisition date and the proportionate value of those assets at the date of transfer of control was 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 the accumulated deficit as the asset is amortized.

Accumulated Deficit

For the fiscal years ended March 31, 2012 and March 31, 2011, the accumulated deficit was T€1,691,214 and T€1,850,799, 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. Non-controlling interests exist in Verwaltung "Urbana Teleunion" Rostock GmbH. Dividends distributed to non-controlling interests amounted to T€8 in the fiscal year ended March 31, 2012 (prior year: T€6).

4. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

4.1 REVENUES

Revenues were generated in Germany as follows:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
TV Business revenues	1,158,382	1,132,902
Internet and Phone Business revenues	541,352	465,990
Total revenues	**1,699,734**	**1,598,892**

Included in TV Business revenues are Basic Cable subscription fees in the amount of T€859,763 and T€875,736 for the fiscal years ended March 31, 2012 and March 31, 2011, respectively, excluding recurring revenues and proceeds from basic services provided to American military bases and military personnel.

4.2 COST OF SERVICES RENDERED

Cost of services rendered are primarily costs associated with our business activities which are directly attributable to generating revenues. Included are costs and expenses related to the operation and maintenance of the KDH network as well as 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:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Cost of materials and services	418,482	389,617
Thereof:		
Service Level Agreements ("SLAs") renting and leasing DTAG	172,237	162,888
Thereof cable ducts	103,304	103,278
Content costs	59,432	52,281
Interconnection expenses	42,487	42,478
Connectivity and other network costs	36,738	28,179
Maintenance and repair	35,794	27,699
Other expenses	71,793	64,614
Expenses related to the restructuring of the network infrastructure	0	11,479
Personnel expenses	37,827	39,601
Thereof:		
Expenses related to LTIP (IFRS 2) [1)]	2,813	2,031
Income from reversal of restructuring provisions	(414)	(589)
Depreciation and amortization	250,378	288,845
Thereof:		
Intangible assets	8,326	9,452
Tangible assets	242,053	279,393
Other costs and expenses	77,600	83,405
Cost of services rendered	**784,287**	**801,468**

1) Will be cash settled under certain conditions at the end of the program. See section 5.5.

Contributing to the decrease in depreciation of tangible assets was the prolongation of the useful life of the Level 3 cable networks and the effect of the shortening of the useful life of certain assets due to the restructuring of the network infrastructure in the previous year, which resulted in some assets reaching the end of their useful life during the period under review.

4.3 OTHER OPERATING INCOME

In the fiscal year ended March 31, 2012 other operating income decreased by T€230 to T€12,112 from T€12,342 and primarily consists of other service income, especially returned direct debits (T€3,522), commissions for shared advertising measures (T€2,364); recoveries related to damaged property (T€1,261) 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:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Cost of materials and services	32,455	31,998
Personnel expenses	98,082	91,879
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	5,967	4,061
Expenses related to restructuring / (income from the reversal of provisions for restructuring)	1,826	(82)
Depreciation and amortization	123,897	176,108
Thereof:		
Intangible assets	100,610	151,365
Tangible assets	23,287	24,743
Other costs and expenses	170,218	167,395
Selling expenses	**424,652**	**467,380**

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

The decrease in amortization of intangible assets in the fiscal year ended March 31, 2012 is attributable primarily to the full amortization of the customer list originally acquired by the Group in 2003 and to the revised amortization period for the capitalized subscriber acquisition costs (see also section 3.6).

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:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Personnel expenses	63,930	67,897
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	11,680	11,281
Expenses related to restructuring	729	2,902
Depreciation and amortization	21,661	25,201
Thereof:		
Intangible assets	16,637	20,057
Tangible assets	5,024	5,143
Other costs and expenses	44,417	42,333
General and adminstrative expenses	**130,008**	**135,430**

[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:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Wages and Salaries	169,896	169,041
Social Security	29,942	30,336
Total personnel expenses	**199,838**	**199,377**

Expenses included in wages and salaries in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Expenses related to LTIP (IFRS 2)	20,459	17,373
Thereof:		
Cost of services rendered	2,813	2,031
Selling expenses	5,967	4,061
General and administrative expenses	11,680	11,281
Restructuring expenses	2,141	2,230
Thereof:		
Cost of services rendered	(414)	(589)
Selling expenses	1,826	(82)
General and administrative expenses	729	2,902

For further information regarding restructuring plans see section 3.14.

Included in social security inter alia in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Personnel expenses related to the defined benefit pension plan	2,723	4,084
Thereof:		
Cost of services rendered	506	949
Selling expenses	1,225	1,825
General and administrative expenses	992	1,310
Statuatory social security contribution	23,826	22,721
Thereof:		
Cost of services rendered	6,707	6,158
Selling expenses	11,017	10,574
General and administrative expenses	6,102	5,990

For the fiscal years ended March 31, 2012 and March 31, 2011, respectively, social security costs included T€12,657 and T€11,826 for expenses relating to the statutory pension scheme.

During the fiscal years ended March 31, 2012 and March 31, 2011 an average of 2,781 and 2,714 people were employed respectively.

Average number of employees by functions	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Network and Infrastructure	931	865
Call Center and Technical Service Center	707	700
Sales and Marketing	672	654
Overhead	471	495
Total	**2,781**	**2,714**

4.7 FINANCIAL RESULTS

Interest Expenses

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Interest Expenses on financial instruments that are not at fair value through profit or loss		
Senior Notes	25,639	83,633
Senior Credit Facility	120,884	75,882
PIK Loan	9,735	57,719
Amortization of capitalized finance and transaction costs	34,982	52,397
Finance Lease	1,479	1,487
Other	3,059	3,895
Interest Expenses on financial instruments that are at fair value through profit or loss	2,231	(6,778)
Interest Expense on provisions and non-financial liabilities		
Pensions	2,397	2,099
Asset Retirement Obligations	1,049	2,318
Other	120	15
Total Interest Expense	**201,575**	**272,667**

Interest expenses include interest accrued on bank loans, Senior Notes, amortization of financing and transaction costs, interest on finance leases and other. In the fiscal year ended March 31, 2012, interest expenses decreased overall by T€71,092 to T€201,575 from T€272,667. The decreased interest expenses are due primarily to the debt restructuring accomplished successfully during the two most recent fiscal years. Commencing fiscal year ending March 31, 2012, debt cost has been substantially reduced as a consequence of improved interest rates related to the debt restructuring. A negative effect in the previous year was the accelerated amortization of capitalized financing and transaction costs attributable to the early redemption of the 2014 Senior Notes and of the PIK Loan which reduced interest expenses.

Interest expenses from Senior Notes in the fiscal year ended March 31, 2011 resulted from the 2014 Senior Notes, which have been redeemed in the meantime. For the fiscal year ended March 31, 2012 solely the interest expenses from the 2018 Senior Notes issued in June 2011 are reflected.

The increase in interest expenses for the Senior Credit Facility was mainly driven by a higher average senior debt level outstanding after the debt restructuring and the corresponding full repayment of the PIK loan, which is associated with the arrangement of additional tranches in the facility.

Interest expenses on financial instruments at fair value through profit or loss include effects from fair value measurement of such financial instruments.

(See the definition of all terms above in section 3.12 and 5.6).

Interest Income

Interest income for the fiscal years ended March 31, 2012 and March 31, 2011 amounted to T€2,891 and T€4,264, respectively, and is partly related to the positive change in the fair value of the embedded interest floor and, to a minimal extent, to interest income on bank deposits. In the fiscal year ended March 31, 2011 a one-time gain was realized in connection with the Group’s repurchase of portions of its PIK Loan (average market value of approximately 97% of the notional value).

Of the total interest income, amounts of T€1 and T€1,667, respectively 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, 2012 and March 31, 2011 amounted to T€1,627 and T€4,147, respectively.

4.9 TAXES ON INCOME

The corporate tax expenses for the fiscal years ended March 31, 2012 and March 31, 2011 break down as follows:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Consolidated statement of income		
Current income tax		
Current income tax charge	21,549	51,076
Prior year income tax charge / (release)	(531)	(11,211)
Deferred income tax	(4,583)	(51,875)
Income tax expense / (income) reported in consolidated statement of income	**16,435**	**(12,010)**

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
Consolidated statement of changes in equity		
Deferred income tax		
Net deferred costs on revaluation of hedges	(17,920)	0
Net loss / profit on revaluation of financial instruments	0	0
Income tax (benefit) / expense reported in equity	**(17,920)**	**0**

The tax rate of 29.4% for the fiscal year ended March 31, 2012 (prior year: 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 13.6%.

A reconciliation of income taxes for the fiscal year ended March 31, 2012 using a combined statutory rate of 29.4% (prior year: 30.3%) for corporate and trade tax to actual income tax expense as recorded on the statement of income, is as follows:

in T€	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
(Income) / loss before income tax	(175,842)	(57,302)
Notional tax income at KDH's statuatory income tax rate of 29.4% (2011: 30.3%)	51,698	(17,362)
Adjustments in respect of current income tax of previous years	(531)	(11,211)
Unrecognized tax losses	(43,795)	(26,241)
Non-deductible expenses	11,583	43,284
Tax-free income portions	(468)	(1,460)
Adjustments in respect of changes in the tax rate	(1,878)	0
Other	(174)	980
Income tax expense / (benefit) according to the statement of income	**16,435**	**(12,010)**

Deferred taxes

Deferred taxes as of March 31, 2012 and March 31, 2011 are comprised as follows:

in T€	Consolidated statement of financial position as of March 31, 2012	2011	Consolidated statement of income April 1, 2011 - March 31, 2012	April 1, 2010- March 31, 2011
Deferred tax liabilities				
Debt issuance cost	12,762	13,615	(853)	(9,008)
Fair value adjustments customer list	31,637	41,181	(9,544)	(9,976)
Depreciation on tangible assets	49,889	62,122	(12,233)	(15,792)
Asset retirement obligation	0	0	0	(5,287)
Intangible assets	4,433	3,498	935	139
Financial instruments	3,322	0	(563)	(16,332)
Revenue recognition	32,020	19,915	12,105	3,270
Gross deferred income tax liabilities	134,063	140,331		
Offsetting with deferred tax assets	(92,716)	(75,721)		
Net deferred tax liability	41,347	64,610		
Deferred tax assets				
Tangible assets	0	1,872	1,872	(1,347)
Financial instruments	20,707	0	1,098	18,541
Receivables	2,055	3,909	1,854	(504)
Other accruals	6,913	12,294	5,380	(5,599)
Provision for pensions	2,067	1,950	(117)	(36)
Finance lease contracts	299	1,342	1,043	(324)
Tax loss carryforwards	61,287	55,727	(5,560)	(9,620)
Gross deferred tax assets	93,328	77,094		
Offsetting with deferred tax liabilities	(92,716)	(75,721)		
Net deferred tax asset	612	1,373		
Deferred tax charge			**(4,583)**	**(51,875)**

For the fiscal years ended March 31, 2012 and March 31, 2011, deferred tax assets were recognized for corporate income tax losses carried forward by KDH in the amount of T€241,682 and T€345,564, respectively, for trade tax losses carried forward by KDH in the amount of T€89,160 and T€7,194, respectively, and for interest carried forward by KDH in the amount of T€42,212 and T€0, respectively.

Deferred tax assets on further corporate income tax losses carried forward by KDH in an amount of approximately T€212,930 and T€253,794, respectively, for the fiscal years ended March 31, 2012 and March 31, 2011 and trade tax losses carried forward in the amount of T€135,972 and T€337,109, respectively, as well as interest carried forward under the German interest barrier rules in the amount of T€245,164 and T€328,151, 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€72,799 and T€85,152, respectively for the fiscal years ended March 31, 2012 and March 31, 2011 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, respectively, for the fiscal years ended March 31, 2012 and March 31, 2011. Due to the acquisition of the remaining minority interests in KCB and KCW in March 2012 (see also section 1.3), the only non-controlling interests now remaining within the Group relate to Verwaltung "Urbana Teleunion" Rostock GmbH. Accordingly, in contrast to the prior year, the profit attributable to non-controlling interests in the fiscal year ended March 31, 2012 is fully allocated to Verwaltung "Urbana Teleunion" Rostock GmbH.

4.11 EARNINGS PER SHARE

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

Basic Earnings per Share	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Income / (loss) attributable to the equity holders of the parent	159,408	(45,293)
Reconciling items	0	0
Adjusted net income / (loss) (basic)	**159,408**	**(45,293)**
Weighted average number of no par value bearer shares issued	89,408,169	90,000,000
Instruments affecting earnings per share	0	0
Adjusted weighted average number of no par value bearer shares (basic)	**89,408,169**	**90,000,000**
Basic Earnings per Share (in €)	**1.78**	**(0.50)**

Diluted Earnings per Share	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Income / (loss) attributable to the equity holders of the parent	159,408	(45,293)
Reconciling items	0	0
Adjusted net income / (loss) (basic)	159,408	(45,293)
Dilutive effects on net income / (loss)	0	0
Net income / (loss) (diluted)	**159,408**	**(45,293)**
Weighted average number of no par value bearer shares issued	89,408,169	90,000,000
Instruments affecting earnings per share	0	0
Adjusted weighted average number of no par value bearer shares (basic)	89,408,169	90,000,000
Dilutive shares	0	0
Weighted average number of no par value bearer shares (diluted)	**89,408,169**	**90,000,000**
Diluted Earnings per Share (in €)	**1.78**	**(0.50)**

5. OTHER NOTES

5.1 SEGMENT REPORTING

For the purpose of segment reporting, the Group's activities are split into operating segments in accordance with IFRS 8. The Group has two operating segments, the TV Business and Internet and Phone, which are reported and managed separately. The headquarters function and financing activities are represented through a reconciliation. These operating segments are defined based on the internal organizational structure of the Group and the converging economic characteristics of the business areas. 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 key decision makers 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 are 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.

TV Business

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

The Group's Basic Cable products consist of analog and digital TV and radio services. The current analog cable access offering consists of up to 37 free-to-air television channels and up to 35 radio channels while the current digital cable access portfolio offers up to 120 digital television channels (free TV) and up to 70 digital radio stations.

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

In addition, KDH provides Premium-TV products to its direct Basic Cable subscribers. Revenues are primarily generated by the Group's Premium-TV products from monthly subscription fees for pay-TV and for the digital video recorder ("DVR") as well as from "Private HD" technical access fees. "Private HD" currently offers access to six high definition ("HD") channels with basic encryption.

Effective October 5, 2011, the Group changed the product structure in the TV Business, which includes its Premium-TV products. The pay-TV product branded "Kabel Premium HD" consists of ten HD channels. The optional "Premium Extra" add-on package includes 22 additional standard definition ("SD") channels. For customers speaking foreign languages, the Group offers "Kabel International", which includes 41 channels grouped in eight different foreign languages. Its DVR product ''Kabel Komfort HD'' allows several convenient viewing functions including the ability to pause real time programs and to record up to four programs simultaneously to be watched at a later time.

Additionally, in the cities of Berlin, Hamburg, Munich, Rostock and Wismar, KDH's Video-on-Demand ("VoD") offering "SELECT VIDEO" is available to some 2.4 million households. The VoD service offers more than 4,300 hours of Hollywood blockbusters, latest and classic movies, TV broadcasts and adult content. The video library available for a fee consists of some 1,400 movies, of which 70% are available in HD and almost 40% can optionally be viewed in the original version. Moreover, 36 broadcasters are currently offering more than 2,900 free-TV and pay-TV formats.

Customers who own 3D hardware may also watch some films in 3D.

Revenues from carriage fees are generated from both public and private broadcasters and pay-TV providers.

Internet and Phone Business

The Internet and Phone Business offers broadband Internet access, fixed-line and mobile phone services, mobile data services, as well as additional options to those homes which can be connected to KDH's upgraded network.

Since November 2011 KDH has been offering broadband Internet download speeds between 8 Mbit/s and up to 100 Mbit/s. Since early 2010 the Group has been offering speeds of up to 100 Mbit/s in selected cities where the network is fully DOCSIS 3.0 capable. The Group will continue to expand the DOCSIS 3.0 footprint going forward.

In the Phone sector we additionally offer 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. Also included in revenues are non-recurring revenues from installation fees, the sale of CPE, mobile phone commissions and other miscellaneous revenues.

Reconciliation

Reconciliation includes all headquarters 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 follows:

	TV Business		Internet and Phone Business		Reconciliation		Total Group	
in T€	April 1 - March 31 2012	April 1 - March 31 2011	April 1 - March 31 2012	April 1 - March 31 2011	April 1 - March 31 2012	April 1 - March 31 2011	April 1 - March 31 2012	April 1 - March 31 2011
Revenues	1,158,382	1,132,902	541,352	465,990	0	0	1,699,734	1,598,892
Profit or (loss) from ordinary activities	334,199	242,903	171,245	101,566	(132,544)	(137,515)	372,900	206,954
Interest income	0	0	0	0	2,891	4,264	2,891	4,264
Interest expense	0	0	0	0	(201,575)	(272,667)	(201,575)	(272,667)
Income from associates	0	0	0	0	1,627	4,147	1,627	4,147
Profit or loss before taxes	334,199	242,903	171,245	101,566	(329,601)	(401,771)	175,842	(57,302)
Depreciation and amortization	230,690	322,287	140,871	140,508	24,375	27,358	395,937	490,153
Additions fixed assets	185,580	193,152	186,951	165,306	22,944	25,869	395,475	384,327

5.2 IMPAIRMENT TESTING OF GOODWILL

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

Carrying amount of goodwill allocated to each of the CGUs:

	TV Business		Internet an Phone Business		Total	
	as of March 31,		as of March 31,		as of March 31,	
in T€	2012	2011	2012	2011	2012	2011
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, 2012 and considered the relationship between the market capitalization of KDH and the carrying amount of KDH's equity, among other factors, when reviewing for indicators of impairment. As of March 31, 2012, the market capitalization of the Group was above the carrying amount of KDH's equity and thus gave neither an indication of a potential impairment of goodwill nor of an impairment of assets of any operating segment.

The recoverable amount of the two CGUs 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 of the two CGUs 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 the two CGUs was determined to be 5.9% for the fiscal year ended March 31, 2012.

The measurement of the CGUs 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, 2017. 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 on 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 of the net assets of the CGU 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 net assets of the CGU 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 primarily have 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, 2012 and March 31, 2011 include the obligations arising due to the earliest possible termination date of KDH and are as follows:

Type of obligation	March 31, 2012				March 31, 2011			
in T€	Due up to 1 year	Due between 1 and 5 years	more than 5 years	Total	Due up to 1 year	Due between 1 and 5 years	more than 5 years	Total
1. Agreements with DTAG and subsidiaries	208,800	259,073	73,950	541,823	235,632	380,165	90,011	705,808
2. License, rental and operating lease commitments	38,813	82,472	27,472	148,757	50,315	49,346	25,394	125,055
3. Other	90,348	40,250	15,467	146,065	37,565	6,534	550	44,649
Total	**337,961**	**381,795**	**116,889**	**836,645**	**323,512**	**436,045**	**115,955**	**875,512**

The lease payments for cable ducts are T€103,304 and T€103,278 for the fiscal years ended March 31, 2012 and March 31, 2011, respectively. 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 an 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% were terminated earlier than anticipated. With respect to the remaining third as well as the other 70% of leased cable ducts, the Group has the legal right to cancel the lease agreements with a notice period of 12 to 24 months. However, the technological requirements to replace leased capacity would incur such high economic penalties that an extension of the leases for a certain period of time would be reasonably assured. Thus, in consideration of all renewal periods under agreement, an anticipated lease term through March 31, 2033 arises for the remaining third of the 30% through March 31, 2018 as well as the other 70%. After this date, the lease can be cancelled by DTAG. Taking into account the advantageous extension of the leases, financial obligations for cable duct leases were recognized in the amount of T€1,703,874 and T€1,807,139 as of March 31, 2012 and March 31, 2011, respectively.

In the fiscal years ended March 31, 2012 and March 31, 2011, KDH had leasing expenses amounting to T€186,086 and T€176,836, respectively, including the majority of the expenses related to the SLAs.

Contingent Liabilities and Assets

In the course of its business, KDH is regularly in court proceedings or out-of-court negotiations the outcome of which is generally dependent on an uncertain future event and can therefore not be predicted with any degree of certainty. Apart from a number of individual cases with only insignificant effects, there are as of March 31, 2012, the following cases that represent contingent liabilities:

An arbitration process at the arbitration board responsible for copyright is pending between KDVS GmbH (the legal successor of KDVS) and GEMA regarding the question if and at which amount royalties would have to be paid by KDVS GmbH for its marketed Pay TV packages. The arbitration process is not yet settled, GEMA and the Group are currently negotiating bilaterally about an out-of-court settlement.

In 2007 the Federal Cartel Office ("FCO") initiated proceedings against the broadcasters RTL, ProSiebenSat.1 and KDVS GmbH, alleging that certain aspects of the retransmission agreements between KDVS GmbH and the broadcasters in our cable network served and/or continue to serve to restrain competition. After conducting market investigations in 2010 and 2011, the FCO informed KDVS GmbH that, according to its preliminary findings, certain horizontal and vertical provisions in the agreements appear to be anticompetitive, and RTL and ProSiebenSat.1 appear to have colluded in connection with the introduction of basic digital encryption in our networks in 2006. The Group has contested the FCO's preliminary findings in due form on factual and legal grounds. A formal statement of objection by the FCO is still pending. Although the Group is not in the main focus of the investigations, we have defended our position on various factual and legal grounds. A final decision by the FCO is still pending.

Between KDVS GmbH and VG Media, certain legal proceedings exist regarding the question if and at which amount royalties would have to be paid by KDVS GmbH for the distribution of its Free TV offer. Currently, VG Media claims title of a medium range two digit million € amount. The legal proceedings are not yet completed.

Pepcom Süd GmbH, a controlling shareholder of Kabelfernsehen München Servicenter GmbH ("KMS GmbH") and the limited partner of KMS KG, commenced litigation proceedings against KDG, as predecessor to KDVS GmbH, which is a minority shareholder of KMS GmbH and a limited partner of KMS KG, in November 2009. In the litigation, Pepcom Süd GmbH is attempting to exclude KDVS GmbH as shareholder and limited partner of KMS GmbH and KMS KG, respectively. Pepcom Süd GmbH claims that KDG (as predecessor to KDVS GmbH) destroyed the mutual trust among shareholders and the partnership, which would justify excluding KDVS GmbH from KMS GmbH and KMS KG. We believe that the claims lack merit, the litigation is still pending.

In addition to the contingent liabilities described above, the following contingent assets also exist as of March 31, 2012:

KDVS has filed a lawsuit against Telekom Deutschland GmbH in the Higher District Court of Frankfurt in April 2012 to obtain (i) a reduction of the annual price payable to Telekom Deutschland GmbH for the co-use of cable ducts from T€101,000 to T€33,600 and (ii) a refund of T€272,600 plus interest (T€9,700). The lawsuit is based upon the alleged abuse of a dominant position by Telekom Deutschland by charging excessive prices. A statement of defense has not yet been filed.

Concerning the arbitration proceedings due to the acquisition of network businesses from TeleColumbus see section 1.3.

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 substantial proceedings related to these risks besides those mentioned in the section Contingent Liabilities and Assets.

5.4 RELATED PARTIES

Related Party Transactions

The following related party transactions took place in the fiscal years ended March 31, 2012, and March 31, 2011:

On May 19, 2010, KDH AG and Providence Equity LLP, which at times held an indirect interest of more than 20% in KDH AG during the fiscal year ended March 31, 2012, entered into an agreement for consultancy services. The services to be provided by Providence Equity LLP related in particular to the periodic review and further development of KDH's strategy, funding issues, increased operational and organizational efficiency and performance, process optimization, continuous analysis of the financial performance and the development of the annual budget. A monthly lump-sum fee of T€10 was stipulated as remuneration for Providence Equity LLP. This agreement was terminated as of July 31, 2011. Fees of T€40 and T€104 were recognized in expenses in the fiscal years ended March 31, 2012, and March 31, 2011, respectively.

KDVS GmbH (KDVS as of March 31, 2011) provided T€3,714 and T€3,730 in goods and services to Kabelfernsehen Muenchen Servicenter GmbH & Co. KG in the fiscal years ended March 31, 2012, and March 31, 2011. No receivables were outstanding as of March 31 of either fiscal year. The goods and services provided related to signal delivery agreements with Kabelfernsehen Muenchen Servicenter GmbH & Co. KG and were provided in the ordinary course of business.

KDH AG and Prof. Dr. Heinz Riesenhuber, Honorary Chairman of the Supervisory Board, i.e. an honorary member without the legal status of a regular member of the Supervisory Board, entered into an agreement for consultancy services to be provided by the Honorary Chairman, effective October 16, 2011. The Honorary Chairman advises the Chairman of the Supervisory Board and, if necessary, the Deputy Chairman of the Supervisory Board of KDH AG, on all matters arising in the Supervisory Board. The Honorary Chairman also advises the Group on its business and strategic matters. He receives annual remuneration of T€30 for his services.

In addition, other related party transactions resulted from previously existing employment contracts between Group companies and employee representatives only from the time they were appointed to the Supervisory Board. The remuneration is appropriate for the scope of the contractually agreed services.

Disclosures with respect to the compensation received by Management Board and Supervisory Board members are provided in the sections Management Board.

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 Section 314 HGB, German Accounting Standard No. 17 (DRS 17), and the guidelines set out in the German Corporate Governance Code.

Management Board

As of March 31, 2012, the Management Board of KDH AG comprises four members who also hold positions as managing directors of KDVS GmbH. During the fiscal year just ended, the Supervisory Board of KDH accepted the request of Paul Thomason not to further extend his contract, which ended on March 31, 2012. Effective October 1, 2011, Dr. Andreas Siemen assumed the position of CFO of KDH AG previously held by Paul Thomason. The contracts of the other three members of the Management Board were extended to March 31, 2013 during the fiscal year just ended.

The total compensation of the members of the Management Board for the fiscal year ended March 31, 2012 is comprised of different components: (i) an annual fixed salary paid out in equal monthly installments, (ii) 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 payments based on participation in the Group's Long-term Incentive Plan (LTIP). Please refer to the compensation report included in Group Management Report for a detailed presentation of the basic principles of the compensation system for the Management Board of KDH.

The Management Board received total compensation of T€12,151 in the fiscal year ended March 31, 2012 (prior year: T€11,030) for services performed for KDH AG and its subsidiaries. This includes short-term compensation (comprised of annual fixed salaries, variable annual bonuses and various typical fringe benefits) of T€3,259 and T€3,499, and pension benefits of T€216 and T€311 for the fiscal years ended March 31, 2012, and March 31, 2011, respectively. In addition, KDH recorded currently non-cash[1] share-based payment expenses (included in the total amount above) based on the Group LTIP of T€8,675 for the fiscal year ended March 31, 2012 (prior year: T€7,220).

By resolution of the Shareholders' 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 up to and including March 31, 2011. Based on this exemption, past compensation received by the members of the Management Board was not disclosed individually, with amounts provided for the individual components, as required under Section 314 para. 1 no. 6(a) sentences 5 to 9 HGB. The resolution of the Shareholders' Meeting of March 15, 2010, was cancelled by a Shareholders Meeting resolution of October 13, 2011. The individual disclosures are therefore presented below.

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

[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.

The total compensation for each individual member of the Management Board of KDH AG, broken down by individual components, is shown in the chart below:

Type of compensation in T€	Non-performance related compensation [2]	Variable annual bonus	LTIP [3]	Total compensation
		Fiscal year ended March 31, 2012		
Dr. Adrian v. Hammerstein	573	485	2,948	4,005
Dr. Manuel Cubero	443	371	2,438	3,252
Erik Adams	387	310	2,308	3,006
Dr. Andreas Siemen (since October 1, 2011)	173	0	981	1,155
Paul Thomason [1]	208	310	0	517
Total	**1,784**	**1,475**	**8,675**	**11,935**

1) Paul Thomason obtained his non-performance related compensation (fixed salary and fringe benefits) and variable annual bonus until September 30, 2011.

2) Non-performance related compensation (fixed salary and fringe benefits) does not contain service costs for pensions; for these please refer to the separate individual notes disclosure.

3) Currently non-cash part of compensation

The pension benefits provided to each member of the Management Board as a component of total compensation during the fiscal year ended March 31, 2012, are shown in the chart below:

in T€	Service cost April 1, 2011 - March 31, 2012	Present value of defined benefit obligation (DBO) March 31, 2012
Dr. Adrian v. Hammerstein	61	351
Dr. Manuel Cubero	72	409
Erik Adams	62	173
Dr. Andreas Siemen (since October 1, 2011)	21	196
Total	**216**	**1,129**

The members of the Management Board of KDH also participate in the long-term performance of the Company through a Long-Term Incentive Plan comprised of two components. The virtual performance shares granted as the first component ("LTIP I") are distributed as follows:

	Year of grant	Number of virtual performance shares March 31, 2012	Fair value of performance shares at grant date	Fair value of performance shares at valuation date March 31, 2012
		Number	T€	T€
Dr. Adrian v. Hammerstein	2010	26,175	576	1,183
	2011	15,942	602	720
Dr. Manuel Cubero	2010	20,295	447	917
	2011	12,361	467	558
Erik Adams	2010	16,765	369	757
	2011	10,211	386	461
Dr. Andreas Siemen (since October 1, 2011)	2010	7,500	165	339
	2011	5,717	251	258
Total		**114,966**	**3,263**	**5,194**

The virtual options granted as the second component ("LTIP II") are distributed among the individual members of the Management Board as follows:

	Number of virtual stock options March 31, 2012 Number	Fair value of stock options at grant date T€	Fair value of stock options at valuation date March 31, 2012 T€
Dr. Adrian v. Hammerstein	225,000	1,329	4,791
Dr. Manuel Cubero	191,667	1,132	4,081
Erik Adams	191,667	1,132	4,081
Dr. Andreas Siemen (since October 1, 2011)	75,000	443	1,597
Total	**683,334**	**4,037**	**14,551**

Paul Thomason separated from the Management Board as of September 30, 2011. In this situation, where there is a regular termination of his contract, he is entitled to pension benefits with a present value as of March 31, 2012 of T€513. Included in this is an earned service cost of T€24 for the period from April 1, 2011 to September 30, 2011. In addition, Paul Thomason received compensation of T€159 in the period from October 1, 2011 through March 31, 2012 for the non-compete agreement in connection with the termination of his contract.

Former Members of Management / the Management Board and their Surviving Dependents

In the fiscal year ended March 31, 2012, former members of management / the Management Board of the Group and their surviving dependents received pension payments in the amount of T€11 (prior year: T€11). For the fiscal year ended March 31, 2012 pension reserves in a total amount of T€116 for former managing directors were recognized (prior year: T€113).

Supervisory Board

During the fiscal year ended March 31, 2012, there were changes in the Supervisory Board of KDH AG both with respect to shareholder representatives and employee representatives. Ian West and the representatives of Providence Equity Partners John Hahn, Biswajit Subramanian and Robert Sudo left their positions as shareholder representatives on the Supervisory Board of KDH AG effective October 31, 2011. A highly qualified group of experts consisting of Annet Aris, Catherine Mühlemann, Paul Stodden and Torsten Winkler was identified and accepted appointment as successors for the leaving Supervisory Board members. On October 24, 2011, the Munich district court accepted KDH AG's request and Annet Aris, Catherine Mühlemann, Paul Stodden and Torsten Winkler were appointed as members of the Supervisory Board of KDH AG effective November 1, 2011.

Elections for the employee representatives were held from November 28 to December 1, 2011. Irena Gruhne, Chairman of the Works Council of the Customer Service Center, and Helmut von der Lieck were newly elected as representatives for the managing employees. Petra Hesse and Norbert Michalik left their positions on the Supervisory Board. Deputy Chairman of the Supervisory Board Joachim Pütz, Ronald Hofschläger, Susanne Aichinger and Petra Ganser were re-elected. The changes took effect upon announcement of the election results on December 2, 2011.

Remuneration expense in the amount of T€568 and T€559 has been recognized for members of the Supervisory Board for the fiscal years ended March 31, 2012, and March 31, 2011, respectively. Supervisory Board remuneration is governed by Paragraph 12 of the Articles of Association of KDH AG. Members of the Supervisory Board who serve as regular members, chairman or vice-chairman of the Supervisory Board of KDH AG 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.

5.5 LONG-TERM INCENTIVE PLAN ("LTIP")

Effective April 1, 2010, a new compensation structure for certain employees of the Group in conformity with the requirements of the German Stock Corporation Act (Aktiengesetz – AktG) and German Corporate Governance Code was implemented.

With this new compensation structure effective as of 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 LTIP comprises two stock-based elements: an annual virtual performance share program (LTIP I) and a one-time grant of virtual stock options (LTIP II), both for members of the Management Board and selected members of senior management.

Virtual Performance Shares (LTIP I)

On the basis of the first LTIP component, members of the Executive 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 authorized by the Supervisory Board to allot 109,000 virtual performance shares to members of senior management (grant price of €22 per share resulting in a total value of these allotted shares of T€2,398 on the grant date). The grant date for all virtual performance shares issued as one component of the LTIP was April 1, 2010.

In the third quarter of the fiscal year ended March 31, 2011, the Management Board, with the approval of the Supervisory Board, allotted an additional 3,500 virtual performance shares to members of senior management with retroactive effect to April 1, 2010. The total value of these additional virtual performance shares was T€77 as of the grant date.

On the basis of the second annual grant under LTIP I, members of the Management Board were allotted 38,514 virtual performance shares based on a grant price of €37.77 per share. The total value as of the grant date was therefore T€1,455. Additionally, the Management Board was authorized by a resolution of the Supervisory Board to allot up to 69,737 virtual performance shares from the second annual grant to members of Senior Management (also with a grant price of €37.77 per share, resulting in a total value of all shares allotted to Senior Management of T€2,634 at grant date). The grant date for all virtual performance shares issued as part of the second annual grant was April 1, 2011.

As of the end of the quarter ended September 30, 2011, a total of 16,765 virtual performance shares granted to members of the Management Board were forfeited due to termination of employment.

At the beginning of the quarter ended December 31, 2011, 3,433 additional virtual performance shares were allotted retroactively as of the grant date April 1, 2011, as part of the second grant due to changes in the Management Board of the Group. The grant price for these virtual performance shares was €48.06 as of October 1, 2011, thus these virtual performance shares had a total value of T€165. Otherwise, the terms and conditions of the virtual performance shares allocated on April 1, 2011 continue to apply. 2,284 of the virtual performance shares granted in this allotment as part of the second grant were waived.

In the quarter ended March 31, 2012, additional 21,561 virtual performance shares were allotted as part of the second grant retroactive to the grant date April 1, 2011. The grant price for these virtual performance shares was €48.06, so that these virtual performance shares had a total value of T€1,036.

Annual Grant	LTIP Virtual Performance Shares			
	Number of Virtual Performance Shares March 31, 2012	Grant Date	Exercise Price €	Total Value at Grant date T€
Virtual Performance Shares Grant 2010				
granted	192,500	April 1, 2010	22.00	4,235
forfeited	(16,765)	April 1, 2010	22.00	(369)
Total	175,735			3,866
Virtual Performance Shares Grant 2011				
granted	108,251	April 1, 2011	37.77	4,089
forfeited	(2,284)	April 1, 2011	37.77	(86)
additionally granted	24,994	April 1, 2011 [1)]	48.06	1,201
Total	130,961			5,204
Total Virtual Performance Shares	306,696	-	-	9,070

1) The 24,994 virtual performance Shares granted additionally in the fiscal year ended March 31, 2012 have been allotted in the third quarter (3,433) and in the fourth quarter (21,561) retroactively with a grant date as of April 1, 2011.

Depending on the attainment of certain performance targets, the performance shares will be due for payout four years after they are granted ("vesting period"). Achievement of performance targets is based on the performance of KDH AG stock in terms of total shareholder return ("TSR") relative to the MDAX during the four-year vesting period. Payout is made in cash and is 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 ("average price") before the vesting date. If performance in terms of the total shareholder return of KDH AG stock equals the performance of the MDAX during the vesting period, the performance targets are 100% reached, and 100% of the allotted performance shares will be paid out. If performance in terms of total shareholder return of KDH AG stock exceeds the performance of the MDAX during the vesting period, the number of performance shares due for payout increases based on the degree to which the MDAX is outperformed up to a maximum of 200% of the number of performance shares originally allotted. This 200% limit is reached if the MDAX is outperformed by 40 percentage points or more. If performance in terms of total shareholder return of KDH AG stock falls below the performance of the MDAX by 20 percentage points or below, the number of performance shares due for payout will be reduced by up to 50% depending on the degree of underperformance. Straight-line interpolation will be applied between the upper and lower limits. If the MDAX is underperformed by more than 20 percentage points, the performance target is missed and the performance shares are forfeited without compensation. The performance shares are also forfeited without compensation if the MDAX is underperformed and at the same time the KDH AG stock price at the payout date (applying the volume-weighted average closing price of KDH AG stock in XETRA trading over the last 30 trading days prior to the payout date) plus any dividend paid out during the vesting period falls below the issue price of the performance shares.

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

The fair value of these virtual performance shares is based on observable market prices and is equal to the average price on each reporting date. Pursuant to the agreement, no other elements were included in the valuation of the virtual performance shares. This share price (including dividend payments) is the only factor affecting the fair value of these virtual performance shares.

For the fiscal year ended March 31, 2012, the Group recognized total personnel expenses of T€6,510 related to the virtual performance shares based on changes in the fair value and vesting including the effect from the additional grant of virtual performance shares in the third and fourth quarters of the fiscal year. Fair value changes resulted primarily from the increase in the average price of KDH AG shares to €45.18 as of March 31, 2012, and the increase in the number of virtual performance shares under the second annual grant expected to be subject to payout due to the above-average performance of KDH AG stock compared to the MDAX and additional vesting. There was a small offsetting effect from the forfeiting of certain virtual performance shares.

A total liability of T€10,150 due to vesting of virtual performance shares granted under the LTIP was recognized in the consolidated statement of financial position as of March 31, 2012. This liability was recorded in other non-current liabilities.

Virtual Stock Options (LTIP II)

Members of the Management Board were given a one-time grant of 800,001 virtual stock options on 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 was initially 1,090,000. In the third quarter of the fiscal year ended March 31, 2011, the Management Board, with the approval of the Supervisory Board, allotted 35,000 additional virtual stock options to members of Senior Management with retroactive effect as of April 1, 2010.

As of the end of the quarter ended September 30, 2011, a total of 191,667 virtual stock options granted to members of the Management Board had been forfeited due to termination of employment.

The virtual stock options will vest in several tranches on March 31, 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 performance targets that were set were target EBITDA levels that must be achieved during a certain time period and target prices of KDH AG stock that must be reached within defined performance time frames. If the target prices are not reached within their respective performance time frames, vesting can also be achieved subsequently up to the end of the exercise period, if and as soon as the target price for one of the subsequent performance time frames is achieved either before the start of or during this subsequent performance time frame, provided the Management Board member concerned is in office at the time the target is achieved (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 during the last 30 days ("average price") prior to the exercise date will be paid out in cash.

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

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 Options	Weighted Average Exercise Price €
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**
Granted	0	-
Forfeited	(191,667)	-
Exercised	0	-
Expired	0	-
Outstanding as of March 31, 2012	**1,733,334**	**22.00**
Vested, nonforfeitable as of March 31, 2012	693,334	22.00

All virtual stock options outstanding as of March 31, 2012 have an exercise price as of that date of €22.00 and a remaining contractual life of four 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 KDH AG stock based on the market price on the Frankfurt Stock Exchange, the expected volatility of the value 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). Implications of expected future dividend payments on the valuation 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				
Grand Date	Number of Virtual Stock Options	Risk Free Interest Rate at Grant Date %	Fair Value of Options at Grant Date (per Option) €	Exercise Price €	Fair Value of Options at Measurement Date (per Option) €
April 1, 2010	1,733,334	2.51	5.91	22.00	21.29

For the fiscal year ended March 31, 2012, the Group recognized personnel expenses of T€13,949 based on changes in fair value and vesting of the virtual stock options. The fair value changes resulted primarily from an increase in the fair value of the underlying due to an increase in the share value of KDH AG shares to €46.31 as of March 31, 2012, and a reduction in the risk-free rate as of the reporting date.

A total liability of T€27,682 was reported in the consolidated statement of financial position as of March 31, 2012, for vested virtual stock options issued under the LTIP. This liability was recorded in other non-current liabilities.

5.6 FINANCIAL INSTRUMENTS

The activities of the Group expose KDH to a number of financial risks: default risk, market risk (including currency risk, interest rate-related market value risk and interest rate-related cash flow risk) and liquidity risk.

The Group has borrowed in US dollars and euros (mainly using secured bonds and bank loans) and is therefore exposed to interest rate and currency risk. In addition to the risk of changes in the interest rate of the variable rate tranches of the Senior Credit Facility, considerable currency risk is associated with the Tranche F of the Senior Credit Facility which is denominated in US Dollars. These market risks could adversely affect the financial position and results of operations of the Group. 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. A primary objective of the company is to avoid or risks. Currency swaps are used to reduce currency risk, for example, and interest rate swaps and floors to reduce the risk of fluctuations in interest rate payments. Derivative instruments are only used to hedge existing or prospective transactions. The Group does not engage in trading with derivative financial instruments.

The 2018 Senior Notes have a nominal value of T€500,000 and are the only financial instruments of KDH that bear a fixed rate of interest and are subject to interest rate-related market value risk. The bank loans have a nominal value of T€2,323,758, bear a variable rate of interest and are exposed to interest rate-related cash flow risk. Of this amount, T€570,452 is also exposed to currency risk. The corresponding US Dollar nominal amount was TUS$750,000 and US$0 as of March 31, 2012, and March 31, 2011, respectively.

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

KDH had entered into the following derivative financial instruments as of the balance sheet date:

- currency swaps with a nominal value of T€570,452 (or TUS$750,000) and a term of January 31, 2017, used to hedge the USD currency risk associated with US dollar Tranche F of the bank loan;
- interest rate swaps with a nominal value of T€900,000 used to partially hedge the variable rate bank loans, with T€400,000 of this amount having a term of December 31, 2016, and T€500,000 a term of June 30, 2017; and
- USD LIBOR interest floors with a nominal value of TUS$750,000 and a term of January 31, 2017, used to eliminate the minimum LIBOR of 1.00% stipulated in Tranche F of the bank loan and the associated USD currency risk.

The nominal value of the derivative financial instruments was €0 as of March 31, 2011.

Currency Swaps

On January 20, 2012, KDVS GmbH executed a new TUS$750,000 Senior Add-on Facility ("Tranche F") with a final maturity of January 2019. The variable rate loan was issued at USD LIBOR plus 3.25%. The minimum permissible LIBOR rate was set to 1.00%, resulting in a minimum interest rate of 4.25%. Tranche F was drawn down on February 3, 2012.

In order to hedge the currency risk associated with the US Dollar Tranche F, the Company entered into hedging agreements with various banks in February 2012 in which 100% of the US Dollar principal (TUS$750,000) and interest payments were exchanged for Euro principal (T€570,452) and interest payments at a variable interest rate of EURIBOR plus 3.30%. The currency swaps have a term running from February 3, 2012, to January 31, 2017.

The currency swaps entered into as of March 31, 2012, were accounted for using cash flow hedge accounting. Changes in the fair value of the currency swaps were initially recognized directly in equity under cash flow hedge reserve. If part of the hedged transaction affected profit and loss for the year, the corresponding portion of changes in fair value of the hedge in the cash flow hedge reserve was released to profit and loss. The cumulative amount would be released to profit and loss if the hedged transaction was judged to be ineffective.

Interest Swaps and Interest Floors

Interest swaps effectively converted the variable interest portion (EURIBOR) of the T€500,000 Tranche E of the Group's Senior Credit Facility to a fixed interest rate of 2.44% over a six-year term from July 29, 2011, to June 30, 2017. Including the margin of 3.25%, the effective all-in rate for Tranche E is 5.69%.

The variable interest portion (EURIBOR) of the T€400,000 Tranche D of the Group's Senior Credit Facility was also effectively converted to a fixed interest rate of 2.07% over a term from August 31, 2011, to December 31, 2016. Including the margin of 4.00% the effective all-in rate for Tranche D is 6.07%.

The interest rate swaps existing as of March 31, 2012, were accounted for as cash flow hedges. Changes in the fair value of the interest rate swaps were recognized directly in equity under cash flow hedge reserve. If part of the hedged transaction affected profit and loss for the year, the corresponding portion of changes in fair value of the hedge in the cash flow hedge reserve was released to profit and loss. The cumulative amount would be released to profit and loss if the hedged transaction was judged to be ineffective.

In addition, the minimum LIBOR of 1.00% stipulated in Tranche F was effectively eliminated by the purchase of a floor option with the same nominal value of TUS$750,000 and the same underlying of 1.00% over five years (term from February 3, 2012, to January 31, 2017). The premium payment for the interest rate floor option has been recognized at present value. The payments will be made in 60 equal monthly installments of T€273 over the term of the option.

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. The exposure to credit risk primarily exists based on receivables due from customers. Credit risk varies from customer to customer. For all payments underlying the primary financial instruments, collateral-like guarantees may be requested, and a track record of prior business relations may be used in order to minimize the credit risk depending on the nature and extent of the respective payments. Without accounting for collateral or other credit-reducing agreements, the carrying amount of primary financial instruments comprised of cash and cash equivalents, trade receivables and other current financial assets of T€230,312 represents the maximum exposure to credit risk for those financial instruments. 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 derivative financial instruments the maximum exposure to credit risk is their fair value amounting to T€11,299. 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 the balance sheet date, T€1,423,759 of KDH's total financial liabilities of T€2,823,758 are exposed to risks from interest rate fluctuations and the resulting changes in cash flows. Hence, any significant increase in base rates will directly lead to a significant increase of KDH's interest expenses. KDH therefore monitors the interest rate environment closely and is prepared to engage in further interest rate hedging transactions when this appears advisable.

Interest rates on the Senior Credit Facility of T€2,323,758 are based on one, two, three or six month EURIBOR. Of this amount, loans with a nominal value of T€900,000 have been hedged against interest rate risks for the majority of their terms using the derivative financial instruments described above.

Liquidity risk

Liquidity risk represents the risk that existing liquidity reserves will prove to be insufficient to meet financial obligations in a timely manner. In order to ensure adequate liquidity, the Group had unused Senior Credit Facilities and other lines of credit (Tranche B) amounting to T€324,030 and T€325,000 as at March 31, 2012, and March 31, 2011, respectively. 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. Cash flows for variable interest liabilities are determined with reference to the market conditions at the balance sheet date.

Fiscal year ended March 31, 2012 in T€	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Senior Notes	27,083	65,000	65,000	546,042	**703,125**
Senior Credit Facility	93,540	252,558	1,356,036	1,133,217	**2,835,351**
Trade payables	287,882	1,426	139	0	**289,447**
Finance lease liabilities	3,261	4,744	4,744	10,906	**23,655**
Other financial liabilities	22,465	0	0	0	**22,465**
Derivatives	20,273	40,360	38,173	2,517	**101,323**
Total	**454,504**	**364,088**	**1,464,092**	**1,692,682**	**3,975,366**

Fiscal year ended March 31, 2011 in T€	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
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**

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. Thereby the ratios of consolidated senior net borrowings to EBITDA and EBITDA to net interest expenses are controlled (see section 3.12.2). KDH keeps in close contact with its lenders and rating agencies in order to be highly transparent 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, 2012 and 2011, 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.

in T€	Category according to IAS 39	Fiscal year ended March 31, 2012 Carrying Amount	March 31, 2012 Fair Value	March 31, 2011 Carrying Amount	March 31, 2011 Fair Value
Financial assets measured at fair value through profit and loss					
Derivatives without a hedging relationship	FAHfT	11,299	11,299	0	0
Financial assets measured at fair value through profit and loss		11,299	11,299	0	0
Financial assets measured at cost or amortized cost					
Cash and cash equivalents	LaR	133,784	133,784	28,335	28,335
Trade receivables	LaR	88,808	88,808	83,030	83,030
Other current financial assets	LaR	7,720	8,297	5,939	6,363
Total loans and receivables	LaR	230,312	230,889	117,304	117,728
Financial liabilities measured at cost or amortized cost					
Current financial liabilities	FLAC	9,468	9,468	208,528	208,528
Trade payables	FLAC	287,882	287,882	266,178	266,178
Other financial liabilities	FLAC	33,110	33,110	39,192	39,192
PIK Loan	FLAC	0	0	527,605	527,605
Senior Notes	FLAC	496,419	525,950	0	0
Senior Credit Facility	FLAC	2,261,158	2,261,158	2,018,604	2,018,604
Total financial liabilities measured at cost or amortized cost		3,088,037	3,117,568	3,060,107	3,060,107
Other current financial liabilities					
Finance lease liabilities	-	1,454	2,267	10,669	10,756
Other non-current financial liabilities					
Finance lease liabilities	-	10,078	15,256	7,274	7,282
Financial liabilities measured at fair value through profit and loss					
Derivatives without a hedging relationship	FLHfT	12,883	12,883	0	0
Derivatives in a hedging relationship	-	69,202	69,202	0	0
Financial liabilities measured at fair value through profit and loss		82,085	82,085	0	0

The terms have the following respective meanings:

FAHfT: Financial Assets Held for Trading

LaR: Loans and Receivables

FLAC: Financial Liabilities Measured at Amortized Cost

FLHfT: Financial Liabilities Held for Trading

In view of their short terms, the carrying amounts of the Group's cash and cash equivalents, trade receivables and payables, short-term loans, and other current liabilities are equal to their fair values as of March 31, 2012, and March 31, 2011, 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 techniques are characterized as other techniques for which all input parameters that have a significant effect on the recorded fair value are either directly or indirectly observable.

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

in T€	Fiscal year ended March 31, 2012	2011
Loans and Receivables	171	9,060
Financial assets and liabilities at fair value through profit or loss (Held for Trading)	(19,734)	(18,140)
Financial liabilities measured at amortized cost	(13,562)	(31,175)
Net gains or losses	**(33,125)**	**(40,255)**

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 on financial assets and liabilities at fair value through profit or loss include the effects from the fair value measurement of derivatives that are not part of a hedge accounting relationship. For the fiscal year ended March 31, 2012, the derivatives consisted solely of interest floors.

Net losses on financial liabilities measured at amortized cost include effects from early settlement. In addition, the effects of currency translation were also recognized in profit or loss in the fiscal year ended March 31, 2011.

Sensitivity Analysis

The Group is aware that changes in certain risk variables, such as the interest rates and exchange rates for future cash inflows and outflows could affect the associated fair values of KDH's derivatives as well as amounts recognized in equity or in the consolidated statement of income for the period. KDH therefore examined the following:

(a) changes to risk variables that were reasonably possible as of the balance sheet date, and

(b) the effects of such changes on the consolidated statement of income for the period and equity if they were to occur.

Interest rate risks result from the variable interest rates (EURIBOR and USD LIBOR) on KDH's bank loans (Senior Credit Facility). The table below shows the negative/positive effects on profit or loss for the period and equity due to what was considered to be an adequate potential increase/decrease in the base interest rate of 50 or 100 basis points:

Risk Variables	Change of Risk Variables bps	Change in Value March 31, 2012 T€	Impact on (Profit) or Loss April 1, 2011 - March 31, 2012 T€	Impact on Equity April 1, 2011 - March 31, 2012 T€
1-month-EURIBOR/ LIBOR	(100)	(61,826)	(15,945)	(45,881)
1-month-EURIBOR/ LIBOR	(50)	(29,492)	(7,797)	(21,695)
1-month-EURIBOR/ LIBOR	50	29,198	7,540	21,658
1-month-EURIBOR/ LIBOR	100	57,716	15,033	42,683

Exchange rate risks generally arise from changes in the EUR/USD exchange rate in connection with the US Dollar Tranche F of KDH's bank loan (Senior Credit Facility). The effects from changes in the exchange rate of the US Dollar are completely hedged by the contracted derivative financial instruments until January 2017. The negative/positive effect due to what was considered to be an adequate potential increase/decrease in the exchange rate of 5% or 10% on equity is presented in the table below.

Risk Variables	Change of Risk Variables %	Change in Value March 31, 2012 T€	Impact on (Profit) or Loss April 1, 2011 - March 31, 2012 T€	Impact on Equity April 1, 2011 - March 31, 2012 T€
EUR/USD exchange rate	(10)	9,454	0	9,454
EUR/USD exchange rate	(5)	4,478	0	4,478
EUR/USD exchange rate	5	(4,052)	0	(4,052)
EUR/USD exchange rate	10	(7,735)	0	(7,735)

The fixed interest Senior Secured Notes are valued at amortized cost, therefore interest rate changes do not effect the statement of income.

5.7 GROUP COMPANIES

Fully consolidated companies (IFRS 3)	Registered Office	Shareholding in %
1 Kabel Deutschland Holding AG	Unterfoehring	
2 Kabel Deutschland Vertrieb und Service GmbH	Unterfoehring	100.00
3 Kabel Deutschland Stralsund GmbH	Unterfoehring	100.00
4 TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00
5 TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG 1)	Kaiserslautern	100.00
6 "Urbana Teleunion" Rostock GmbH & Co. KG 1)	Rostock	70.00
7 Verwaltung "Urbana Teleunion" Rostock GmbH	Rostock	50.00
8 KABELCOM Braunschweig Gesellschaft für Breitbandkabel- Kommunikation mit beschränkter Haftung	Braunschweig	100.00
9 KABELCOM Wolfsburg Gesellschaft für Breitbandkabel- Kommunikation mit beschränkter Haftung	Wolfsburg	100.00
10 Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00
11 Kabel Deutschland Vierte Beteiligungsgesellschaft mbH	Unterfoehring	100.00
12 Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00

1) These companies apply Section 264b HGB and are therefore released from the preparation, audit and publication of annual financial statements as of March 31, 2012.

Companies consolidated at equity (IAS 28)	Registered Office	Shareholding in %
13 Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung	Munich	24.00
14 Kabelfernsehen München Servicenter GmbH & Co. KG	Munich	30.22

5.8 PARTICULAR EVENTS AFTER THE BALANCE SHEET DATE

The RTL Group terminated existing feed-in agreements with KDVS GmbH on April 28, 2012, and took legal steps to enforce the de facto termination of feed-in. KDH considers the exercise of the special right of termination and the measures taken by the RTL Group to be legally void. At the same time, KDH is currently in advanced negotiations with the RTL Group and expects to reach contractual agreement shortly.

On April 30, 2012 KDH AG signed a new unsecured financing with a volume of up to €600 million that can be drawn down in two separate tranches until June 7, 2013. The purpose of the loan is to finance the acquisition of TeleColumbus, but in parts (€200 million) it can also be used for general corporate purposes. If drawn, this financing will have a maturity of five years (initial interest of 4.25% over EURIBOR, capped at 8.0%), but can be refinanced before.

On May 21, 2012 KDH AG has entered into a purchase agreement with TeleColumbus GmbH ("TeleColumbus") to acquire the TeleColumbus Group. The purchase price amounts to €603 million plus accrued interest. As of December 31, 2011, this would have been equivalent to €618 million. The purchase price will provide for repayment in full of the financial debt of TeleColumbus.

TeleColumbus, headquartered in Berlin, provides basic cable services to approximately 1.7 million customers in 2.1 million homes connected and is Germany's largest Level 4 cable network operator. TeleColumbus operates predominantly in Berlin and in Eastern Germany including the cities of Dresden, Magdeburg and Potsdam. The business of TeleColumbus overlaps to a large extent with KDH's footprint. In the fiscal year 2011 TeleColumbus reported revenues of €218 million and an operating result (EBITDA) of €81 million.

Following a successful closing of the acquisition, most of TeleColumbus' customers will be able for the first time to subscribe to KDH's high speed Internet products and new TV services.

The acquisition is subject to the approval of the German Federal Cartel Office.

MANAGEMENT BOARD AND SUPERVISORY BOARD

Management Board

The Management Board of the Group was comprised of the following members during the fiscal year ended March 31, 2012:

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. Member of the Supervisory Board of msg systems AG
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer	Vice President of Cable Europe (European Cable Communications Association)
Erik Adams Chief Marketing Officer	None
Dr. Andreas Siemen (since October 1, 2011) Chief Financial Officer	None
Paul Thomason (until September 30, 2011) Chief Financial Officer	None

Supervisory Board

The Supervisory Board of the Group was comprised of the following members during the fiscal year ended March 31, 2012:

Name / Position	Member of comparable supervisory bodies of other companies
Representatives of the Shareholders:	
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
Annet Aris (since November 1, 2011) Adjunct Professor of Strategy at INSEAD	Supervisory Board member of Jungheinrich AG Supervisory Board member of Tomorrow Focus AG Deputy Chairman of the Supervisory Board of V-Ventures B.V. Supervisory Board member of ASR Nederland Supervisory Board member of Sanoma Group Deputy Chairman of the Supervisory Board of Hansa Heemann AG
Catherine Mühlemann (since November 1, 2011) Entrepreneur and co-owner of Andmann Media Holding GmbH	Board member of Swisscom AG Member of the Supervisory Board of Messe Berlin GmbH Member of the Advisory Board of Luxodo GmbH Board member of Schweiz Tourismus
Martin David Stewart Executive Chairman of EurotaxGlass's International AG	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.
Paul Stodden (since November 1, 2011) Managing Partner of Antevorte Performance Management GmbH & Co. KG	Board member of Swisscom IT Services AG
Torsten Winkler (since November 1, 2011) Partner of Vitruvian Partners LLP	
John Carl Hahn (until October 31, 2011) Managing Director of Providence Equity Partner LLP	Director of Digiturk Director of Grupo Corporativo Ono Director of Volia Cable
Biswajit Subramanian (until October 31, 2011) Managing Director of Providence Equity Advisors India Private Ltd.	Non-executive board member of IDEA Cellular Ltd. Non-executive board member of ABTL Ltd.
Robert Sudo (until October 31, 2011) Vice President of Providence Equity Partner LLP	Director of Com Hem AB

Name / Position	Member of comparable supervisory bodies of other companies
Ian West (until October 31, 2011) Supervisory Board member of several companies within the telecommunications and media branch	Non-executive board director of Talk Talk Group PLC Chairman of Talk Talk TV Committee Board director of Naked wines
Representatives of the Employees:	
Joachim Pütz **Deputy Chairman of the Supervisory Board** Secretary of the Workers Union at the ver.di-Bundesverwaltung	
Susanne Aichinger Workers' council of the region of Bavaria	
Petra Ganser Secretary of the Workers Union at the ver.di-Bundesverwaltung	Member of the Supervisory Board of Trenkwalder Personaldienste GmbH
Irena Gruhne (since December 2, 2011) Workers' council for the customer service area	
Ronald Hofschläger Workers' council in the KDVS GmbH headquarters	
Helmut von der Lieck (since December 2, 2011) Executive employee (Director Customer Service & Ordermanagement)	
Petra Hesse (until December 1, 2011) Workers' council of the region of Lower Saxony / Bremen	
Norbert Michalik (until December 1, 2011) Executive employee (Director Internal Audit, Risk Management & Compliance)	

5.10 OTHER MANDATORY DISCLOSURES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE

Declaration of Compliance with the German Corporate Governance Code in Accordance with Section 161 AktG (German Stock Corporation Act)

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 the 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, 2012, the Group's auditor were compensated by the following total fees:

- Audit services: T€872
- Audit-related services: T€1,337
- Tax services: T€273

Unterfoehring, May 29, 2012

Kabel Deutschland Holding AG

Dr. Adrian v. Hammerstein
Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares
Chief Operating Officer

Erik Adams
Chief Marketing Officer

Dr. Andreas Siemen
Chief Financial Officer

Analysis of Fixed Assets for the Period from April 1, 2011 to March 31, 2012

	Acquisition and production costs					Accumulated depreciation and amortization						Net book value
	April 1, 2011	Additions	Disposals	Reclassifications	March 31, 2012	April 1, 2011	Additions	Disposals	Reclassification	Change in at-equity investments	March 31, 2012	March 31, 2012
	€	€	€	€	€	€	€	€	€	€	€	€
I. Intangible assets												
1. Software and licences and other contractual and legal rights	454,446,042.45	68,355,968.98	9,947.22	10,489,743.94	533,281,808.15	303,690,790.71	51,074,419.12	9,947.22	0.00	0.00	354,755,262.61	178,526,545.54
2. Internally generated software	29,508,925.63	8,042,208.60	0.00	0.00	37,551,134.23	18,642,333.12	3,905,596.47	0.00	0.00	0.00	22,547,929.59	15,003,204.64
3. Customer list	964,297,376.67	33,005.86	689,547,657.29	26,718.65	274,809,443.89	756,271,006.49	70,592,361.87	689,547,657.29	0.00	0.00	137,315,711.07	137,493,732.82
4. Goodwill	287,273,545.95	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	16,262,867.22	6,324,339.99	0.00	(10,516,462.59)	12,070,744.62	0.00	0.00	0.00	0.00	0.00	0.00	12,070,744.62
	1,751,788,757.92	82,755,523.43	689,557,604.51	0.00	1,144,986,676.84	1,078,604,130.32	125,572,377.46	689,557,604.51	0.00	0.00	514,618,903.27	630,367,773.57
II. Property and equipment												
1. Buildings on non-owned land	25,407,061.24	3,447,227.72	11,800.05	4,458,281.85	33,300,770.76	10,775,260.01	3,916,417.83	7,285.34	46,801.79	0.00	14,731,194.29	18,569,576.47
2. Technical equipment	2,649,163,336.30	262,772,773.09	95,732,324.03	37,854,143.79	2,854,057,929.15	1,590,367,673.42	256,734,955.46	93,097,789.50	13,712.13	0.00	1,754,018,551.51	1,100,039,377.64
3. Other equipment, furniture and fixtures	83,451,271.04	8,092,670.61	822,039.14	554,070.32	91,275,972.83	58,540,405.84	9,713,022.48	673,031.32	(60,513.92)	0.00	67,519,883.08	23,756,089.75
4. Construction in progress	60,164,107.14	38,406,950.83	51,985.70	(42,866,495.96)	55,652,576.31	0.00	0.00	0.00	0.00	0.00	0.00	55,652,576.31
	2,818,185,775.72	312,719,622.25	96,618,148.92	0.00	3,034,287,249.05	1,659,683,339.27	270,364,395.77	93,778,106.16	0.00	0.00	1,836,269,628.88	1,198,017,620.17
III. Financial assets												
Equity investments in associates	1,800,909.08	0.00	0.00	0.00	1,800,909.08	(11,368,451.52)	0.00	0.00	0.00	5,046,246.95	(6,322,204.57)	8,123,113.65
	1,800,909.08	0.00	0.00	0.00	1,800,909.08	(11,368,451.52)	0.00	0.00	0.00	5,046,246.95	(6,322,204.57)	8,123,113.65
	4,571,775,442.72	**395,475,145.68**	**786,175,753.43**	**0.00**	**4,181,074,834.97**	**2,726,919,018.07**	**395,936,773.23**	**783,335,710.67**	**0.00**	**5,046,246.95**	**2,344,566,327.58**	**1,836,508,507.39**

	Analysis of 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	Acquisitions	Additions	Disposals	Reclassifications	March 31, 2011	April 1, 2010	Additions	Disposals	Reclassification	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**

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KABEL DEUTSCHLAND HOLDING AG, UNTERFOEHRING GROUP MANAGEMENT REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2012

1. OVERVIEW

Kabel Deutschland Holding AG ("KDH AG") is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880. Prior to the initial public offering ("IPO") in March 2010, KDH AG was wholly owned by Cable Holding S.A. Luxembourg ("LuxCo"). In the course of the IPO, LuxCo sold 34.5 million shares and reduced its ownership to 61.67%. During the fiscal year ended March 31, 2011, LuxCo reduced its ownership to 21.92% through two placements and sold its remaining shares on July 5, 2011. With that last placement, 100% of the Company's 90 million subscribed shares were in free float. In the period from September 19, 2011 to December 9, 2011 around 1.48 million shares were repurchased through the stock exchange based on a share buyback program. Subsequently, the number of shares of the Company was reduced to 88,522,939 shares by retirement on March 13, 2012.

KDH AG is the ultimate management and holding company of our Group ("KDH" or the "Group") and has its registered office in Unterfoehring, Betastraße 6 - 8, Germany (commercial register of Munich HRB 184452). As the parent company of the Group it performs the typical tasks of a holding company, including the strategic development of the Group and the provision of services and financing for its affiliated companies. The business activities of the Group are primarily conducted by the respective operating subsidiaries. The most significant of these is the wholly owned subsidiary Kabel Deutschland Vertrieb und Service GmbH [1] ("KDVS GmbH").

In terms of residential units that can be connected to a cable network ("homes passed") and subscribers, we are the largest cable network provider in Germany, according to our own estimate. With over 15 million homes passed, we believe our cable network is also the largest in a single country in Europe. We offer our customers a variety of television and telecommunications services, including Basic Cable services, Premium-TV services, broadband Internet access, fixed-line phone and mobile phone services as well as 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.

[1] Previously Kabel Deutschland GmbH ("KDG"). The change of name was registered in the Commercial Register early August 2011 during the course of the Merger (see section 3.3).

2. BUSINESS SEGMENTS

The Group has two reporting segments: TV Business and Internet and Phone Business.

2.1 TV BUSINESS

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

Our Basic Cable products consist of analog and digital TV and radio services. Our analog cable services currently offer up to 37 free-to-air television and up to 35 radio channels, respectively. Our digital cable services offer up to 120 digital TV (Free-TV) channels and up to 70 digital radio channels.

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

Premium-TV products are also offered to our direct Basic Cable customers. With our Premium-TV products revenues are primarily generated from monthly subscription fees for pay-TV and for digital video recorders ("DVR") as well as from technical access fees for "Private HD". "Private HD" currently offers access to six basic encrypted High Definition ("HD") channels.

Effective October 5, 2011 we changed our product structure in the TV Business, including our Premium-TV products. Our pay-TV product branded "Kabel Premium HD" includes ten HD channels. The additional optional package "Premium Extra" also includes 22 Standard Definition channels ("SD"). For our customers who speak foreign languages, we offer "Kabel International", which includes 41 channels grouped into eight different foreign languages. Our DVR product "Kabel Komfort HD" allows several convenient viewing functions including the ability to pause real-time programs and to record up to four programs simultaneously to be watched at a later time.

Additionally, in the cities of Berlin, Hamburg, Munich, Rostock and Wismar our Video-on-Demand ("VoD") offering "SELECT VIDEO" is available to approximately 2.4 million households. The download offering includes over 4,300 hours of Hollywood blockbusters, current movies, movie classics, TV programs and adult content. The digital pay-video library contains approximately 1,400 movies, including 70% in HD quality; almost 40% can be obtained in the original version. In addition, 36 broadcasters currently provide over 2,900 TV formats from free and pay-TV.

Customers who own 3D hardware may also receive part of the movie offering in 3D.

Revenues from carriage fees are generated from both public and private broadcasters and third party pay-TV providers.

Our TV Business generated T€1,158,382 or 68.2% of our total revenues in the fiscal year ended March 31, 2012.

2.2 INTERNET AND PHONE BUSINESS

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

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, 2012, 90.7% of our new Internet and Phone subscribers subscribed for a bundled product incorporating both broadband Internet and Phone services. The bundle share in our existing Internet and Phone customer base increased in the fiscal year ended March 31, 2012 to 87.7% compared to 84.9% in the fiscal year ended March 31, 2011.

Since November 2011 our offering for the broadband internet access includes download speeds between 8 Mbit/s and up to 100 Mbit/s. Since early 2010 we have been offering speeds of up to 100 Mbit/s in selected cities where the network is fully DOCSIS 3.0 capable. We will continue to expand our DOCSIS 3.0 footprint going forward. As of March 31, 2012 we had capacity to serve approximately 76.9% of the homes passed by our upgraded network with DOCSIS 3.0 products.

In the Phone sector we additionally offer mobile phone and data services via a contractual relationship with a German mobile network operator.

Our Internet and Phone Business generated T€541,352 or 31.8% of our total revenues in the fiscal year ended March 31, 2012.

3. KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

3.1 NETWORK UPGRADE

In 2006 we began an extensive investment program to upgrade our network as we transformed our business into a customer-oriented triple-play service provider in the context of our new strategic focus. During the period between April 1, 2006 and March 31, 2012 we invested more than €2.0 billion. As of March 31, 2012, 82.9% of our network was upgraded to a bi-directional hybrid fiber coaxial structure (HFC, Hybrid Fiber Coaxial cable that uses both coaxial and fiber optic cable.). Simultaneously, we invested in the continuing technological development of the Customer Premise Equipment ("CPE"). In this way, from our point of view, we are able to deliver market-leading broadband internet access, phone services and modern TV services to our customers. We will continue in the next few years to upgrade our network for interactive and DOCSIS 3.0 services.

We believe that the implementation of data transmission standard DOCSIS 3.0 which we started to roll out in 2010 will allow us to maintain our competitive advantage in the long run as we will be able to offer downstream speeds of 100 Mbit/s. In addition, we switched our network infrastructure from a decentral satellite transmission of TV signals to a central transmission via fiber optic backbones. This innovative technology enables us to further develop our New Services and increase our competitiveness. In addition, as a result of the switch, we re-analogized the TV signal, so that cable customers are not directly affected by the analog switch-off on the satellite in April 2012 and are still able to watch analogue TV-programs, also without digital receiver. Improved transmission capacity, increased security against outages and flexibility in expansion of data volume are further advantages of the new network infrastructure.

As in past years we expect our average installation cost per Internet and Phone subscriber to continue to decrease since market penetration of our broadband internet and fixed-line phone services is increasing. In the fiscal year ended March 31, 2012 the average installation cost per Internet and Phone Business subscriber declined to approximately €123 compared 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 CPE delivered to their residence.

3.2 MARKETING AND PROMOTIONAL ACTIVITIES

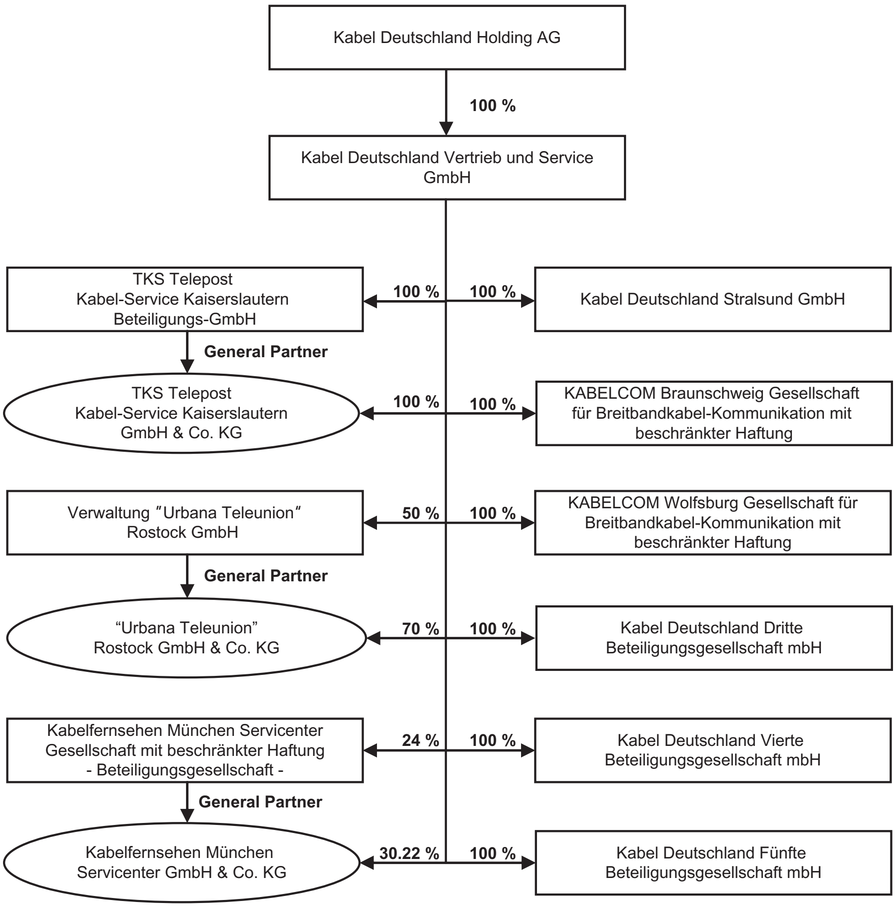
Historically we provided an annual prepayment discount of 5% to all subscribers who purchased our Basic Cable service prior to February 2009 and who prepaid the monthly subscription fees on an annual basis. We offer additional discounts to certain large Level 4 network operators and housing associations. In addition we regularly offer attractive introductory promotions to new subscribers of our Internet and Phone services, for example discounts for the first twelve months (promotional period) and bonuses associated with certain online orders. As these customers roll off the promotion periods, our Average Revenue Per Unit ("ARPU") should increase to the headline retail price. In addition, we offer bundled services at a discounted price compared to the aggregate price of each of the individual services. In particular, we offer discounts and promotional offers to be successful in the highly competitive Internet and phone markets. As of March 31, 2012 approximately 417 thousand of our broadband Internet and Phone subscribers were in a promotional period, compared to 364 thousand in the prior year. As the promotional period expires, these subscribers will return to the regular pricing, which is currently up to €20 (inclusive of VAT) per month above the introductory price. After the expiry of the minimum contractual term that includes a limited promotional period, there is the possibility of churn, but to date there is no evidence that this is likely to occur at a significant level due to the expiry of the promotional period.

3.3 MERGER / LEGAL REORGANIZATION

In June 2011, KDH AG's Supervisory Board approved the mergers ("Merger") of Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS"), Kabel Deutschland Breitband Services GmbH ("KDBS"), BMH Berlin Mediahaus GmbH and six other non-operating companies[1] with KDG, effective retroactively from April 1, 2011. The Merger was completed in August 2011. KDG then changed its name to KDVS GmbH.

In total, the legal reorganization led to non-recurring expenses of T€3,945 in the fiscal year ended March 31, 2012. Those expenses were primarily IT-related, such as expenses for the data migration of the merged companies, consulting expenses and legal fees.

The following overview shows the updated Group structure following the Merger:



[1] Kabel Deutschland Vertrieb und Service Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vertrieb und Service Beteiligungs GmbH & Co. KG; Kabel Deutschland Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs GmbH & Co. KG and Kabel Deutschland Vermögen GmbH & Co. KG

3.4 RESTRUCTURING

To ensure the Group's long term competitiveness the management and structure of certain sales areas have been reorganized and adapted to market and / or customer needs. In doing so, the emphasis was on strengthening the sales focus by pooling the management of distribution channels and regional sales locations. In addition, sales interfaces to some headquarter functions have been reorganized accordingly.

As of March 31, 2012, the implementation of the restructuring measures in Sales and the associated headquarter functions resulted in non-recurring expenses of T€2,657, which was primarily attributable to personnel expenses.

3.5 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.

3.6 IMPACT OF EXCHANGE RATE FLUCTUATIONS

Our functional and reporting currency is the Euro. As of March 31, 2012 we had almost no revenues, expenses, liabilities or receivables denominated in currencies other than the Euro, except for the US dollar denominated Tranche F of the Senior Credit Facility in an aggregate principal amount of TUS$750,000, which matures in 2019. Principal and interest payments for the US dollar denominated Tranche F of the Senior Credit Facility, which are payable after January 31, 2017 are subject to currency risks. We have hedged the principal and interest payments related to this tranche until January 31, 2017 against currency fluctuations. In the event that we incur other debt denominated in other currencies, such as US dollar denominated bank or bond debt, we could incur additional currency risk and related hedging costs.

3.7 IMPACT OF INTEREST RATE CHANGES

Our exposure to market risk for changes in interest rates relates primarily to our floating rate debt obligations (Senior Credit Facility). In order to hedge its risks resulting from exposure to changes in interest rates, the Group has in the fiscal year ended March 31, 2012 entered into interest rate hedges ("interest swaps") with various banks for portions of the Senior Credit Facility. With these interest swap agreements the variable interest rates (EURIBOR) on the €500 million tranche E were effectively exchanged over the term from July 29, 2011 to June 30, 2017, for a fixed interest rate of 2.44%. In addition, the variable interest rate (EURIBOR) on the €400 million tranche D was effectively exchanged over its entire term from August 31, 2011 to December 31, 2016 for a fixed interest rate of 2.07%.

3.8 SEASONALITY

Certain aspects of our business are subject to small seasonal fluctuations. We have a disproportionately high portion of annual prepayments in our Basic Cable business in January and February, which results in higher cash flows from operating activities in these months of the fiscal year. In fiscals years ended March 31, 2012 and March 31, 2011 the Group billed approximately 26.8% and 26.9%, respectively, of its total revenues for the fiscal year in the months of January and February.

4. 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 terms are measures of financial performance under IFRS, nor have these measures been reviewed by an outside consultant, expert or auditor. Unless specifically indicated to the contrary, all of these measures are derived from management estimates. As defined by our management, these terms may not be comparable to similar terms used by other companies.

4.1 DEVELOPMENT OF SUBSCRIBERS AND RGUS

In recent fiscal years we have significantly expanded the capacity of our network and our product offering in the Premium-TV, broadband Internet and Phone segments. Our results reflect successive year-on-year RGU and revenue growth.

in thousands, except as noted	March 31, 2012	March 31, 2011
Operational data		
Network		
Homes passed	15,293	15,293
Homes passed upgraded for two-way communication	12,682	12,608
Upgraded homes as % of homes passed	*82.9%*	*82.4%*
DOCSIS 3.0 availability as % of homes passed upgraded for two-way communication	*76.9%*	*46.9%*
Homes passed upgraded for two-way communication being marketed [1]	10,632	10,496
Subscribers		
Direct Basic Cable subscribers	7,232	7,299
Internet and Phone "Solo" subscribers [2]	304	241
Total direct subscribers	**7,536**	**7,540**
Indirect Basic Cable subscribers	1,009	1,205
Total unique subscribers (homes connected)	**8,545**	**8,745**
Thereof subscribers taking Internet and Phone services	1,634	1,382
RGUs		
Basic Cable [3]	8,702	8,878
Premium-TV [4]	1,680	1,264
Internet	1,518	1,260
Phone	1,549	1,296
Subtotal New Services	**4,747**	**3,821**
Total RGUs	**13,449**	**12,698**
RGUs per subscriber (in units)	**1.57**	**1.45**
Penetration		
Premium-TV RGUs as % of Basic Cable subscribers	*20.4%*	*14.9%*
Internet RGUs as % of total subscribers	*17.8%*	*14.4%*
Phone RGUs as % of total subscribers	*18.1%*	*14.8%*

1) Homes passed being marketed mean households to which we currently sell our internet and / or phone products.

2) Internet and Phone "Solo" subscribers are non-Basic Cable service customers subscribing to Internet and / or Phone services only.

3) The difference between the number of Basic Cable customers and Basic Cable RGUs is due to one additional digital product component, Kabel Digital. It is sold directly to the end customer in addition to the analog Basic Cable service, which is provided and billed via a housing association. A customer subscribing to the Kabel Digital product is 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 contract with the end customer).

4) RGU (revenue generating unit) relates to sources of revenue which may not always be the same as subscriber numbers. For example, one person may subscribe to two different services, in which case two RGUs would be assigned to that one subscriber. Premium-TV RGUs consist of RGUs for our pay-TV product (Kabel Premium HD and Kabel International) as well as our DVR products Kabel Komfort HD and Kabel Komfort Premium HD.

The number of upgraded homes passed and marketed for two-way communication increased as of March 31, 2012 by 136 thousand or 1.3% to 10,632 thousand compared to 10,496 thousand in the prior year.

The number of direct subscribers decreased slightly by 4 thousand to 7,536 thousand as of March 31, 2012 from 7,540 thousand as of March 31, 2011.

Our total unique subscribers decreased by 200 thousand or 2.3% to 8,545 thousand as of March 31, 2012 compared with 8,745 thousand as of March 31, 2011. This decrease was primarily due to the loss of 196 thousand indirect subscribers (Level 4 network operators), which generate the lowest ARPU of any of our customers. We expect this trend to continue.

Each service that a Basic Cable subscriber receives counts as one RGU. As of March 31, 2012 we had 8,702 thousand Basic Cable RGUs, compared to 8,878 thousand in the prior year. The primary reason for the decrease was the abovementioned loss of 196 thousand indirect subscribers. In contrary, the number of households, which received Basic Cable services via landlords or housing associations and digital access (Kabel Digital) directly from KDH, increased. These households count as two RGUs in our statistics.

As of March 31, 2012 we had 1,153 thousand Premium-TV subscribers and accordingly 1,680 thousand Premium-TV RGUs. Compared to the 1,264 thousand Premium-TV RGUs as at March 31, 2011 this represents an increase of 416 thousand or 32.9%. In order to receive Premium-TV services a household must be a Basic Cable subscriber. A Premium-TV RGU refers to the source of revenue and each Premium-TV service for which a subscriber pays counts as one RGU. For example, a Basic Cable subscriber using pay-TV and DVR services counts as two Premium-TV RGUs.

Internet RGUs increased by 258 thousand or 20.5% to 1,518 thousand as of March 31, 2012 from 1,260 thousand as of March 31, 2011. The number of Phone RGUs increased by 253 thousand or 19.5% to 1,549 thousand as at March 31, 2012 from 1,296 thousand as of March 31, 2011.

A growing number of our subscribers purchases more than one of our service offerings, such as Basic Cable, Premium-TV as well as Internet and Phone products. As of March 31, 2012 we recorded 1.57 RGUs per subscriber compared to 1.45 RGUs per subscriber as of March 31, 2011.

4.2 ARPU

The ARPU indicates how far we are realizing potential revenues from subscribers. We calculate ARPU per subscriber on an annual, quarterly or monthly basis by dividing total subscription fees including usage dependent fees (excluding installation fees and other non-recurring revenues) 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	
in € / month	March 31, 2012	March 31, 2011
Total blended TV ARPU per subscriber [1]	9.86	9.52
Total blended Internet and Phone ARPU per subscriber [2]	28.24	29.15
Total blended ARPU per subscriber [3]	**14.44**	**13.40**

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

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

3) Total blended ARPU per subscriber is calculated by dividing the recurring TV service and Internet and Phone subscription revenues including usage dependent fees (excluding installation fees and other non-recurring revenues) generated in the relevant period in the TV Business and Internet and Phone segments by the sum of the monthly average number of total unique subscribers in that period.

For the fiscal year ended March 31, 2012 total blended ARPU per subscriber increased by €1.04 or 7.8% to €14.44 from €13.40 in the fiscal year ended March 31, 2011. The increase in ARPU resulted primarily from an increased number of Internet and Phone subscribers, a growing number of subscribers who purchase more than one product, and a decrease in indirect subscribers, who generate the lowest ARPU of our customers.

In the fiscal year ended March 31, 2012 the total blended ARPU per subscriber in the TV Business segment increased by €0.34 or 3.6% to €9.86, compared to €9.52 in the fiscal year ended March 31, 2011. The increase was primarily driven by a higher number of customers subscribing to more than one TV Business product.

In the fiscal year ended March 31, 2012 total blended ARPU per subscriber in the Internet und Phone segment decreased by €0.91 or 3.1% to €28.24 compared to €29.15 in the fiscal year ended March 31, 2011. The decrease was primarily driven by a higher number of subscribers in a promotional period as well as lower variable phone usage.

We continue to focus on increasing ARPUs per subscriber, particularly by increasing RGUs per subscriber. These increased as of March 31, 2012 by 0.12 or 8.3% to 1.57 RGUs per subscriber (prior year: 1.45 RGUs per subscriber).

4.3 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 or Premium-TV. Costs per acquired subscriber comprise costs for CPE, installation and setup and our acquisition costs per order (costs for marketing, sales and promotion) as well as general and administrative expenses.

Our acquisition costs per order for Internet and Phone subscribers decreased in the fiscal year ended March 31, 2012 to €158 from €171 in the fiscal year ended March 31, 2011. As in the previous year we were able to further reduce the average installation costs per subscriber due to the increased market penetration of our broadband Internet and fixed-line phone services and due to a higher number of follow-up installations within already upgraded buildings. In the fiscal year ended March 31, 2012 we posted a decrease in average installation costs per new Internet and Phone Business subscriber to approximately €123 from approximately €133 in the prior year period.

The average acquisition costs per order for our TV Business products decreased to €42 in the fiscal year ended March 31, 2012 from €55 in the fiscal year ended March 31, 2011. For our Basic Cable and Premium-TV products there are generally no installation costs since most customers use already existing cable network connections or are able to self-install the CPE sent to them.

5. COMPARISON OF OPERATING RESULTS FOR THE FISCAL YEARS ENDED MARCH 31, 2012 AND MARCH 31, 2011

5.1 REVENUES

Our business is divided into two operating segments: (i) the TV Business segment which accounted for 68.2% of our total revenues in the fiscal year ended March 31, 2012, and (ii) the Internet and Phone segment, which accounted for 31.8% of our total revenues in the fiscal year ended March 31, 2012.

The following table gives an overview of our revenues for the fiscal year ended March 31, 2012 compared to the fiscal year ended March 31, 2011.

Total revenues for the fiscal year ended March 31, 2012 increased by T€100,842 or 6.3% to T€1,699,734 compared to T€1,598,892 in the fiscal year ended March 31, 2011. This is the result of the continued strong growth in Internet and Phone, combined with an increase in growth for our Premium-TV products. In both areas new products have contributed significantly to the growth, particularly DOCSIS 3.0 with a transmission rate of 100 Mbit/s as well as the HD DVR.

	Fiscal Year ended	
in T€, except as noted	March 31, 2012	March 31, 2011
TV Business revenues	1,158,382	1,132,902
Internet and Phone Business revenues	541,352	465,990
Total revenues	**1,699,734**	**1,598,892**
Blended ARPU per subscriber (in € / month)	14.44	13.40

5.1.1 TV Business Revenues

TV Business revenues are primarily generated by Basic Cable subscription fees which are paid for access to our network and reception of our analog and digital TV signals. These revenues are generated by private households, housing associations (including landlords) and Level 4 network operators.

In addition, the Group generates revenues in the TV Business via our Premium-TV service such as pay-TV and DVR services.

Generally, first-time subscribers are charged an installation fee for the initial connection to our network and the provision of products. In addition, we generate fees and receive reimbursements for connecting new homes to our network.

Furthermore we record revenues from carriage fees for the distribution of broadcasters' programming as well as revenues from the sale of customer premise equipment (CPE) and other revenue. Carriage fees are typically based on the number of homes to which we distribute the programming and are subject to subsequent ordinary antitrust regulations. The future development of carriage fees depends among other things on the number of subscribers connected to our network.

in T€, except as noted	Fiscal Year ended March 31, 2012	March 31, 2011
Subscription fees	994,867	987,797
Carriage fees and other revenues	163,516	145,105
TV Business revenues	**1,158,382**	**1,132,902**
Blended ARPU per subscriber (in € / month) [1]	9.86	9.52

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

In the fiscal year ended March 31, 2012 our TV Business generated revenues of T€1,158,382, corresponding to 68.2% of our total revenues. In comparison, in the fiscal year ended March 31, 2011 our TV Business generated revenues of T€1,132,902 or 70.9% of total revenues. The growth in TV Business was primarily due to an increase in Premium-TV RGUs, particularly in connection with our new HD DVR and the expanded HD subscription packages.

5.1.2 Internet and Phone Business Revenues

We offer broadband Internet access, fixed-line and mobile phone services, mobile data services as well as additional services. Revenues of our Internet and Phone Business include recurring revenues from monthly usage based and fixed subscription fees as well as termination fees generated by the phone traffic of third party carriers terminating in our network. Revenues also include non-recurring revenues from installation fees, the sale of CPE, mobile phone commissions and other 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 customers. Under this agreement we enter into a direct contractual relationship with the subscriber and resell mobile phone services of this provider under our own brand name.

in T€, except as noted	Fiscal Year ended March 31, 2012	March 31, 2011
Subscription fees (recurring)	508,329	436,034
Installation fees and other non-recurring revenues	33,023	29,956
Internet and Phone Business revenues	**541,352**	**465,990**
Blended ARPU per subscriber (in € / month) [1]	28.24	29.15

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

In the fiscal year ended March 31, 2012 our Internet and Phone Business revenues increased by T€75,362 or 16.2% to T€541,352 (prior year period: T€465,990). Recurring fees increased in the fiscal year ended March 31, 2012 by T€72,295 or 16.6% to T€508.329 (prior year period: T€436,034). This continuous strong growth was primarily due to the increase in our Internet and Phone subscribers. As a percentage of our total revenues our Internet and Phone Business generated 31.8% in the fiscal year ended March 31, 2012 compared to 29.1% in the fiscal year ended March 31, 2011.

5.2 COSTS AND EXPENSES

In the fiscal year ended March 31, 2012 costs and expenses decreased by T€65,333 or 4.7% to T€1,338,946 (prior year period: T€1,404,279). The decline was due in particular to lower non-cash expenses for depreciation and amortization which were driven by the extension of the useful life of certain assets and from the expiration of the useful life of the customer list originally acquired by the Group in 2003 (see section 2.8.2 of the Group Notes). Costs and expenses are incurred in the following three functional areas:

	Fiscal Year ended	
in T€, except as noted	March 31, 2012	March 31, 2011
Cost of services rendered	784,287	801,468
Selling expenses	424,652	467,380
General and administrative expenses	130,008	135,430
Costs and expenses	**1,338,946**	**1,404,279**
Thereof:		
Depreciation and amortization	395,937	490,153
Expenses related to LTIP (IFRS 2) [1)]	20,459	17,373
Expenses related to restructuring	6,189	2,418
Expenses related to the restructuring of the network infrastructure	0	11,479
IPO related expenses	0	682
Total expenses before non-cash depreciation and amortization, expenses related to LTIP, expenses related to restructuring, expenses related to the restructuring of the network infrastructure and IPO related expenses	**916,361**	**882,174**
Monthly total expenses before non-cash depreciation and amortization, expenses related to LTIP, expenses related to, restructuring, expenses related to the restructuring of the network infrastructure and IPO related expenses per average RGU in €	5.84	5.92

1) Will be cash-settled under certain conditions at the end of the program, see Group Notes (section 5.5).

Costs and expenses in the fiscal year ended March 31, 2012 included non-cash depreciation and amortization, expenses for the Long-Term Incentive Plan ("LTIP") and restructuring expenses of T€422,585 (prior year period: T€522,105). In the fiscal year ended March 31, 2011, expenses for the restructuring of the network infrastructure and for the IPO have been incurred additionally.

Excluding for these items, costs and expenses in the fiscal year ended March 31, 2012 increased by T€34,187 or 3.9% to T€916,361, compared to T€882,174 in the fiscal year ended March 31, 2011. The expansion of our product offering and the intensified acquisition of new subscribers led to increased subscriber demand, thereby increasing the costs of our Customer Service Centers and subscriber related costs of the infrastructure. Our repair and maintenance services have increased along with the increase in the RGU base due to the higher service intensity of our new Premium-TV products.

Monthly costs and expenses per average RGU decreased in the fiscal year ended March 31, 2012 to €5.84 from €5.92 in the prior year period.

5.2.1 Cost of Services Rendered

Cost of services rendered are primarily costs associated with our business activities which are directly attributable to generating revenues, and consists of costs and expenses related to the operation and maintenance of our network and other costs directly associated with the provision of products and services over our network.

The cost of services rendered in the fiscal years ended March 31, 2012 and 2011 was as follows:

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Cost of materials and services	**418,482**	**389,617**
Thereof:		
Service level agreements ("SLAs") renting and leasing DTAG	172,237	162,888
Thereof cable ducts	103,304	103,278
Content costs	59,432	52,281
Interconnection expenses	42,487	42,478
Connectivity and other network costs	36,738	28,179
Maintenance and repair	35,794	27,699
Other expenses	71,793	64,614
Expenses related to the restructuring of the network	0	11,479
Personnel expenses	**37,827**	**39,601**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	2,813	2,031
Income from the reversal of provisions for restructuring	(414)	(589)
Depreciation and amortization	**250,378**	**288,845**
Other costs and expenses	**77,600**	**83,405**
Cost of services rendered	**784,287**	**801,468**

[1] Will be cash-settled under certain conditions at the end of the program, see Group Notes (section 5.5).

In the fiscal year ended March 31, 2012 the cost of services rendered decreased by T€17,181 or 2.1% to T€784,287 compared to T€801,468 in the fiscal year ended March 31, 2011. The decrease was primarily due to decreased non-cash depreciation and amortization as a result of the extended useful life of Level 3 cable networks. In contrast there was an increase in expenses of materials and services.

As a percentage of our total revenues, the cost of services rendered in the fiscal year ended March 31, 2012 decreased to 46.1% from 50.1% in the prior year period.

Cost of Materials and Services

Cost of materials and services in relation to cost of services rendered consist largely of expenses in connection with service level agreements (SLAs) with Deutsche Telekom AG (DTAG) relating primarily to leased cable ducts, co-location facilities, fiber optic systems and energy supply. In addition, cost of materials and services include expenses in connection with program content, interconnection fees, connectivity and other network costs, maintenance and repair costs and other expenses.

Expenses in connection with SLAs of DTAG mainly consist of two cost components:

(i) SLAs in connection with rental and leasing:

- Payments to DTAG for the use of assets. We lease certain operating assets, including cable ducts and fiber optic capacity / Backbones, which together represent the largest expense component of the SLAs;
- Payments to DTAG for leased technical operating areas (for antenna and other equipment); and
- Payments to DTAG for granting and monitoring access by our employees to shared facilities.

(ii) Other SLAs (not related to rents):

- Payments made in connection with energy.

Expenses from SLAs with DTAG in connection with rental and leasing agreements increased in the fiscal year ended March 31, 2012 by T€9,349 or 5.7% to T€172,237, compared to T€162,888 in the fiscal year ended March 31, 2011. The growth trend in the Internet and Phone Business made it necessary to lease additional fiber optic lines required for more network capacity. The cost of leasing cable ducts from DTAG, which accounted for the bulk of the expenses reported under this item, remained nearly unchanged in the fiscal year ended March 31, 2012 at T€103,304 (prior year period: T€103,278). As a percentage of total revenues, the cost of leasing cable ducts from DTAG decreased in the fiscal year ended March 31, 2012 to 6.1% compared with 6.5% in the prior year period.

Content costs relate primarily to program costs for the Kabel Digital, Kabel Komfort HD, Kabel Premium HD, Kabel Komfort Premium HD and Kabel International products. Content costs increased by T€7,151 or 13.7% to T€59,432 in the fiscal year ended March 31, 2012 from T€52,281 in the fiscal year ended March 31, 2011. This increased slightly to 3.5% of our total revenues for the fiscal year ended March 31, 2012 from 3.3% for the fiscal year ended March 31, 2011. The increase in content costs is largely proportionate to our number of Premium-TV subscribers, which increased by 23.3% during the past fiscal year. In addition, content costs increased due to higher costs for HD content for our new HD packages. In general the broadcasters' services are charged based on the costs per subscriber. With respect to the licensing of the HD content there are also contracts with minimum guarantees, of which, however, the minimum thresholds are mostly reached. We are proceeding on the assumption that total content costs will increase with a corresponding increase in our Premium-TV revenues. We are continuously monitoring and modifying our programming to achieve maximum customer satisfaction and minimum costs per subscriber.

Interconnection expenses are a charge between carriers related to the cost of phone traffic being transmitted and terminated through the network of third party carriers. In return we post revenues for phone traffic of the customers of third party carriers transmitted over and terminating in our network. In the fiscal year ended March 31, 2012 interconnection expenses remained virtually unchanged at T€42,487 compared with T€42,478 in the fiscal year ended March 31, 2011. As a percentage of our Internet and Phone revenues, our interconnection expenses decreased in the fiscal year ended March 31, 2012 to 7.8% (prior year period: 9.1%). In the fiscal year ended March 31, 2012, the monthly average interconnection expenses per Phone RGU decreased to € 2.54 from €3.11 in the prior year period.

Connectivity and other network expenses reflect the rental cost of our regional backbones from DTAG and from other third parties as well as costs for the connection to networks from third parties and expenses relating to leases of space for technical operating areas from third parties. As long as we continue to extend the upgraded network and the bandwidth capacity, we expect our connectivity and network expenses to continue to increase, combined with further customer growth. In the fiscal year ended March 31, 2012, our connectivity and other network costs increased by T€8,559 or 30.4% to T€36,738 (prior year period: T€28,179). As a percentage of total revenues, the Group's connectivity and other network costs increased to 2.2% in the fiscal year ended March 31, 2012 (prior year period: 1.8%).

In the fiscal year ended March 31, 2012, expenses for maintenance and repair provided by third parties increased by T€8,095 or 29.2% to T€35,794 (prior year period: T€27,699). This is associated with increased service intensity for our new Premium-TV products as well as a larger RGU base. As a result our maintenance expense as a percentage of our total revenues in the fiscal year ended March 31, 2012 increased to 2.1%, compared to 1.7% in the fiscal year ended March 31, 2011.

Other expenses of materials and services comprise several items, including expenses for energy, the cost of CPE sold, expenses for external technical call center agencies, non-capitalized installation costs for installation and setup, incidental expenses related to leased transponders, charges for encryption systems, and other expenses of materials and services. Other expenses of materials and services increased by T€7,179 to T€71,793 in the fiscal year ended March 31, 2012 from T€64,614 in the fiscal year ended March 31, 2011. The increase was primarily due to higher expenses for CPE and for external technical call center agencies. This was associated with our expanded HD offering as well as increased customer demand. As a percentage of total revenues, other expenses of materials and services increased to 4.2% in the fiscal year ended March 31, 2012 from 4.0% in the fiscal year ended March 31, 2011.

In total, expenses of materials and services in the fiscal year ended March 31, 2012 increased to 24.6% of our total revenues, compared to 24.4% in the fiscal year ended March 31, 2011.

Personnel Expenses

Personnel expenses within cost of services rendered mainly consist of costs incurred with respect to our technical staff responsible for network infrastructure planning and operation. In addition, technical staff in this area maintains the IP platform, the playout facility and our Technical Service Center. Personnel expenses comprise wages, salaries, social security costs and expenses for non-cash or non-recurring items such as LTIP and restructuring. In the fiscal year ended March 31, 2012, personnel expenses decreased by T€1,774 or 4.5% to T€37,827, compared to T€39,601 in the fiscal year ended March 31, 2011. Personnel expenses adjusted for non-cash or non-recurring items such as LTIP and restructuring decreased in the fiscal year ended March 31, 2012 by T€2,732 or 7.2% to T€35,428 compared to T€38,160 in the fiscal year ended March 31, 2011. This decrease was primarily due to higher amounts of own work capitalized resulting from the further extension of our technical infrastructure for the distribution of our new products and services, which was partially offset by higher expenses due to expansion of personnel. These adjusted personnel expenses decreased to 2.1% of total revenues in the fiscal year ended March 31, 2012 from 2.4% in the fiscal year ended March 31, 2011.

Depreciation and Amortization

Depreciation and amortization within cost of services rendered relate to the investments incurred to upgrade the network infrastructure and mainly comprise the depreciation of the network and the CPE. In the fiscal year ended March 31, 2012, depreciation and amortization decreased by T€38,467 or 13.3% to T€250,378 (prior year period: T€288,845). The decrease firstly reflects the extension of the useful life of the Level 3 cable networks. Secondly, driven by the network infrastructure restructuring initiated in the prior year, the useful life of certain assets was shortened, resulting in some cases in the expiration of the useful life in the reporting period. These effects were partly offset by the depreciation of acquisition costs for more, higher value CPE and by higher depreciation and amortization on new investments in network expansion.

Other Costs and Expenses

Other costs and expenses within cost of services rendered comprise copyright fees, other expenses for IT support, rental expenses, temporary personnel, marketing co-operations and various other items. In the fiscal year ended March 31, 2012 other costs and expenses decreased by T€5,805 or 7.0% to T€77,600 (prior year period: T€83,405). As a percentage of total revenues other costs and expenses in the fiscal year ended March 31, 2012 decreased to 4.6% from 5.2% in the prior year period.

5.2.2 Selling Expenses

Selling expenses arise in connection with the activities to support our sales and marketing effort with respect to our products and services. They are divided into four categories. In the fiscal year ended March 31, 2012 and 2011 selling expenses were as follows:

in T€	Fiscal Year ended March 31, 2012	Fiscal Year ended March 31, 2011
Cost of materials and services	**32,455**	**31,998**
Personnel expenses	**98,082**	**91,879**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	5,967	4,061
Expenses related to restructuring / (income from the reversal of provisions for restructuring)	1,826	(82)
Depreciation and amortization	**123,897**	**176,108**
Other costs and expenses	**170,218**	**167,395**
Selling expenses	**424,652**	**467,380**

[1] Will be cash-settled under certain conditions at the end of the program, see Group Notes (section 5.5).

Cost of Materials and Services

Cost of materials and services within selling expenses are associated with the general sale of our products and services as well as expenses in the area of our customer service center. Cost of materials and services increased slightly in the fiscal year ended March 31, 2012 by T€457 or 1.4% to T€32,455 (prior year period: T€31,998). The increase resulted primarily from higher expenses for our customer service center due to the larger RGU base and in connection with the HD offering which was switched and expanded as of October 2011.

As a percentage of total revenues, expenses of materials and services decreased slightly to 1.9% in the fiscal year ended March 31, 2012 from 2.0% in the fiscal year ended March 31, 2011.

Personnel expenses

Personnel expenses within selling expenses comprise wages, salaries, social security payments and pension costs relating to the sales, marketing and customer service personnel. In the fiscal year ended March 31, 2012 personnel expenses for sales and sales-related activities increased by T€6,203 or 6.8% to T€98,082 (prior year period: T€91,879). Personnel expenses adjusted for restructuring and LTIP increased by T€2,389 or 2.7% to T€90,289 in the fiscal year ended March 31, 2012 from T€87,900 in the fiscal year ended March 31, 2011, primarily due to increased staff to strengthen our sales and to increases in wages under collective bargaining agreements and salary increases. As a percentage of our total revenues adjusted personnel expenses decreased in the fiscal year ended March 31, 2012 to 5.3% compared to the value in the prior year period of 5.5%.

Depreciation and Amortization

Depreciation and amortization in relation to selling expenses primarily relate to the customer list, capitalized costs of customer acquisition, and costs for CPE. The amortization period for the capitalized costs of customer acquisition depends on the product sold. Empirical data collected in past years provide reliable past evidence on the average expected subscriber relationship for each customer segment. Thus, in Premium-TV, which is part of the TV Business, in the quarter ended September 30, 2011 the useful life was prolonged from 12 or 24 months (depending on the fixed minimum contract term) to 8.5 years (the expected subscriber relationship period). For our Internet and Phone Business the useful life was adjusted from 12 or 24 months (depending on the fixed minimum contract term) to 6.5 years (the expected subscriber relationship period) in the quarter ended September 30, 2011.

The estimated useful life of the customer list is based primarily on the average number of terminations and the term of the average contract life of individual users who generate significant contribution margins. Originally, due to lack to past experience, the useful life of the Internet and Phone customer list was aligned to the useful life of 8.5 years of the Group's customer list in the TV Business segment which already existed at that time. Due to the experience gained over the past years regarding the average customer relationship period, the Group revised the useful life of the Internet and Phone customer list from 8.5 years to 6.5 years with effect from August 1, 2011.

In the fiscal year ended March 31, 2012 depreciation and amortization decreased by T€52,211 or 29.6% to T€123,897 (prior year period: T€176,108). This was primarily attributable to the expiration of the useful life of the customer list originally acquired by the Group in 2003 and the adjusted useful life of capitalized subscriber acquisition costs (see Group Notes, section 3.6).

Other Costs and Expenses

Other costs and expenses with regard to selling expenses mainly include marketing costs, sales commissions, expenses for temporary personnel, sales support, bad debt expenses and other items. In the fiscal year ended March 31, 2012, other costs and expenses in relation to selling expenses increased by T€2,823 or 1.7% to T€170,218 (prior year period: T€167,395), primarily as a result of increased direct marketing measures. In contrast, other costs and expenses as a percentage of our total revenues decreased in the fiscal year ended March 31, 2012 to 10.0% compared with 10.5% in the prior year period.

5.2.3 General and Administrative Expenses

General and administrative expenses are expenses not directly allocated to the cost of services rendered or selling expenses. General and administrative expenses are divided into three categories. For the fiscal years ended March 31, 2012 and 2011 general and administrative expenses were as follows:

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Personnel expenses	**63,930**	**67,897**
Thereof:		
Expenses related to LTIP (IFRS 2) [1)]	11,680	11,281
Expenses related to restructuring	729	2,902
Depreciation and amortization	**21,661**	**25,201**
Other costs and expenses	**44,417**	**42,333**
Thereof:		
Expenses related to restructuring	3,990	188
IPO related expenses	0	682
General and administrative expenses	**130,008**	**135,430**

1) Will be cash-settled under certain conditions at the end of the program, see Group Notes (section 5.5).

Personnel Expenses

Personnel expenses within general and administrative expenses comprise wages, salaries, social security costs and pension costs related to administrative personnel. In addition, this item contains expenses associated with restructuring and LTIP. Personnel expenses decreased in the fiscal year ended March 31, 2012 by T€3,967 or 5.8% to T€63,930 (prior year period: T€67,897). Adjusted for non-cash or non-recurring items, restructuring and LTIP, personnel expenses decreased by T€2,193 or 4.1% to T€51,521 in the fiscal year ended March 31, 2012 compared to T€53,714 in the prior year period. This resulted primarily from higher own work capitalized due to projects in the IT area, which were partially offset by higher expenses caused by increased staff and increases in wages under collective bargaining agreements and salary increases. The increased staff is primarily related to the insourcing of long-term consultants and experts of the IT department. As a percentage of our total revenues, adjusted personnel expenses decreased in the fiscal year ended March 31, 2012 to 3.0% compared to 3.4% in the prior year period.

Depreciation and Amortization

Depreciation and amortization within general administrative expenses relate primarily to investments in IT. Depreciation and amortization decreased by T€3,540 or 14.0% to T€21,661 in the fiscal year ended March 31, 2012 from T€25,201 in the fiscal year ended March 31, 2011, primarily due to the expiration of the useful life of certain software components. As a percentage of our total revenues, depreciation expenses decreased in the fiscal year ended March 31, 2012 to 1.3% compared with the value in the prior year period of 1.6%.

Other Costs and Expenses

Other costs and expenses within general administrative expenses primarily include costs for IT support, consulting and other headquarter-related costs. In the fiscal year ended March 31, 2012, other costs and expenses increased by T€2,084 or 4.9% to T€44,417 (prior year period: T€42,333). The main reason for the increase was non-recurring expenses of T€3,945 in the fiscal year ended March 31, 2012, primarily comprising IT-related expenses such as expenses related to implementation of the Merger and the data migration and system and reporting changes required by it. It also includes consulting expenses and costs for legal advice. Excluding non-recurring expenses, other costs and expenses within general and administrative expenses decreased by T€1,036 or 2.5% to T€40,427 in the fiscal year ended March 31, 2012 from T€41,463 in the prior year period. As a percentage of our total revenues these costs and expenses decreased in the fiscal year ended March 31, 2012 to 2.4% from the value of the prior year period of 2.6%.

5.3 PROFIT FROM ORDINARY ACTIVITIES

In the fiscal year ended March 31, 2012, profit from ordinary activities increased significantly by T€165,946 or 80.2% to T€372,900 (prior year period: T€206,954), primarily resulting from a combination of substantial revenue growth of T€100,842 associated with a modest increase in operating costs, and significantly lower expenses for depreciation and amortization of T€94,216.

5.4 INTEREST INCOME

In the fiscal year ended March 31, 2012, the Group entered into stand-alone derivatives contracts (interest floors) (see Group Notes section 3.12.2), whose change in market value generated income of T€2,111. In the fiscal year ended March 31, 2011 we recorded a one-time gain in connection with the buyback of part of the Group's own PIK Loan (average market value of 97% of the notional value) and interest income on corporate income tax refunds. In total, interest income in the fiscal year ended March 31, 2012 decreased compared to the prior year period by T€1,373 to T€2,891 from T€4,264.

5.5 INTEREST EXPENSES

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Senior Credit Facility	120,884	75,882
2018 Senior Notes	25,639	-
2014 Senior Notes	-	83,633
Thereof:		
Non-recurring	-	22,941
Recurring	-	60,692
PIK Loan	9,735	57,719
Amortization of capitalized financing and transaction costs	34,982	52,397
Thereof:		
Non-recurring	13,562	25,869
Recurring	21,420	26,528
Pensions	2,397	2,099
Finance lease	1,479	1,487
Derivatives	2,231	(6,778)
Asset retirement obligations	1,049	2,318
Other	3,179	3,911
Total interest expenses	**201,575**	**272,667**

In the fiscal year ended March 31, 2012 interest expenses decreased by T€71,092 or 26.1% to T€201,575 (prior year period: T€272,667). This significant decrease primarily resulted from the debt restructuring during the last two fiscal years, resulting in a lower level of financing costs. Since mid-2010, the Group fully repaid its 2014 Euro Senior Notes in the amount of T€250,000, its 2014 Dollar Senior Notes in the amount of TUS$610,000 (together referred to as "2014 Senior Notes") and its PIK Loan in the amount of T€785,173 (including accrued interest as of the redemption dates). In addition, the Group repaid T€660,999 of Facility A and T€170,694 of Facility C. These repayments were funded by the issue of new Senior Secured Notes ("2018 Senior Notes") in the amount of T€500,000 and the addition of a new Senior Add-on Facility ("Tranche D") in the amount of T€400,000, a new Senior Add-on Facility ("Tranche E") of T€500,000 and a new Add-on Facility ("Tranche F") of TUS$750,000.

In July and August 2011 we entered into interest hedge agreements to swap the floating interest rate of the T€400,000 Term Loan Tranche D (EURIBOR plus 4.0%) for an effective fixed interest rate of 6.07% until December 2016, and the variable interest rate of the T€500,000 Term Loan Tranche E (EURIBOR plus 3.25%) for an effective fixed interest rate of 5.69% until June 2017. The resulting interest expense of T€6,795 is presented as part of the interest portion of the Senior Credit Facility. Thus, together with the new T€500,000 2018 Senior Notes (coupon: 6.50%) we achieved a proportion of fixed rate debt of approximately 50%.

In January 2012, the currency risk associated with Term Loan Tranche F is fully hedged by currency swaps for a period of 5 years for the full amount of the notional value. In addition, the minimum LIBOR of 1.00% stipulated in Tranche F was effectively eliminated by the purchase of an interest floor for 5 years. From the Group's point of view this results in variable Euro denominated interest payments based on one month EURIBOR plus the agreed margin.

Amortization of capitalized financing and transaction costs included non-recurring expenses of T€13,562 in connection with early repayments of the PIK Loan and Facility A and Facility C in the fiscal year ended March 31, 2012. The total amount of non-recurring interest expenses in the prior year period amounted to T€48,810 and included non-cash expenses of T€25,869 for the extraordinary amortization of previously capitalized financing and transaction costs, especially for the repayment of the 2014 Senior Notes and T€22,941, which basically incorporates the redemption premium on the 2014 Senior Notes.

In the prior year period the Group generated interest income of T€6,778 from its currency hedge on the Dollar Senior Notes due to fluctuating market values. The currency hedge was also terminated upon repayment of the Dollar Senior Notes in the fiscal year ended March 31, 2011. The new stand-alone derivatives acquired in the fiscal year ended March 31, 2012 associated with Tranche F which was newly issued in connection with the Senior Credit Facility incurred interest expenses of T€2,231 for the Group. This is due to the changes in the fair value of the interest floor (see Group Notes section 3.12.2).

Adjusted for non-recurring effects and the effects from the change in fair values in connection with our interest and currency hedging, recurring interest expenses in the fiscal year ended March 31, 2012 decreased by T€44,854 or 19.5% to T€185,782 compared to T€230,636 in the fiscal year ended March 31, 2011. This largely reflects the significantly improved debt structure.

Outstanding interest debt at nominal values (excluding derivatives) as at March 31, 2012 increased by €48.4 million or 1.7% to €2,824 million (prior year: €2,775 million), primarily due to the debt restructuring, which is described more detailed in the Notes (see Group Notes section 3.12).

We constantly monitor our net debt (total debt nominal amounts (excluding derivatives) less cash) which declined as of March 31, 2012 to €2,690 million (prior year: €2,747 million).

5.6 INCOME FROM ASSOCIATES

Based on the financial statements we have, income from associates in the fiscal year ended March 31, 2012 declined by T€2,520 to T€1,627 (prior year period: T€4,147).

5.7 PROFIT / LOSS BEFORE TAXES

Due to a significantly positive profit from ordinary activities and the reduced interest expenses resulting from the debt restructuring, our profit before taxes in the fiscal year ended March 31, 2012 amounted to T€175,842 compared to a loss of T€57,302 in the fiscal year ended March 31, 2011.

5.8 TAXES ON INCOME

Tax expenses in the fiscal year ended March 31, 2012 were T€16,435, compared to a tax benefit of T€12,010 in the fiscal year ended March 31, 2011. Taxes for the fiscal year ended March 31, 2012 comprised net current tax expenses of T€21,017 and deferred tax benefit of T€4,583. Taxes recorded for the fiscal year ended March 31, 2011 comprised current tax expenses of T€39,865 and a deferred tax benefit of T€51,875. The decrease in current taxes is due to the use of loss carry forwards resulting from implementation of the Merger. The deferred tax benefit in the current period resulted primarily from the decrease in deferred tax liabilities due to temporary differences related to tangible and intangible assets. The deferred tax benefit in the prior year period resulted mainly from the decrease in deferred tax liabilities in connection with the extraordinary amortization of capitalized financing and transaction costs.

5.9 NET PROFIT / NET LOSS OF THE GROUP FOR THE PERIOD

In the fiscal year ended March 31, 2012 a net profit of T€159,408 was recorded, compared to a net loss of T€45,292 in the fiscal year ended March 31, 2011. This was primarily driven by the significant improvement in our profit before taxes based on higher revenues, combined with a disproportionately low increase in operating costs and lower expenses for depreciation and amortization and interest. This is also reflected in earnings per share, which increased to €1.78 in the fiscal year ended March 31, 2012 from €-0.50 in the prior year period.

5.10 ADJUSTED EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION) 1)

	Fiscal Year ended	
in T€, except as noted	March 31, 2012	March 31, 2011
Profit from ordinary activities	372,900	206,954
Depreciation and amortization	395,937	490,153
Expenses related to LTIP (IFRS 2) 2)	20,459	17,373
Expenses related to restructuring	6,189	2,418
Expenses for the restructuring of the network infrastructure	0	11,479
IPO related expenses	0	682
Adjusted EBITDA	**795,485**	**729,059**
Adjusted EBITDA margin in %	**46.8%**	**45.6%**

1) EBITDA represents profit from ordinary activities before depreciation and amortization. We calculate the "adjusted EBITDA" as profit from ordinary activities before depreciation and amortization, expenses for LTIP, restructuring items and IPO related expenses (in the prior year).

2) Will be cash-settled under certain conditions at the end of the program, see Group Notes (section 5.5).

Adjusted EBITDA increased in the fiscal year ended March 31, 2012 by T€66,426 or 9.1% to T€795,485, compared to T€729,059 in the fiscal year ended March 31, 2011. Our adjusted EBITDA margin rose in the fiscal year ended March 31, 2012 to 46.8% (prior year period: 45.6%), primarily due to the continued growth in the Internet and Phone Business.

6. FINANCIAL POSITION AND CASH FLOWS AS OF MARCH 31, 2012 COMPARED TO THE FISCAL YEAR ENDED MARCH 31, 2011

As of March 31, 2012, the balance of our cash and cash equivalents was T€133,784. Under our revolving Senior Credit Facility Tranche B we also had T€324,030 in unused credit line available.

The following table shows a summary of cash flows for the fiscal years ended March 31, 2012 and 2011:

	Fiscal Year ended	
in T€	March 31, 2012	March 31, 2011
Cash flows from operating activities	729,867	753,889
Cash flows from investing activities	(391,549)	(366,065)
Cash flows from financing activities	(232,869)	(630,834)
Changes in cash and cash equivalents	105,449	(243,010)
Cash and cash equivalents at the beginning of the period	28,335	271,345
Cash and cash equivalents at the end of the period	**133,784**	**28,335**

6.1 CASH FLOWS FROM OPERATING ACTIVITIES

In the fiscal year ended March 31, 2012 our net cash flow from operating activities decreased by T€24,022 to T€729,867 (prior year period: T€753,889). Our operating performance improved significantly, as evidenced by the positive performance of the gross operating cash flow (cash flow from operating activities before changes in assets and liabilities as well as income taxes), which increased as of March 31, 2012 by T€68,449 to T€768,938 (prior year period: T€700,489). Offsetting effects which generally led to the decrease in the cash flow from operating activities resulted in particular from tax payments, upfront payments in connection with our supplementary backbone contracts which became effective in the fiscal year ended March 31, 2012, and an increased number of CPE held available in the context of our new Premium-TV products. In the prior year period as of March 31, 2011 we also had non-recurring provisions associated with the restructuring of the network infrastructure and the Finance department.

6.2 CASH FLOWS FROM INVESTING ACTIVITIES

The net cash flow from our investing activities increased in the fiscal year ended March 31, 2012 by T€25,484 or 7.0% to T€391,549 (prior year period: T€366,065). The investment payments, primarily for our network infrastructure and for intangible assets, increased in the fiscal year ended March 31, 2012 by T€54,218 to T€391,213 (prior year period: T€336,995). These payments comprise investments in property and equipment of T€308,458, which were primarily due to the positive development of Internet and Phone RGUs as well as Premium-TV and to the associated increase in subscriber-driven capital expenditures in our networks as well as in more and higher-valued CPE, in particular our new HD-DVRs. A further component of our investing activity is the upgrade of the conversion of our transmission technology from satellite to fiber optic transmission (Backbone). In the area of intangible assets, in the fiscal year ended March 31, 2012 investments of T€82,755 were made, mainly consisting of capitalized subscriber acquisition costs, and, to a lesser degree, software licenses. Cash paid for acquisitions in the fiscal year ended March 31, 2012 of T€10,525 relates to the contingent consideration of the purchase price regarding the acquisition of companies or assets in the previous fiscal year (see Group Notes section 1.3). Dividends received from associates amounted to T€6,673 (prior year period: €0).

6.3 CASH FLOWS FROM FINANCING ACTIVITIES

The net cash flows from our financing activities in the fiscal year ended March 31, 2012 amounted to T€232,869, compared to T€630,834 in the fiscal year ended March 31, 2011.

In the fiscal year ended March 31, 2012, cash related to non-current financial liabilities of T€1,570,452 consisted of T€570,452 for the new Facility F, T€500,000 for the new Facility E and T€500,000 for the 2018 Senior Notes. Cash repayments of current and non-current financial liabilities in the amount of T€1,543,875 comprised T€736,827 for the repurchased PIK Loan, T€170,694 for the partially redeemed Facility C, T€635,999 for the partially redeemed Facility A and to a much lesser degree T€355 for our new interest floor (see Group Notes section 3.12.2). Interest and transaction costs paid amounted to T€188,665 and included non-recurring financing and transaction costs due to the debt restructuring in the amount of T€32,144 as well as accrued interest in connection with the redemption of the PIK Loan of T€10,162. More detailed information concerning the development of the financial liabilities can be found in the Group Notes, section 3.12. Cash payments to shareholders of T€60,000 relate to the redemption of 1,477,061 treasury shares at an average price of €40.621, which was implemented from September 19, 2011 to December 9, 2011 (see Group Notes section 3.15).

In the fiscal year ended March 31, 2011 repayments of non-current financial liabilities consisted of the early redemption of the Euro and US Dollar Senior Notes in the amount of T€755,553, partial repayment of the PIK Loan in the amount of T€35,573 and a partial drawing for Tranche A of the Senior Credit Facility in the amount of T€25,000. New loans issued in relation to Tranche D of the Senior Credit Facility amounted to T€400,000. The Revolving Credit Facility was drawn on and repaid during the year in an amount totaling T€240,000. Interest and transaction costs paid amounted to T€205,036, including non-recurring financing and transaction costs as a result of the refinancing in the amount of T€45,752.

6.4 CAPITAL EXPENDITURE

In the fiscal year ended March 31, 2012 total capital expenditures were T€391,213 and comprised investments in property and equipment of T€308,458 and investments in connection with IT systems, customer acquisition, licenses and other intangible assets of T€82,755. T€274,828 of the operational investments were due to success based investments, including directly to the acquisition of new subscribers, their connection to our network as well as the CPE and their installation. Since the summer of 2011 Kabel Deutschland recorded strong demand for HD DVRs, which increased even further in the last few months, and was a significant driver of success based investments. Non success based investments of T€116,385 were primarily attributable to the expansion of our network, which was driven in the past fiscal year in particular by the completion of the regional backbones. In addition, non success based investments include expansions of our IT systems especially in order to further enhance our customer service. Our investments for the fiscal year ended March 31, 2012 amounted to 23.0% of our total revenues (prior year period: 21.1%). In addition, in the fiscal year ended March 31, 2012 investments for finance leasing amounted to T€4,262 (prior year period: T€7,631).

Due to the positive development of our Internet and Phone RGUs and the associated increase in subscriber-driven investments, especially in the network upgrade, installations, initial setup of modems and customer acquisition, there was an investment expense in the Internet and Phone Business of T€186,951 in the fiscal year ended March 31, 2012. As of March 31, 2012, 82.9% of our networks were already upgraded to two-way communication, allowing us to offer our subscribers broadband Internet access, phone services and other future interactive services. As we progressed with our network upgrade we continuously increased the number of passed homes marketed with our New Services, especially Internet and Phone. In our view by upgrading the majority of our network to the DOCSIS 3.0 data transmission standard we are able to maintain our competitive advantage in the long run since we can offer internet downstream speeds of up to 100 Mbit/s. As of March 31, 2012, DOCSIS 3.0 products could be offered in 76.9% of our upgraded network.

6.5 OTHER COMMENTS ON NET ASSETS

Total assets increased slightly and this primarily reflects increased cash funds, while other current and non-current assets were relatively constant. Current financial liabilities decreased primarily as a result of the repayment in April 2011 of the share of the PIK Loan which was a current share in the prior year, while non-current financial liabilities increased in particular as a result of the acceptance of new non-current financial liabilities.

7. OPPORTUNITY AND RISK REPORT

The Group is faced with a multitude of opportunities and risks. By carefully monitoring uncertainties and optimizing opportunities, the Group protects itself and creates value for its shareholders. KDH AG accordingly uses a risk management system which is carefully adapted to its environment and its operations.

7.1 RISK MANAGEMENT SYSTEM

Risk management consists of compiling and monitoring all organizational regulations and measures which are aligned with management's strategy and designed to identify and manage risks.

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

The risk environment can change quickly and unexpectedly due to a variety of factors. It is therefore necessary to react quickly to prevent a situation arising where there is significant damage or long-term impact on the net assets, finances or operating results.

The decisions on identifying opportunities and minimizing risks are generally made in the operating units. Therefore all managers perform an additional task as risk managers and they have the authority to take and monitor risks.

The system is supplemented by the central risk management unit which performs risk control, thus ensuring that the duties are segregated.

The risk control unit is responsible for processes and ensures that the risk situation is assessed comprehensively and is transparent by means of quarterly reporting to the Management Board. In specially defined cases which require thorough investigation, and where defined limits in the early warning system are exceeded, this regular standard reporting is supplemented by immediate reporting. In addition, risk control is also responsible for the ongoing enhancement of the risk management system and for setting company-wide standards. Risks that overlap departments are also monitored.

The risks listed below are closely monitored as part of the Group risk management system so that appropriate measures can be implemented if necessary.

7.2 INTERNAL CONTROL SYSTEM RELATING TO ACCOUNTING

The internal control system includes certain principles, procedures and measures established by the Management Board, which are geared to organizational implementation of the decisions of management:

- Assurance of effectiveness and profitability of the business operations (this includes the protection of assets, including the prevention and detection of economic loss)
- Correctness and reliability of internal and external accounting
- Compliance with the legal provisions relevant for the Group

The Group uses the internal control system to ensure correct accounting. This guarantees prompt, standardized, correct and complete accounting and processing of business transactions and processes and compliance with legal standards. Changes in accounting regulations are continuously reviewed for their relevance and effects on the financial statements of the Group, and if necessary, the internal policies and systems are adjusted 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 compliance with 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). In the Group all control-related business processes are part of a transparent central IT system. Regular checks are also made on personnel in charge of controls and processes.

This accounting process, which can significantly influence the individual financial accounts and the overall statement of the annual financials, including the management report, is part of our internal control and risk management system. The following main elements are included in this regard:

- Identification of the key risk fields and controls that are relevant for the accounting process
- Monitoring controls for monitoring the accounting process and its results at Management Board level and strategic business segment level
- Preventive control measures in finance and accounting and in operational and business performance processes, which generate the key information for the annual financial statements, including review of the economic situation as well as a separation of functions and predefined approval processes in relevant departments
- Measures which ensure the correct computer processing of accounting-related issues and data
- Measures for monitoring the internal control and risk management system related to accounting

In addition, the Internal Audit department has a key function within the Group control system. As part of its risk-oriented audits, it examines inter alia the accounting-related processes and reports the results.

Monitoring the internal control system is also a responsibility of the Audit Committee.

In general, it should be noted that an internal control system provides no absolute guarantee that defective information in external reporting will be found. However, the risks of potential defective information are minimized as far as possible.

7.3 RISKS

Risks relating to our Industry

We operate in a highly competitive industry and the competitive pressure can have material negative effects on our business. The developing Internet TV sector also might lead to intensified competition.

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

We may not achieve our growth targets if demand for cable and telecommunications products and services in Germany does not increase, slows down or even collapses. In addition, the market environment in Germany differs from that of other countries; penetration rates, RGUs and ARPUs of cable providers outside Germany can therefore only restrictedly be used as reliable indicators of our growth potential.

Risks relating to our Business

Failure to control customer churn and the resulting decline in the number of our cable subscribers may have a detrimental effect on our business activities and financial results.

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

In December 2011, Deutsche Annington, one of Germany's largest housing companies, entered into a long-term agreement with DTAG for the provision of TV, Internet and Phone services. While this agreement has only a minor effect on the Group's customer base, it nevertheless shows that DTAG's entry is intensifying the competition for license agreements.

If we are unable to continue existing products or successfully launch and establish new or improved products and services, our revenues, margins and cash flows could be lower than expected.

Our business is subject to rapid changes in technology and if we are not able to respond to technological developments in time, our business may be adversely affected.

Failure to maintain and further develop our cable network or make other improvements to the network may have a material adverse effect on our business activities and financial position.

Many components of our cable network are based on rental and leasing contracts. These contracts may be terminated by both parties after a minimum period or for good cause. Cancellation of these contracts may lead to additional costs for the renewal of the contracts or alternative solutions or – in the worst case – to a loss of business if there is no suitable alternative.

We are dependent on DTAG and some of its affiliated companies for cable ducts and other important services. The ongoing litigation against DTAG which seeks to reduce the compensation for joint use of cable ducts may have a negative impact on our business relationship with DTAG.

We do not have guaranteed access to programs and are dependent on contracts with certain program providers. Our profitability may be negatively impacted if we are unable to extend the contracts on comparable terms.

Failure to reach agreements with collection societies for copyright fees might negatively impact our business activities.

The occurrence of events beyond our control might result in damage to our central systems and service platforms, including our digital playout center and our cable network. For example, there would be lengthy network outages due to bad weather conditions, particularly long periods of intense cold.

The security of our encryption systems was compromised by piracy and may in future be compromised again by piracy, which may have a negative effect on our business operations and profitability.

We are dependent on equipment and service suppliers who can discontinue production or attempt to impose prices on us that are not competitive for us, which may adversely affect our business and our profitability.

Sensitive subscriber data is an important part of our daily business, and unauthorized disclosure of such data might violate laws and regulations which could result in fines, loss of reputation and customer churn, adversely affecting our business.

The loss of key management staff and other personnel or the inability to attract key management staff or other personnel may have a detrimental effect on our business.

The risks relating to outsourcing services may have an adverse effect on our business and result in higher costs than expected.

Strikes or other collective bargaining disputes with work stoppage could disrupt or interrupt our operations or make them more costly; for example, the cost increases for personnel in the current negotiations may be unreasonable and have an effect on profitability.

We may acquire assets which could potentially generate revenues, cash flows and profits which are lower than expected. We may encounter problems in the planned integration of these assets and not achieve the expected synergies.

We are subject to increasing operating costs and inflation risks which may have a detrimental effect on our earnings.

We are exposed to risks from litigation and arbitration proceedings.

The insolvency risk of our major suppliers and customers may adversely affect our revenues and the operating results.

We are subject to significant government regulation, which may increase our costs and otherwise negatively affect our business.

Because of these regulations we do not have complete control of the prices that we can charge broadcasters, or for a wholesale basis to Level 4 network operators, which may adversely affect our cash flows and profitability as well as our ability to compete for contracts with subscribers and housing associations.

Our relationships with program content providers and radio broadcasters are subject to asymmetrical regulations. We are required to distribute certain programs on our cable network, which may adversely affect our competitive position and operating results.

In January 2012, the public radio broadcasters announced that, as of 2013, they intend to cease payments of feed-in fees to the Group. Given in particular the fact that these broadcasters remain willing to pay for the distribution of their programs in other infrastructures, the Group will continue to argue for the extension of the feed-in compensation. It cannot, however, be ruled out that a negative change in the revenue situation relating to carriage fees will occur.

We are subject to consumer protection laws and the General Terms of Business incorporated in our customer contracts may not be enforceable in German civil courts, which might negatively affect our business and operating results.

Risks relating to our Financial Profile

Our substantial financial liabilities and our dependence on changing market interest rates may negatively impact our financial strength and our ability to raise further capital to finance our business activities.

Our debt agreements contain covenants which may limit our flexibility in operating our business.

Our capacity to generate sufficient cash depends on many factors that are beyond our control, and in certain circumstances we may not be able to generate the cash required to service our debt.

Despite our current debt level we could still incur more debt, which could lead to further risks related to the increased indebtedness.

The Group has significant financial debts and we may not be able to refinance these on favorable terms, or at all.

We have unfunded liabilities relating to our pension plans and other retirement benefits.

We might lose our tax loss carry forwards and interest loss carry forwards if a change in the shareholder structure were to occur, which could result in significantly higher future tax payments and might adversely affect our liquidity and earnings situation.

In the past we have posted losses and might do so again in the future, which may negatively impact our business and ability to obtain financing in the future.

The loans under the Senior Credit Facilities are subject in part to floating interest rates, which could rise significantly, resulting in increased costs and reduced cash flows.

We could be required to pay additional taxes or other charges resulting from tax audits on us or our subsidiaries.

We might not be able to fully deduct our interest payments for tax purposes.

Despite the current financial crisis we have no expectation of immediate effects that could negatively impact our business. There are no international dependencies of any kind since the Group operates its business exclusively in Germany and does not operate in foreign currencies. If, however, the crisis were to continue in the long-term, our refinancing terms and therefore also our borrowing costs could deteriorate.

Future dividend payments or further share buyback programs strengthen the relationship with shareholders but could restrict the financial flexibility of the Group.

Summary

In summary, it can be stated that the existence of the Group was at no time under threat. In addition, we know of no other developments which could pose such a risk or may adversely affect the net assets, financial position and operating results of the Group in the long term.

Overall, the Group's risk situation is considered to be controlled and manageable.

7.4 OPPORTUNITIES

The Group operates in a large and powerful economic region of Europe. In terms of customers and homes passed, we are, in our own assessment, Germany's largest cable network operator. Our cable network encompasses 13 of Germany's 16 federal states, including the metropolitan areas of the three largest German cities, Berlin, Hamburg and Munich. As of December 31, 2010[1)], there was a total of 47.1 million persons living in 23.7 million households in the states where we do business, which account for more than half of Germany's Gross Domestic Product (GDP). Taken on its own, this is equivalent to the fifth largest economic output in the European Union, as measured by GDP (source: German Federal Statistical Office, 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 growth opportunities in our market.

The German market offers very good growth prospects for the cable sector. The German market for broadband Internet access alone has grown rapidly over the past five years. Notwithstanding the high growth rates, broadband Internet penetration in 2010 was estimated at only 75%. Compared with the rest of the EU, this leaves Germany trailing the countries with greatest penetration such as Sweden (83%), Denmark (80%) and Finland (76%) (source: Eurostat).

We believe that, due to its competitive advantage, the cable technology will continue to attract broadband Internet access customers from other network technologies, such as DSL.

As before, however, the German market for Premium-TV continues to be 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, relatively stable cash flows from operations. Cable is Germany's leading television platform. In July of 2011, 50.2% of German households obtained their television programming over cable networks (source: Digitalreport TNS Infratest, ALM/ZAK (July 2011)). We believe that this percentage share has remained largely unchanged over the last few years, even though new distribution platforms have been introduced, such as digital terrestrial television broadcast (DVB-T) and Internet television. This stability, combined with relatively low churn rates in the core segments of our TV Business, as well as our predictable cost basis and investment structure have led to relatively stable operating cash flows.

We have an extensive, but not fully exploited, subscriber base and network coverage. Despite strong growth, in terms of both RGUs per subscriber (1.57 as of March 31, 2012) and monthly ARPU per subscriber (€14.44 for the fiscal year ended March 31, 2012), we were behind cable providers in other countries over the last three years.

Part of this has to do with the relatively late introduction of the New Services on our network. In the future, however, with our offerings of complementary and higher-end products in Premium-TV services as well as in broadband Internet and fixed-line phone services (cross-selling / upselling), we will be in a position to gain both existing and new subscribers for our New Services.

As the operator of Germany's second largest media and telecommunications network, we have a considerable technology and range advantage. The technology and range of our cable network positions us well in the converging markets of the media and telecommunications landscape. Since we control the access through our own network also in the "last mile", we can be more flexible in product planning and preparation. Also, as compared to providers without their own access network, we have shorter lead times for product introduction and a number of cost advantages. Our upgraded cable network can transmit both analog and digital TV broadcasting signals, which can be used simultaneously by multiple users per household.

We believe that, because of the high quality network infrastructure, we will also benefit in the future from increased broadband Internet penetration and from increased customer demand for HDTV offerings and interactive TV applications. Through the further extension of the DOCSIS 3.0 data transmission standard, our network will guarantee broadband speeds of 100 Mbit/s or more. Thus we expect to maintain our present position of leadership in the price/value equation until further notice.

We benefit from economies of scale, with a largely fixed cost structure and capital expenditures that are mostly success based. In our view, as the owner of the network and due to our large customer base, we can operate more

1) Based on the most recent information available.

cost-effectively than many of our German competitors, in particular resellers and providers that use copper wire pairs from DTAG. Certain 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 and margins as we grow our business. Since our cable network also serves as a platform for our broadband Internet access and fixed-line phone products, we benefit from the incremental economics 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 46.8% for the fiscal year ended March 31, 2012, despite continued investments in our sales, marketing and service capabilities. Our intention over the coming years is to upgrade additional portions of our network that are not yet able to offer bi-directional services. These measures will lead to the addition of further homes being marketed, which should open improved opportunities for growth in particular for the Internet and Phone Business.

Our management possesses considerable experience in the German cable, television and telecommunications sector. Their record of successful achievement encompasses productivity increases, cost reductions, strategic takeovers and the maintenance and expansion of established customer relationships. Our Chief Executive Officer has been with us since May 2007. In more than 20 years he has held leading positions in the information and communications industry, including Siemens Business Services and Fujitsu Siemens Computers. Our Chief Financial Officer has many years of experience in the German telecommunications sector. Before joining us in his original position as Director Corporate Development in 2003, he spent over ten years with management consultant McKinsey & Co., where he provided advice primarily to telecommunications companies. Our Chief Operating Officer has had a broad range of experience in the German media sector, having held a variety of positions at the Kirch Group (Germany) before joining us in 2003. Our Chief Marketing Officer came to us in 2007 from Swiss cable network operator Cablecom Holdings GmbH, and in his previous position was responsible for marketing and sales in the consumer business and in product areas.

8. DISCLOSURES PURSUANT TO SECTION 315 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – HGB) AND EXPLANATORY REPORT

The disclosures required under HGB Section 315 para. 4 are as follows:

DESCRIPTION AND COMPOSITION OF SUBSCRIBED CAPITAL

As of March 31, 2011, KDH AG's subscribed capital amounted to T€90,000 and was reduced to T€88,523 in the fiscal year ended March 31, 2012. At this time, it consists of 88,522,939 no par value bearer shares with a pro rata amount of €1.00 each. The subscribed capital of KDH AG is fully paid in.

There are no different classes of shares; the same rights and duties are associated with all shares, the details of which are specified by Sections 12, 53a, 186 and 188 et seq. of the German Stock Corporation Act (Aktiengesetz – AktG). The right of shareholders to shares issued in certificate form is excluded under Article 4 para. 3 of the Articles of Association. Each share confers the right to one vote at the Shareholders' Meeting. Shareholders' proportion of the Company's profits is determined in accordance with their proportion of the share capital (Section 60 AktG).

DIRECT OR INDIRECT PARTICIPATIONS IN CAPITAL THAT EXCEED 10% OF VOTING RIGHTS

Under the German Securities Trading Act (Wertpapierhandelgesetz – WpHG), investors who have reached, exceeded or fallen below certain threshold percentages of voting rights in listed companies are required to notify the Company. As of the balance sheet reporting date, the following companies have reported exceeding the threshold of 10% of the voting rights in KDH AG:

BlackRock

On March 14, 2011, the companies indicated below reported to the Company that they had exceeded the 10% threshold on March 8, 2011. On that date, the voting rights attributable to each of the following companies in accordance with Section 22 para. 1 sentence 1 no. 6 in combination with Sentence 2 WpHG were as follows:

- BlackRock, Inc., New York, USA: 11.00% (corresponding to 9,901,898 voting rights),
- BlackRock Financial Management, Inc., New York, USA: 10.80% (corresponding to 9,719,915 voting rights) and
- BlackRock Holdco 2, Inc., Wilmington, Delaware, USA: 10.80% (corresponding to 9,719,915 voting rights).

APPOINTMENT AND REMOVAL OF THE MANAGEMENT BOARD, AMENDMENTS TO 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 of five years. Reappointment or extension of the term for five years is also permitted. 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 makes 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 has two votes in the next voting.

Under Article 5 of the Articles of Association, the Management Board of KDH AG consists of one or more persons. The Supervisory Board determines the actual number of members. The Supervisory Board has appointed a Chairman of the Management Board and a Deputy Chairman. The Supervisory Board may establish rules of procedure for the Management Board and in particular, stipulate in these rules transactions which require the approval of the Supervisory Board. Both of these were undertaken by the Supervisory Board of KDH AG. 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. Except as required by statute, Supervisory Board resolutions are made by simple majority of the votes cast.

The Supervisory Board may revoke the appointment of a Management Board member and the designation of its Chairman for cause, pursuant to Section 84 para. 3 AktG.

In case of amendments of the Articles of Association, Sections 179 et seq. AktG shall be observed. The German Stock Corporation Act contains special provisions (Sections 182 - 240 AktG) for amendments to the Articles of Association in the event of an increase or decrease in share capital. Under these provisions, the Shareholders' Meeting of may authorize the Management Board to undertake particular (capital) measures within the limits specified by it (existing authorizations at KDH AG are set out below). The Shareholders' Meeting decides with regard to amendments to the Articles of Association (Sections 119 para. 1 no. 5, 179 para. 1 AktG). The resolution must be approved by at least three fourths of the share capital represented when the resolution is adopted. The Articles of Association can designate a different controlling interest (higher or lower) and establish additional requirements. The Articles of Association of KDH AG, in Article 17 para. 2, provide that resolutions of Shareholders' Meetings are to be adopted by a simple majority of the votes cast and, insofar as a capital majority is required, by a simple majority of the share capital represented at the time the resolution is adopted, unless a greater majority is required by the Articles of Association or legal statute. The latter is the case, for example, for 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 three-fourths majority of the capital represented when the resolution is adopted is required in each case.

The Supervisory Board is authorized by Article 11 of the Articles of Association to decide on amendments to the Articles that relate only to their wording. The Supervisory Board is further authorized by Article 4 para. 5 and 6 to adjust the wording of the Articles of Association after complete or partial implementation of the share capital increase out of Authorized Capital 2010/I and expiration of the authorization period, in accordance with the extent of the capital increase(s) from Authorized Capital 2010/I, and also to make the corresponding adjustments following complete or partial implementation of the share capital increase from 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 shareholders' resolution dated February 19, 2010, the Management Board is authorized to increase the Company's share capital, with Supervisory Board approval, on or before February 18, 2015 by issuing up to 45,000,000 new no par value bearer shares against payment in cash and / or contributions in kind on one or more occasions, up to a total amount of T€45,000 (Authorized Capital 2010/I).

Contingent Capital

The Company's share capital is contingently increased by T€45,000 by resolution of the Shareholders' Meeting of March 15, 2010 through the issue of up to 45,000,000 new no par value bearer shares (Contingent Capital 2010/I). The contingent capital may be used to provide shares to holders / creditors of convertible and warrant bonds pursuant to the authorization of March 15, 2010.

Treasury Shares

By a resolution of the Shareholders' Meeting dated March 15, 2010, the Management Board was authorized to purchase treasury shares on or before March 14, 2015, subject to Supervisory Board consent, in a volume of up to 10% of the share capital existing at the time the resolution was adopted (corresponding to 9,000,000 shares). Acquisition for purposes of trading in treasury shares is not permitted. The shares acquired on the basis of this authorization, together with other shares of the Company acquired by the Company and still in its possession at the time of acquisition, may not represent more than 10% of the share capital.

The authorization may be used by the Company on one or more occasions, in its entirety or in several installments, and may also be used by the Company's subsidiaries or companies under majority ownership of the Company or by third parties acting on behalf of the Company or its subsidiaries or companies under majority ownership of the Company.

Purchases may be made over the stock exchange or through a public offer to all shareholders. For acquisition via the stock exchange, the purchase price (excluding incidental purchasing expenses) may not be more than 20% above or below the price of the stock as determined by the opening sales in XETRA trading (or a corresponding successor system) on the trading date.

In the event of acquisition through a public offer, the purchase price offered or the limits of the purchase price range per share (excluding incidental purchasing expenses) may not be more than 20% above or below the closing price in XETRA trading (or a corresponding successor system) on the third exchange trading day preceding the date of public notification of the offer. If there are significant fluctuations in the prevailing price after the public offer to purchase is published, the offer may be adjusted. In that event, any adjustment will be based on the price on the third exchange trading day prior to the public announcement.

The volume of the offer may be limited. If the entire subscription of the offer exceeds the established size, acceptance must be effected according to quota. Provisions may be made for preferential acceptance of smaller numbers of up to 1,000 tendered shares per shareholder.

In addition to sale via the stock exchange, or 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 may be retired, with no further shareholder resolution required for the retirement or its implementation.

(b) With the consent of the Supervisory Board, they may be offered and transferred to third parties against contributions in kind in connection with company mergers or for the purpose of acquiring (including indirectly) companies, divisions of companies, equity interests in companies or other assets.

(c) With the consent of the Supervisory Board, they may be sold to third parties for cash payment if the price at which the shares are sold is not materially below the stock exchange price of the Company's shares at the time of the sale (excluding incidental purchasing expenses); the relevant price in that event will be the stock exchange price of the Company's shares in XETRA trading (or a corresponding successor system) at the time of the determination of the selling price.

    Altogether, the shares sold on the basis of this authorization may not exceed the upper limit for simplified exclusion of subscription rights of 10% of the share capital, neither at the time this authorization goes into effect nor when it is exercised. This number is to include company shares issued by the Company while this authorization is valid with shareholder subscription rights excluded in direct or indirect application of Section 186 para. 3, sentence 4 AktG. This number is also to include shares issued, or that may yet be issued, to service conversion or option rights or conversion obligations, insofar as the bond conveying a corresponding conversion or warrant right or providing a basis for a corresponding conversion obligation was issued while this authorization was in effect in accordance with this provision precluding shareholders' subscription rights.

(d) With the consent of the Supervisory Board, they may be used to service warrant and / or conversion rights or conversion obligations on bonds issued by the Company or an affiliated company.

The above authorizations for use or retirement of treasury shares may be used in full or in installments, on one or more occasions, individually or in combination.

Shareholders' subscription rights to acquire treasury shares are excluded insofar as these shares are used in accordance with the above authorizations in letters (b) through (d).

In the period from September 19, 2011 to December 9, 2011, the Management Board, with consent of the Supervisory Board, repurchased on the stock exchange a total of 1,477,061 no par value shares, with a pro rata amount of share capital equal to T€1,477 at a total purchase price of approximately T€60,000 (excluding transaction fees). The amount used for acquisition of the 1,477,061 shares was covered by unrestricted capital reserves pursuant to Section 272 para. 2 no. 4 HGB.

By resolution dated March 12, 2012, the Management Board, using the authorization granted to it by Section 71 para. 1 no. 8 sentence 6 AktG, resolved to retire 1,477,061 treasury shares, with a T€1,477 reduction in share capital, causing removal from the books of the corresponding treasury shares in a Group securities account maintained at a bank. The capital reduction through retirement of treasury shares was then announced on March 13, 2012 in accordance with Section 30b para. 1 sentence 1 no. 2 WpHG.

As of May 10, 2012, the implementation of the capital reduction and the amendment of the wording of the Articles of Association in accordance with Article 11 of the Articles of Association in connection with Section 179 para. 1 sentence 2 AktG, as resolved by the Supervisory Board on March 13, 2012, have been entered in the commercial register.

At this time, the authorization of the Shareholders Meeting of March 15, 2010 still encompasses the repurchase of up to 8.36% of the share capital existing at the time the resolution was adopted (corresponding to 7,522,939 shares).

MATERIAL AGREEMENTS OF THE COMPANY THAT ARE CONDITIONAL ON CHANGE OF CONTROL RESULTING FROM A TAKEOVER OFFER

In the following circumstances, mandatory prepayments are due on borrowings under the Senior Credit Facility: (i) in full, upon a change of control (normally triggered if a person or group obtains control over more than 30% of the Company's total voting rights) or upon the sale of all significant assets of the Group, (ii) in part from a flow of funds from specific third parties, including in connection with the sale of assets.

In the event of a "Change of Control Triggering Event", KDVS GmbH is obligated to submit an offer to buy back the 2018 Senior Secured Notes at a price of 101%, plus accrued interest. A "Change of Control Triggering Event" takes place if there is a change of control accompanied by a ratings downgrade. A change of control in this sense occurs (i) if a person or group acquires control over a majority of voting rights in KDVS GmbH, (ii) if within two successive years persons who constitute the majority of shareholder representatives on the Supervisory Board (together with new Supervisory Board members whose election or nomination for election by the Shareholders' Meeting was previously supported by the majority of shareholder representatives on the Supervisory Board) no longer constitute the majority of shareholder representatives on the Supervisory Board, or (iii) upon a sale, lease, transfer or other disposition of all material assets. A relevant ratings downgrade is present (i) in the event that the 2018 Senior Secured Notes are given an investment grade rating by both Moody's Investors Service and Standard & Poor's Rating Services, if this investment grade status is revoked by at least one of these two agencies, or (ii) in the event that the 2018 Senior Secured Notes are not given an investment grade rating by at least one of the two rating agencies, if at least one agency reduces the rating by at least one sub-rating step.

Individual agreements with pay-TV providers guarantee a special right of cancellation in the event that a competitor of the contracting party or a company associated with the competitor obtains dominant control over the Group.

A communal housing association may cancel a permit and services agreement with KDVS GmbH if a third party acquires a majority interest in KDVS GmbH or KDH AG and, due to the changed ownership structure, it is no longer reasonable to expect adherence to the agreement.

9. COMPENSATION REPORT

9.1 BASIC PRINCIPLES OF THE COMPENSATION SYSTEM FOR THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The following compensation report summarizes the main features of the system for compensation of the Management Board and Supervisory Board of KDH AG that have determined Management Board and Supervisory Board compensation during the past financial year.

The system for compensation of the Management Board of KDH AG was revised during the financial year ended March 31, 2011, following the IPO in March 2010. On May 19, 2010 the Supervisory Board of KDH AG passed a resolution pertaining to the Management Board compensation structure presented below, retroactive for the entire fiscal year ended March 31, 2011, which was the basis for newly established service agreements with Management Board members.

The new system for Management Board compensation was approved by a resolution of the Shareholders' Meeting of October 20, 2010.

9.2 MANAGEMENT BOARD COMPENSATION

The whole Supervisory Board defines reasonable compensation for the individual members of the Management Board. The criteria for the reasonableness of total compensation 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 absence of special justifying reasons.

Total compensation for Management Board members essentially comprises three elements: base compensation, short-term variable compensation based on the fiscal year, and long-term variable compensation components based on a Long-Term Incentive Plan ("LTIP"). Added to these are retirement pensions and standard benefits.

Fixed Salary

A fixed annual salary is provided. This is paid out regardless of performance in equal monthly installments, and represents the fixed element of compensation.

Short-term Variable Bonus

In addition, a short-term variable bonus in the form of a 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 beginning of each fiscal year. If targets are achieved 100%, the performance bonus corresponds to the agreed target bonus, equal to 80% of base compensation. If there is 70% target achievement, a bonus in the amount of 10% of the agreed target bonus is paid; there is no bonus for lower achievements. The upper limit of the performance bonus is 150% of the contractually agreed target bonus. The extent to which targets have been achieved is calculated and determined by the Supervisory Board at the end of each fiscal year based on actual operating results.

The following parameters were used to establish performance targets for the fiscal year ended March 31, 2012: EBITDA, EBITDA less CAPEX (i.e. investment in longer-term capital goods) taking into account changes in Net Working Capital (i.e. various current asset items), subscription revenues, customer satisfaction (one third each for customer service center, technical service center, and technical operations), net adds of individual customer agreements and net add of Internet and Phone customer numbers.

Long-term Variable Bonus

In addition, the members of the Management Board participate in a long-term, performance-dependent compensation program, so called "LTIP." This consists of two share-based components: a performance share program, issued annually ("LTIP I") and a one-time grant of virtual stock options ("LTIP II").

LTIP I

The virtual performance share program is a performance-dependent compensation component rated to the total shareholder return (TSR) on shares of KDH AG during a 4-year period ("vesting period") relative to the performance of the MDAX.

At the beginning of every financial year, Management Board members are awarded a number of virtual shares ("performance shares") defined by the Supervisory Board in the proper exercise of its discretion. Depending on the attainment of certain performance targets, the performance shares will be due for payout four years after they are granted. The performance targets are assessed based on the performance of the shareholder return on KDH AG shares compared to the MDAX over the four-year vesting period. Payout is made in cash, and is determined by the number of payable performance shares times the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 trading days prior to the time of vesting. If the performance of the shareholder return on KDH AG shares in the vesting period is equal to the performance of the MDAX index, there is 100% achievement of the performance targets and 100% of the performance shares granted are paid out. If the shareholder return on KDH AG shares during the vesting period outperforms the MDAX index, the number of payable performance shares rises, depending on the extent of the outperformance relative to the MDAX, up to a maximum of 200% of the performance shares originally awarded. The 200% limit is reached if the MDAX is outperformed by 40 percentage points or more. If KDH AG shares underperform the MDAX by up to 20 percentage points (inclusive), the number of payable performance shares is reduced, depending on the extent of the underperformance, by up to 50%. Straight-line interpolation is applied between the upper and lower limits. The performance target is missed, and the performance shares will expire worthless, if the MDAX is underperformed by more than 20 percentage points. The performance shares will likewise expire worthless if the MDAX is underperformed and, at the same time, the price of KDH AG shares at the time of vesting (the relevant price being the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 trading days before the time of vesting) plus any dividends paid out during the vesting period falls below the issuing price of the performance shares.

LTIP II

Effective April 1, 2010, the members of the Management Board received a one-time allotment of virtual stock options with a term of six years. The quantity of options received was duly determined at the discretion of the Supervisory Board.

Depending on the achievement of specific performance targets, the virtual stock options vest in several tranches on March 31, 2012 (40% of the options), March 31, 2013 (another 30% of the options), and March 31, 2014 (the remaining 30% of the options). The established performance targets are the target EBITDAs which must be achieved during a specific time period as well as the price targets for KDH AG shares that must be achieved within defined performance time frames. If the respective price targets are not achieved within the relevant performance time frame, the options may also become vested subsequently, up to the expiration of the exercise period, if and when the price target for one of the following performance time frames is achieved either before the start of such next performance time frame or during it, insofar as the relevant Management Board member is in office at the time the target is achieved (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 may also extend the term of the options and the exercise period by up to two years. Virtual stock options that are not exercised within the (original or extended) exercise period will expire worthless. Upon exercise of the virtual options, the difference between the IPO issue price of KDH AG shares (€22) and the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 days before the time of exercise will be paid out in cash.

In the event of extraordinary developments, the Supervisory Board may limit both the number of payable performance shares and the number of exercisable virtual stock options.

Payment in the Event of Termination or Retirement

Members of the Management Board acquire pension benefits under a company pension plan. The individual pension agreements give Management Board members, under the company pension scheme applicable to the Group, a right to lifelong pension benefits or survivor benefits upon reaching the age of 65, in the event of permanent disability or in the event of death. Upon reaching normal retirement age, payments are made out of a capital account plan funded by annual contributions, the amount of which is determined by annual fixed salary and age. The amount of the annual contributions is calculated using 2.5% of annual base salary and 7.5% for the amount of annual base salary exceeding the contribution measurement limits of statutory pension insurance, multiplied by a factor depending on age. The total contributions accumulated in this manner constitute the pension benefit balance. Payments from the capital account may consist of a lump sum withdrawal (as a single amount or in installments) or an annuity on the pension benefit balance existing at the time of retirement, permanent disability or death. The payment in the event of disability amounts to 100% of the pension credit balance achieved at the time of retirement. The survivor benefits give the spouse a right to 100% of the pension benefit balance. Children under the age of 27 are entitled to 100% of the pension benefit balance in equal shares if there is no surviving spouse.

In the event a Management Board member leaves the company before reaching retirement age, the retirement benefits are vested. If annualized pension payments are made, an annual increase is made to the ongoing pension payments. If the retirement capital is spread out over yearly installments, a commitment may be given for a widow / orphans annuity, in the amount of 60% of the annuity payment.

Contractual Benefits

Board members have a right to standard (non-cash) benefits. These include the use of a company car, D&O insurance, a life insurance policy, health insurance contributions and, on an individual basis, a housing allowance or reimbursement of tax advisory costs.

9.3 SUPERVISORY BOARD COMPENSATION

The compensation of the Supervisory Board was set by the Shareholders' Meeting and is governed by Article 12 ("Compensation") of KDH AG's Articles of Association. Each member of the Supervisory Board receives a fixed base compensation payable after the end of the financial year, in the amount of T€20. The Chairman of the Supervisory Board receives fixed compensation in the amount of four times this amount and the Deputy Chairman in the amount of one and a half times the amount. The Chairman of the Executive Committee additionally receives twice the aforementioned amount and the Chairman of the Audit Committee additionally receives four times the amount of base compensation for Management Board members. Every ordinary member of the Audit Committee receives an additional amount of 0.75 times the base compensation. Supervisory Board members who belong during only part of a fiscal year to the Supervisory Board and/or a Supervisory Board committee or who hold the post of Chairman or Deputy Chairman of the Supervisory Board of KDH AG are to receive only the corresponding prorated compensation.

In addition, Supervisory Board members receive an attendance fee of T€1 per meeting for each meeting of the entire Supervisory Board in which they personally take part. The attendance fee is limited to T€1 per calendar day. In addition, the Company reimburses Supervisory Board members for expenses arising from the exercise of their Supervisory Board responsibilities as well as for the value-added tax payable on their compensation and expenses, provided that the latter are separately billed.

Members of the Supervisory Board who withdrew from or first join the Supervisory Board during the financial year ended March 31, 2012 have a right to the above-specified compensation payments prorated to the length of their respective time in office. This relates to the shareholder representatives who withdrew at the end of October 2011: John Hahn, Robert Sudo, Biswajit Subramanian and Ian West. Since November 2011 their successors have been Annet Aris, Catherine Mühlemann, Paul Stodden and Torsten Winkler. In addition, since the election of employee representatives at the beginning of December 2011, Petra Hesse and Norbert Michalik have withdrawn from the Supervisory Board and Irena Gruhne and Helmut von der Lieck have joined. Torsten Winkler has become a member of the Audit Committee, replacing Robert Sudo, as has Susanne Aichinger, replacing Petra Hesse. They received the corresponding prorated compensation.

10. OUTLOOK

The business of our Group has proven its resilience in recessionary economic environments. Given this experience, we believe our Company will continue to turn in a very robust performance during the current fiscal year and beyond. However, an economic environment with high inflation rates could have a negative effect on business performance (rising factor costs and interest rates).

Since 2006, the Group has implemented a comprehensive investment program for network upgrading, introduced New Services and strengthened its marketing and sales capabilities. This enabled the sale of new products such as broadband Internet access, fixed-line phone services and Premium-TV services, e.g. DVR or pay-TV. In our investments, we have benefited from our existing network, our economies of scale owing to a relatively fixed cost structure and success-based subscriber-oriented investments. Over the last few years, this strategy has led to clear organic growth in revenues, EBITDA and free cash flow. We expect the successful performance of our Group and the continuation of our strategy to move forward over the next years. Based on the type of financing chosen by the Group, we believe that no difficulties will arise with regard to timely fulfillment of our financial obligations.

TV BUSINESS

We expect that our Basic Cable business will continue to generate stable revenues and cash flows in the future as well, despite a continuing slight fall in the number of Basic Cable subscribers. As in the past years, this decline in subscribers is expected to appear mainly in the segment of indirect customers with low average monthly revenues, triggered by further cable connection removal notices by Level 4 network operators. Possible additional acquisitions of Level 4 network operators in our network area might further increase the proportion of direct subscriber relationships. As in the past, we shall continue to examine potential added value from possible acquisitions in the future as well, in order to profit from an ongoing consolidation in the German cable industry given an appropriate environment (market, regulators).

The growing familiarity with and demand for digital television offerings should give us multiple further opportunities for innovation in providing our Basic Cable subscribers with additional Premium-TV services. In the next two years, we plan to further increase the distribution of our new digital video recorders and digital receivers among our customer base and to expand our HDTV offering. Furthermore, we plan over the next few years to distribute the interactive VoD service, introduced in March of 2011, on further upgraded networks. It is our expectation that the marketing of these New Services – either as individual products or as part of a portfolio of products with our current pay-TV offerings – will generate further growth in the TV Business and should make a positive contribution to the performance of our Group's EBITDA and cash flow.

INTERNET AND PHONE BUSINESS

As in past years, we expect the Internet and Phone Business to continue to be the major engine of our Group's revenue and EBITDA growth in the future as well. While growth in the overall market in Germany is weakening, we nevertheless believe that, as Internet penetration rises, this will mean significantly above-average growth in Internet subscribers and Internet revenues for our company. Cable network operators have won market share from DSL providers, and our growth will be increasingly supported by DSL customers looking to make a move, customers we can win through product differentiation and by leadership in the cable technology price/performance relationship. We will be able to expand this technological leadership further still, with increased availability of our DOCSIS 3.0 services at a speed of 100 Mbit/s or above.

NETWORK PROJECTS, CAPITAL EXPENDITURE AND FINANCIAL POSITION

To accommodate further growth of subscribers, traffic and our New Service offerings, we will continue to invest in our network and service platforms in the years to come. The majority of our investments going forward will also be success-based, i.e. directly connected with new subscriber acquisition and set-up and the accompanying expenditures for terminal equipment. In addition, we will upgrade more networks to offer our Internet and Phone services, and systematically investigate replacing leased infrastructures with investments in our own line capabilities.

As a consequence of the expected developments described above, we believe that the operating free cash flow (EBITDA minus CAPEX) from our current business will remain stable in the coming year and grow the following year. This will enable us to reduce our net debt level and meet all financial obligations (loan covenants, interest and principal repayments) and loan terms and conditions of the Group in coming years, and also strengthen our earnings on a sustained basis.

11. PARTICULAR EVENTS AFTER THE BALANCE SHEET DATE

The RTL Group terminated existing feed-in agreements with KDVS GmbH on April 28, 2012, and took legal steps to enforce the de facto termination of feed-in. KDH considers the exercise of the special right of termination and the measures taken by the RTL Group to be legally void. At the same time, KDH is currently in advanced negotiations with the RTL Group and expects to reach contractual agreement shortly.

On April 30, 2012 KDH AG signed a new unsecured financing with a volume of up to €600 million that can be drawn down in two separate tranches until June 7, 2013. The purpose of the loan is to finance the acquisition of TeleColumbus, but in parts (maximum €200 million) it can also be used for general corporate purposes. If drawn, this financing will have a maturity of five years (initial interest of 4.25% over EURIBOR, capped at 8.0%), but can be refinanced before.

On May 21, 2012 KDH AG has entered into a purchase agreement with Tele Columbus GmbH ("TeleColumbus") to acquire the TeleColumbus Group. The purchase price amounts to €603 million plus accrued interest. As of December 31, 2011, this would have been equivalent to €618 million. The purchase price will provide for repayment in full of the financial debt of TeleColumbus.

TeleColumbus, headquartered in Berlin, provides basic cable services to approximately 1.7 million customers in 2.1 million homes connected and is Germany's largest Level 4 cable network operator. TeleColumbus operates predominantly in Berlin and in Eastern Germany including the cities of Dresden, Magdeburg and Potsdam. The business of TeleColumbus overlaps to a large extent with KDH's footprint. In the fiscal year 2011 TeleColumbus reported revenues of €218 million and an operating result (EBITDA) of €81 million.

Following a successful closing of the acquisition, most of TeleColumbus' customers will be able for the first time to subscribe to KDH's high speed Internet products and new TV services.

The acquisition is subject to the approval of the German Federal Cartel Office.

Unterfoehring, May 29, 2012

Kabel Deutschland Holding AG

Dr. Adrian v. Hammerstein

Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares

Chief Operating Officer

Erik Adams

Chief Marketing Officer

Dr. Andreas Siemen

Chief Financial Officer

RESPONSIBILITY STATEMENT

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 29, 2012

Dr. Adrian v. Hammerstein

Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares

Chief Operating Officer

Erik Adams

Chief Marketing Officer

Dr. Andreas Siemen

Chief Financial Officer

AUDIT OPINION

Independent Auditors' report

We have audited the consolidated financial statements prepared by the Kabel Deutschland Holding AG, Unterfoehring, 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, 2011 to March 31, 2012. 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 29, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]	*[signed]*
Dahmen	Christ
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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ANNUAL FINANCIAL STATEMENTS OF KABEL DEUTSCHLAND HOLDING AG

Kabel Deutschland Holding AG, Unterfoehring
Balance Sheet as of March 31, 2012

Assets	€	March 31, 2012 €	March 31, 2011 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	17,378,511.55		6,574
2. Other Assets	3,654.33		0
		17,382,165.88	6,574
II. Cash on Hand and Bank Balances		99,920.43	735
		17,482,086.31	7,309
C. Prepaid Expenses		151,266.61	119
		1,533,131,352.92	**1,522,926**

Equity and Liabilities	€	March 31, 2012 €	March 31, 2011 T€
A. Equity			
I. Subscribed Capital	88,522,939.00		90,000
II. Capital Reserves	376,638,006.06		722,109
III. Accumulated Profit / (Deficit)	135,000,000.00		(83,707)
		600,160,945.06	728,402
B. Provisions			
1. Provision for Pensions	1,694,915.00		1,451
2. Other Provisions	17,745,347.79		33,028
		19,440,262.79	34,478
C. Liabilities			
1. Liabilities to Banks	0.00		715,387
2. Trade Payables	84,431.96		144
3. Liabilities to Affiliates	902,820,679.88		44,310
4. Other Liabilities	10,622,760.95		177
thereof for Taxes €10,622,035.50 (prior year: T€177)			
		913,527,872.79	760,019
D. Deferred Tax Liabilities		2,272.28	26
		1,533,131,352.92	1,522,926

Kabel Deutschland Holding AG, Unterfoehring
Statement of Income
for the Period from April 1, 2011 to March 31, 2012

	€	April 1, 2011 - March 31, 2012 €	April 1, 2010 - March 31, 2011 T€
1. Revenues		2,910,000.00	3,097
2. Other Operating Income		9,355.42	4
3. Personnel Expenses			
a) Wages and Salaries	(10,816,077.18)		(11,933)
b) Social Security and Pension Costs	(273,852.16)		(238)
– thereof for old-age pensions €191,179.28 (prior year: T€158)			
4. Other Operating Expenses	(3,849,025.15)		(4,397)
– thereof from currency translation €492.83 (prior year: T€0)			
		(14,938,954.49)	(16,568)
5. Interest and Similar Income	4,371.28		159
6. Interest and Similar Expenses	(56,250,205.73)		(59,663)
– thereof to affiliates €46,411,024.21 (prior year: T€1,830)			
– thereof to accumulation €76,031.00 (prior year: T€39)			
		(56,245,834.45)	(59,504)
7. Result from Ordinary Business Activities		(68,265,433.52)	(72,971)
8. Extraordinary Expenses	0.00		(23)
– thereof income from applying Articles 66 and 67 (1) to (5) EGHGB (transitional BilMoG provisions) €0 (prior year: T€23)			
9. Extraordinary Result		0.00	(23)
10. Income Taxes	24,085.79		(26)
– thereof income from deferred taxes (prior year: expenses) €24,085.19 (prior year: T€-26)			
11. Other Taxes	129.24		0
		24,215.03	(26)
12. Net Loss for the Year		(68,241,218.49)	(73,020)
13. Accumulated Losses Brought Forward		(83,706,860.83)	(10,687)
14. Transfer from Capital Reserves		286,948,079.32	0
15. Transfer from Capital Reserves for the Purchase and Retirement of Treasury Shares in the Account of Accumulated Profit		59,999,975.62	0
16. Expenses from the Purchase and Retirement of Treasury Shares		(59,999,975.62)	0
17. Income from Reduction of Subscribed Capital		1,477,061.00	0
18. Contribution to Appropriated Capital Reserves Pursuant to Section 237 (5) AktG		(1,477,061.00)	0
19. Accumulated Profit / (Loss)		135,000,000.00	(83,707)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR KABEL DEUTSCHLAND HOLDING AG AS OF MARCH 31, 2012

1. BASIS OF PREPARATION

These annual financial statements of Kabel Deutschland Holding AG ("KDH AG" or the "Company") were prepared in accordance with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code (Handelsgesetzbuch – HGB) and the supplementary regulations of the German Stock Corporation Act (Aktiengesetz – AktG). The Company is capital market-oriented as defined in Section 264d HGB and is therefore considered to be a large capital corporation in accordance with Section 267 para. 3 sentence 2 HGB. The statement of income has been prepared using the total cost method pursuant to Section 275 para. 2 HGB.

The Company's fiscal year ends on March 31.

2. ACCOUNTING AND VALUATION METHODS

The Company's financial statements were prepared in accordance with the following accounting and valuation methods and on the premise that the Company is a going concern.

2.1 FINANCIAL ASSETS

Investments in affiliates and equity investments are stated at acquisition cost. The Company recognizes impairment losses when there are decreases in the values of the financial assets.

2.2 RECEIVABLES AND OTHER ASSETS

Receivables and other assets are stated at their nominal value. Identifiable individual risks are taken into account through allowances. Non-interest bearing or low interest bearing receivables with a remaining term of more than one year are discounted.

2.3 PREPAID EXPENSES

Costs incurred prior to the reporting date are recorded as prepaid expenses if they represent an economic benefit in a future reporting period.

2.4 DEFERRED TAXES

Deferred taxes are calculated by valuing the temporary or timing differences between the carrying amounts of assets, liabilities, prepaid expenses or deferred income in the statutory accounts and their tax carrying amounts, using the tax rates that are specific to the Company. Deferred tax liabilities are not offset. The tax relief from tax loss carry forwards is not recognized as an asset.

2.5 PROVISIONS FOR PENSIONS

Provisions for pensions and similar obligations are recognized according to actuarial principles, based on the use of the projected unit credit method ("PUC method"). Salary and social security contribution increases expected in the future are taken into account when determining the present value of direct benefits. The average market interest rate published by Deutsche Bundesbank at the time is used as a flat rate for discounting purposes for a remaining term of 15 years. Pensions are calculated using the Heubeck 2005 G guidelines.

2.6 OTHER PROVISIONS

Other Provisions are recognized at the required amount to be paid according to reasonable business judgment, taking into account expected future price and cost increases. 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.

2.7 SHARE-BASED PAYMENTS

During the fiscal year ended March 31, 2012, the KDH AG in conjunction with its subsidiaries ("KDH" or the "Group") had 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"). When the conditions are met that are linked to both the virtual performance shares issued in the context of LTIP I and the virtual stock options, these shares and options are not settled as equity instruments, but in cash. The cost of the virtual performance shares issued in the context of LTIP I and the virtual stock options in the context of LTIP II are remeasured at each balance sheet date on the basis of the total value as calculated on this date. On the basis of this estimate, the cost is allocated over the entire vesting period taking into consideration the vesting conditions with recognition of a corresponding liability.

2.8 LIABILITIES

Liabilities are recorded at the amount repayable. All financing costs relating to bank loans or the issuing of bonds are expensed in the statement of income as incurred.

2.9 CURRENCY TRANSLATION

Assets and liabilities denominated in foreign currency were generally translated using the average spot rate as of the balance sheet date. If the residual term to maturity was more than one year, the realization principle (Section 252 para. 1 no. 4 clause 2 HGB) and the historical cost principle (Section 253 para. 1 sentence 1 HGB) were applied.

3. NOTES TO THE BALANCE SHEET

3.1 FINANCIAL ASSETS

The financial assets of KDH AG are presented in the disclosed list of shareholdings:

	Name of company	Registered Office	Shareholding in %	Equity T€	Net income/net loss for the year T€
A.	**Direct holdings**				
	Kabel Deutschland Vertrieb und Service GmbH	Unterfoehring	100.00	241,942	27,541
B.	**Indirect holdings**				
1.	TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG	Kaiserslautern	100.00	41,067	4,375
2.	TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00	107	7
3.	"Urbana Teleunion" Rostock GmbH & Co. KG	Rostock	70.00	7,273	4,712
4.	Verwaltung "Urbana Teleunion" Rostock GmbH	Rostock	50.00	42	2
5.	Kabel Deutschland Stralsund GmbH	Unterfoehring	100.00	11,587	1,058
6.	KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Braunschweig	100.00	1,629	334
7.	KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Wolfsburg	100.00	889	242
8.	Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	297	(6)
9.	Kabel Deutschland Vierte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	19	(1)
10.	Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	19	(1)
11.	Kabelfernsehen München Servicenter GmbH & Co. KG [1]	Munich	30.22	43,044	11,401
12.	Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung – Beteiligungsgesellschaft [1]	Munich	24.00	556	238

Unless otherwise stated the fiscal year is from April 1, 2011 to March 31, 2012.

[1] Fiscal year from January 1, 2010 to December 31, 2010

The financial assets of KDH AG as of March 31, 2012 comprise solely its 100% equity investment in Kabel Deutschland Vertrieb und Service GmbH ("KDVS GmbH"). KDVS GmbH resulted from the mergers of a total of nine companies[1)] into Kabel Deutschland GmbH ("KDG") in the past fiscal year. KDG was then renamed KDVS GmbH. As of March 31, 2012, the equity of KDVS GmbH amounted to T€241,942, while the net profit was T€27,541. In the previous year the equity of KDG amounted to T€214,400, with a net loss of T€44,133.

In order to check the book value of the equity investment in KDVS GmbH, the value of the Company or the value of its equity is calculated on the basis of a current business plan according to "Application of the Principles 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 equity was 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 2012/2013 and another five-year calculation period and a subsequent calculation with a perpetual annuity.

Based on the corresponding calculation of KDVS's equity, the recoverability of the equity value of KDVS in the balance sheet of KDH AG, recognized at T€1,515,498 as of March 31, 2012, was confirmed. In addition, the market valuation of KDH AG indirectly provided a fair value indicator for the investment in KDVS GmbH.

3.2 RECEIVABLES FROM AFFILIATES

Receivables from affiliates comprise the following:

	Fiscal year ended	
in T€	March 31, 2012	March 31, 2011
Receivables from KDVS GmbH	17,016	6,574
Receivables from other affiliated companies	362	0
Receivables from affiliates	**17,379**	**6,574**

As of March 31, 2012, receivables from KDVS GmbH amounted to T€17,016 (prior year: T€6,574). They primarily result from VAT receivables from the consolidated VAT group amounting to T€9,851 (prior year: T€1,463) and from services provided by KDH AG for strategic development, consulting, and services, among others in connection with financing services, amounting to T€6,019 (prior year: T€3,838). There are also receivables from KDVS GmbH arising from pension liabilities incurred in previous fiscal years and transferred to KDH AG in the past fiscal year amounting to T€1,147 (prior year: T€1,272).

Receivables from other affiliated companies amount to T€362 (prior year: T€0) and consist of VAT in connection with VAT consolidation with Kabel Deutschland Stralsund GmbH, KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung and KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung.

All receivables from affiliated companies have a remaining term of less than one year.

[1)] Kabel Deutschland Vertrieb und Service GmbH & Co. KG; Kabel Deutschland Breitband Services GmbH; BMH Berlin Mediahaus GmbH; Kabel Deutschland Vertrieb und Service Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vertrieb und Service Beteiligungs GmbH & Co. KG; Kabel Deutschland Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs GmbH & Co. KG and Kabel Deutschland Vermögen GmbH & Co. KG

3.3 SHAREHOLDERS' EQUITY

In the past financial year, changes in equity were as follows:

	Subscribed capital		Capital reserves	Accumulated profit/(loss)
	thousand of shares	in T€	in T€	in T€
Balance as of March 31, 2011	90,000	90,000	722,109	(83,707)
Transfer from capital reserves			(286,948)	286,948
Transfer from unrestricted capital reserves for the purchase and retirement of treasury shares in the account of accumulated profit			(60,000)	
Reduction of subscribed capital from the retirement of treasury shares	(1,477)	(1,477)		
Contribution to appropriated capital reserves pursuant to Section 237 (5) AktG			1,477	
Net loss for the year				(68,241)
Balance as of March 31, 2012	**88,523**	**88,523**	**376,638**	**135,000**

3.3.1 SUBSCRIBED CAPITAL

The subscribed capital of KDH AG was reduced from T€90,000 to T€88,523 in the fiscal year ended March 31, 2012. It now comprises 88,522,939 bearer shares with no par value and a pro rata portion of the share capital of €1.00 per share. KDH AG's subscribed capital is fully paid in.

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

By unanimous resolution of the extraordinary Shareholders' Meeting of KDH AG of March 15, 2010,1 the Management Board was authorized in accordance with Section 71 para. 1 no. 8 AktG, subject to the approval of the Supervisory Board, to acquire treasury shares until March 14, 2015 in a volume of up to 10% of the share capital existing at the time of the adoption of the resolution in the amount of T€90,000. As part of the resolution, the Management Board was also authorized to retire the treasury shares thus acquired without such retirement or its implementation requiring a further Shareholders' Meeting resolution (retirement authorization pursuant to Section 71 para. 1 no. 8 sentence 6 AktG).

In the period from September 19, 2011 to December 9, 2011, the Management Board, with the approval of the Supervisory Board, repurchased through the stock exchange a total of 1,477,061 no par value shares representing a pro rata portion of the share capital of T€1,477 at a purchase price of approximately T€60,000 (excluding transaction costs). The amount used to acquire the 1,477,061 shares was covered by unrestricted capital reserves pursuant to Section 272 para. 2 no. 4 HGB.

By resolution of March 12, 2012, the Management Board, under the authorization granted to it pursuant to Section 71 para. 1 no. 8 sentence 6 AktG, initiated the retirement of the 1,477,061 treasury shares acquired by reducing the share capital by an amount of T€1,477 and derecognizing the corresponding treasury shares from the securities account held by the Company at a bank. The reduction of share capital through retirement of treasury shares was subsequently announced on March 13, 2012 in accordance with Section 30b para. 1 sentence 1 no. 2 German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

As of May 10, 2012, the implementation of the capital reduction and the amendment of the wording of the Articles of Association in accordance with Article 11 of the Articles of Association in connection with Section 179 para. 1 sentence 2 AktG, as resolved by the Supervisory Board on March 13, 2012, have been entered in the commercial register.

3.3.2 Authorized Capital and Contingent Capital

As of March 31, 2012 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 equity (until February 18, 2015) [1)]
Contingent Capital 2010/I	45,000	45,000	Granting bearer shares to holders or creditors of convertible and/or warrant bonds (until March 14, 2015) [1)]

1) subject to the approval of the Supervisory Board

Authorized Capital

Subject to the approval of the Supervisory Board, the Management Board is authorized by resolution 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 bearer shares with no par value against contributions in cash and / or in kind ("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.

Shareholders' subscription rights can be excluded wholly or in part.

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.

Contingent Capital

The Company's share capital is increased conditionally by resolution of the Shareholders' Meeting of March 15, 2010 by up to T€45,000 through the issuance of up to 45,000,000 new bearer shares with no par value ("Contingent Capital 2010/I"). The purpose of the contingent capital increase is to grant bearer shares with no par value to the holders and lenders of bonds issued until March 14, 2015 on the basis of the Shareholders' Meeting authorization of March 15, 2010 in return for cash payments, and to provide for conversion or option rights to bearer shares of the Company with no par value or represent a conversion obligation.

The issue of new bearer shares with no par value from the Contingent Capital 2010/I may take place only at a conversion or option price that meets the requirements specified in the authorization granted by resolution of the Shareholders' Meeting of March 15, 2010. The contingent capital increase shall be carried out only to the extent that option or conversion rights are utilized or holders and lenders required to convert their bonds fulfill their conversion obligation, and to the extent that no compensation in cash is granted or treasury shares of the Company or new shares are issued out of authorized capital to service these rights and obligations. The new bearer shares with no par value participate in earnings from the beginning of the fiscal year in which they are created through exercise of option or conversion rights or through fulfillment of conversion obligations. The Management Board is authorized to specify the further details regarding the implementation of the contingent capital increase.

3.3.3 Capital Reserves

The total capital reserves are T€376,638 (prior year: T€722,109). This reduction in the unrestricted capital reserves in accordance with Section 272 para. 2 no. 4 HGB to T€375,161 results from a transfer of T€286,948 that had been allocated to accumulated profit. A further transfer from the unrestricted capital reserves in accordance with Section 272 para. 2 no. 4 HGB amounting to T€60,000 was made for the purchase and retirement of treasury shares in the account of accumulated profit. An amount of T€1,477 was allocated from the decrease in share capital into restricted capital reserves as defined in Section 237 para. 5 AktG.

3.4 PROVISIONS

In the fiscal year ended March 31, 2012, changes to provisions were as follows:

in T€	Balance as of April 1, 2011	Utilization	Reversal	Addition	Discounting	Balance as of March 31, 2012
Provisions for pensions	**1,451**	**0**	**0**	**168**	**76**	**1,695**
Personnel expenses	9,745	1,808	0	8,607	0	16,545
Consulting fees	804	95	0	52	0	761
Supervisory Board compensation	276	252	4	231	0	251
Annual financial statement fees	282	282	0	188	0	188
Outstanding invoices	54	54	0	0	0	0
Interest expenses	21,867	21,867	0	0	0	0
Other provisions	**33,028**	**24,357**	**4**	**9,079**	**0**	**17,745**
Provisions	**34,478**	**24,357**	**4**	**9,246**	**76**	**19,440**

3.4.1 Provisions for Pensions

Provisions for pensions include pension obligations of the Company towards employees that were calculated according to the principles described in the section entitled "Accounting and Valuation Methods".

The provisions for pensions were calculated on the basis of the parameters listed below:

- Average market interest rate of 5.13% p.a. for a term of 15 years, published by Deutsche Bundesbank;
- Increases in salaries and wages (income dynamics) amounting to 3.25% p.a. for pay scale employees and for non-pay scale employees;
- Pension increase of 1.50% p.a. on the basis of contractual agreements;
- Mortality tables according to Dr. Klaus Heubeck "Guidelines 2005 G";
- Average turnover rate of 6.11%.

3.4.2 Other Provisions

The provision for personnel expenses in the total amount of T€16,545 (prior year: T€9,745) includes long term provision for currently non-cash[1)] share-based payment expenses related to the LTIP in the amount of T€14,888 (prior year: T€7,897).

The previous year's interest provisions comprised accrued interest on the PIK Loan. On full redemption of the PIK Loan the related interest was also repaid in full.

[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.

3.5 LIABILITIES

Liabilities are comprised as follows:

in T€	Fiscal year ended March 31, 2012 Due within 1 year	Due in 1-5 years	Due after 5 years	Total	Fiscal year ended March 31, 2011 Due within 1 year	Due in 1-5 years	Due after 5 years	Total
Liabilities to banks / PIK Loan	0	0	0	0	200,000	515,387	0	715,387
Trade payables	84	0	0	84	144	0	0	144
Liabilities to affiliates	6,675	64,865	831,281	902,821	5,559	38,752	0	44,310
Other liabilities	10,623	0	0	10,623	177	0	0	177
thereof for taxes	10,622	0	0	10,622	177	0	0	177
Liabilities	**17,382**	**64,865**	**831,281**	**913,528**	**205,880**	**554,139**	**0**	**760,019**

3.5.1 Liabilities to Banks / PIK Loan

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

The PIK interest was paid on May 19 and November 19 of each year through the issuance of additional PIK Loans under the same terms and conditions.

The PIK Loan was repaid in full during the first quarter of the fiscal year ended March 31, 2012, using the funds obtained from the loan granted by KDVS GmbH (see section 3.5.2):

- T€206,389 (including accrued interest) was redeemed on April 7, 2011 and
- T€540,594 (including accrued interest) was redeemed on June 17, 2011.

3.5.2 Liabilities to Affiliates

Liabilities to affiliated companies amount to T€902,821 (prior year: T€44,310) as of March 31, 2012 and comprise the following:

in T€	Fiscal year ended March 31, 2012	March 31, 2011
Liabilities from loans and interests to KDVS GmbH	896,146	38,752
Other liabilities to KDVS GmbH	6,675	5,559
Liabilities to affiliates	**902,821**	**44,310**

The liabilities from loans to KDVS GmbH consist of three PIK Loans with a total value of T€896,146 (prior year: T€38,752). This includes interest of T€42,211 (prior year: T€568). KDH AG used these loans to repay the PIK Loan in full and to finance the share buyback program. The loans are also used to cover the ongoing requirement for liquidity.

Other liabilities to KDVS GmbH amount to T€6,675 (prior year: T€5,559) as of March 31, 2012 and include liabilities resulting from services provided by KDVS GmbH.

3.5.3 Other Liabilities

Other liabilities of T€10,623 (prior year: T€177) consist of VAT in the amount of T€10,536 (prior year: T€77).

3.6 DEFERRED TAX LIABILITIES

Deferred tax liabilities as of March 31, 2012, amounting to T€2 (prior year: T€26) refer to temporary differences in pension provisions. They were valued at a combined tax rate of 27.4%.

Deferred tax assets for corporate income tax loss carry forwards by KDH AG of T€213,008 (prior year: T€193,216) and trade tax loss carry forwards of T€136,050 (prior year: T€116,257) as well as interest carry forwards according to the German interest barrier rules of T€245,164 (prior year: T€189,150) were not capitalized in the fiscal year ended March 31, 2012, due to uncertain recoverability since KDH AG is unable to set off tax loss carry forwards against positive income.

3.7 OTHER FINANCIAL OBLIGATIONS AND COMMITMENTS

There were no other financial obligations or commitments as of the balance sheet date.

4. NOTES TO THE INCOME STATEMENT

4.1 REVENUES

Revenues in the fiscal year ended March 31, 2012 amounting to T€2,910 (prior year period: T€3,097) primarily resulted from consulting and services invoiced to KDVS GmbH, including strategic development and financing. The revenues were generated entirely within Germany.

4.2 PERSONNEL EXPENSES

Personnel expenses amounting to T€11,090 (prior year period: T€12,171) include salaries, social security costs and pension costs. Furthermore, non-cash[1)] share-based payment expenses based on the LTIP amounting to T€6,991 (prior year period: T€7,897) are included in personnel expenses.

4.3 OTHER OPERATING EXPENSES

Other operating expenses of T€3,849 (prior year period: T€4,397) primarily include management fees related to the holding functions of KDVS GmbH amounting to T€2,025 (prior year period: T€2,261), Supervisory Board expenses of T€568 (prior year period: T€559), consulting and audit fees amounting to T€515 (prior year period: T€673), insurance expenses of T€252 (prior year period: T€702), travel expenses amounting to T€164 (prior year period: T€18) as well as expenses in connection with investor relations and corporate communications of T€75 (prior year period: T€141).

In addition, expenses which do not relate to the accounting period amounting to T€33 (prior year period: T€0) are included.

4.4 INTEREST AND SIMILAR EXPENSES

Interest and similar expenses amount to T€56,250 (prior year period: T€59,663) and relate primarily to the loans granted by KDVS GmbH, including the loan to redeem the PIK Loan. As a result, interest expenses related to affiliated companies increased to T€46,411 (prior year period: T€1,830). In the previous year, interest expenses were essentially related to the PIK Loan. Due to full redemption of the PIK Loan within the first quarter of the past fiscal year, the related interest expenses fell to T€9,735 (prior year period: T€57,719).

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.

4.5 EXTRAORDINARY EXPENSES

In the previous year, pursuant to the transitional regulations of the Introductory Act to the German Commercial Code (Einführungsgesetz zum HGB – EGHGB), the effects of the conversion of the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG) were accounted to extraordinary profit/loss or revenue reserves, depending on each case. The prior year amount of T€23 resulted from the pension provision charge under Article 67 para. 1 EGHGB. In the fiscal year ended March 31, 2012 there were no extraordinary expenses.

4.6 INCOME TAXES AND DEFERRED TAXES

Income taxes consist of deferred tax income of T€24 (prior year period: deferred tax expenses of T€26).

The tax rate of 27.4% 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 years ended March 31, 2012 and March 31, 2011 using a combined statutory income tax rate of 27.4% for corporate income and trade tax to actual income taxes as recorded on the statement of income is as follows:

	Fiscal year ended	
in T€	March 31, 2012	March 31, 2011
Loss before income tax	(68,265)	(72,994)
Notional tax income at KDH AG's statutory income tax rate of 27.4% (prior year: 27.4%)	(18,705)	(19,986)
Unrecognized tax losses	5,380	1,491
Non-deductible expenses	13,300	16,355
Other	1	2,166
Income tax expense / (benefit) according to the statement of income	**(24)**	**26**

5. OTHER NOTES

5.1 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, since KDH AG prepares consolidated financial statements and the information on the overall fees is included in these consolidated financial statements.

5.2 MANAGEMENT BOARD

The Management Board was comprised of the following members during the fiscal year ended March 31, 2012:

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. Member of the Supervisory Board of msg systems AG
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer	Vice President of Cable Europe (European Cable Communications Association)
Erik Adams Chief Marketing Officer	None
Dr. Andreas Siemen (since October 1, 2011) Chief Financial Officer	None
Paul Thomason (until September 30, 2011) Chief Financial Officer	None

5.3 SUPERVISORY BOARD

The Supervisory Board was comprised of the following members during the fiscal year ended March 31, 2012:

Name / Position	Member of comparable supervisory bodies of other companies
Representatives of the Shareholders:	
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
Annet Aris (since November 1, 2011) Adjunct Professor of Strategy at INSEAD	Supervisory Board member of Jungheinrich AG Supervisory Board member of Tomorrow Focus AG Deputy Chairman of the Supervisory Board of V-Ventures B.V. Supervisory Board member of ASR Nederland Supervisory Board member of Sanoma Group Deputy Chairman of the Supervisory Board of Hansa Heemann AG
Catherine Mühlemann (since November 1, 2011) Entrepreneur and co-owner of Andmann Media Holding GmbH	Board member of Swisscom AG Member of the Supervisory Board of Messe Berlin GmbH Member of the Advisory Board of Luxodo GmbH Board member of Schweiz Tourismus
Martin David Stewart Executive Chairman of EurotaxGlass's International AG	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.
Paul Stodden (since November 1, 2011) Managing Partner of Antevorte Performance Management GmbH & Co. KG	Board member of Swisscom IT Services AG
Torsten Winkler (since November 1, 2011) Partner of Vitruvian Partners LLP	
John Carl Hahn (until October 31, 2011) Managing Director of Providence Equity Partner LLP	Director of Digiturk Director of Grupo Corporativo Ono Director of Volia Cable
Biswajit Subramanian (until October 31, 2011) Managing Director of Providence Equity Advisors India Private Ltd.	Non-executive board member of IDEA Cellular Ltd. Non-executive board member of ABTL Ltd.
Robert Sudo (until October 31, 2011) Vice President of Providence Equity Partner LLP	Director of Com Hem AB

Name / Position	Member of comparable supervisory bodies of other companies
Ian West (until October 31, 2011) Supervisory Board member of several companies within the telecommunications and media branch	Non-executive board director of Talk Talk Group PLC Chairman of Talk Talk TV Committee Board director of Naked wines
Representatives of the Employees:	
Joachim Pütz **Deputy Chairman of the Supervisory Board** Secretary of the Workers Union at the ver.di-Bundesverwaltung	
Susanne Aichinger Workers' council of the region of Bavaria	
Petra Ganser Secretary of the Workers Union at the ver.di-Bundesverwaltung	Member of the Supervisory Board of Trenkwalder Personaldienste GmbH
Irena Gruhne (since December 2, 2011) Workers' council for the customer service area	
Ronald Hofschläger Workers' council in the KDVS GmbH headquarters	
Helmut von der Lieck (since December 2, 2011) Executive employee (Director Customer Service & Ordermanagement)	
Petra Hesse (until December 1, 2011) Workers' council of the region of Lower Saxony / Bremen	
Norbert Michalik (until December 1, 2011) Executive employee (Director Internal Audit, Risk Management & Compliance)	

5.4 OVERALL COMPENSATION OF BOARD MEMBERS

Management Board

The total compensation of the members of the Management Board for the fiscal year ended March 31, 2012 is comprised of different components: (i) an annual fixed salary paid out in equal monthly installments, (ii) 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 payments based on participation in the Group's Long-term Incentive Plan (LTIP). See section 9 of the Management Report for detailed information on the basic principles of the compensation system for the Management Board of KDH AG.

The Management Board received total compensation of T€12,151 in the fiscal year ended March 31, 2012 (prior year: T€11,030) for services performed for KDH AG and its subsidiaries. This includes short-term compensation (comprised of annual fixed salaries, variable annual bonuses and various typical fringe benefits) of T€3,259 (prior year: T€3,499) and pension benefits of T€216 (prior year: T€311). In addition, KDH AG recorded currently non-cash[1] share-based payment expenses (included in the total amount above) based on the Group LTIP of T€8,675 for the fiscal year ended March 31, 2012 (prior year: T€7,220).

By resolution of the Shareholders' Meeting of March 15, 2010, KDH AG has availed itself of the exemption granted under Section 286 para. 5 HGB up to and including March 31, 2011. Based on this exemption, past compensation received by the members of the Management Board was not disclosed individually, with amounts provided for the individual components, as required under Section 285 para. 1 no. 9 (a) sentences 5 to 9 HGB. The resolution of the Shareholders' Meeting of March 15, 2010, was cancelled by a Shareholders' Meeting resolution of October 13, 2011. The individual disclosures are therefore presented below.

See section 9 of the Management Report for further information related to the compensation system for the Management Board.

The total compensation for each individual member of the Management Board of KDH AG, broken down by individual components, is shown in the chart below:

Type of compensation in T€	Non-performance related compensation [2]	Variable annual bonus	LTIP [3]	Total compensation
	Fiscal year ended March 31, 2012			
Dr. Adrian v. Hammerstein	573	485	2,948	4,005
Dr. Manuel Cubero	443	371	2,438	3,252
Erik Adams	387	310	2,308	3,006
Dr. Andreas Siemen (since October 1, 2011)	173	0	981	1,155
Paul Thomason [1]	208	310	0	517
Total	**1,784**	**1,475**	**8,675**	**11,935**

1) Paul Thomason obtained his non-performance related compensation (fixed salary and fringe benefits) and variable annual bonus until September 30, 2011.

2) Non-performance related compensation (fixed salary and fringe benefits) does not contain service costs for pensions; for these please refer to the separate individual notes disclosure.

3) Currently non-cash part of compensation

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.

The pension benefits provided to each member of the Management Board as a component of total compensation during the fiscal year ended March 31, 2012, are shown in the chart below:

in T€	Service cost April 1, 2011 - March 31, 2012	Present value of defined benefit obligation (DBO) March 31, 2012
Dr. Adrian v. Hammerstein	61	351
Dr. Manuel Cubero	72	409
Erik Adams	62	173
Dr. Andreas Siemen (since October 1, 2011)	21	196
Total	**216**	**1,129**

The members of the Management Board of KDH AG also participate in the long-term performance of the Company through a Long-Term Incentive Plan comprised of two components. The virtual performance shares granted as the first component ("LTIP I") are distributed as follows:

	Year of grant	Number of virtual performance shares March 31, 2012 Number	Fair value of performance shares at grant date T€	Fair value of performance shares at valuation date March 31, 2012 T€
Dr. Adrian v. Hammerstein	2010	26,175	576	1,183
	2011	15,942	602	720
Dr. Manuel Cubero	2010	20,295	447	917
	2011	12,361	467	558
Erik Adams	2010	16,765	369	757
	2011	10,211	386	461
Dr. Andreas Siemen	2010	7,500	165	339
(since October 1, 2011)	2011	5,717	251	258
Total		**114,966**	**3,263**	**5,194**

The virtual options granted as the second component ("LTIP II") are distributed among the individual members of the Management Board as follows:

	Number of virtual stock options March 31, 2012 Number	Fair value of stock options at grant date T€	Fair value of stock options at valuation date March 31, 2012 T€
Dr. Adrian v. Hammerstein	225,000	1,329	4,791
Dr. Manuel Cubero	191,667	1,132	4,081
Erik Adams	191,667	1,132	4,081
Dr. Andreas Siemen (since October 1, 2011)	75,000	443	1,597
Total	**683,334**	**4,037**	**14,551**

Paul Thomason separated from the Management Board as of September 30, 2011. In this situation, where there is a regular termination of his contract, he is entitled to pension benefits with a present value as of March 31, 2012 of T€513. Included in this is an earned service cost of T€24 for the period from April 1, 2011 to September 30, 2011. In addition, Paul Thomason received compensation of T€159 in the period from October 1, 2011 through March 31, 2012 for the non-compete agreement in connection with the termination of his contract.

Supervisory Board

For the year ended March 31, 2012, the total compensation to members of the Supervisory Board amounted to T€568 (prior year: T€559) and included Supervisory Board remuneration, attendance fees as well as all ancillary services connected thereto.

See section 9 of the Management Report for further information related to the compensation system for the Supervisory Board.

5.5 EMPLOYEES

The Company had an average of three employees in the period from April 1, 2011 to March 31, 2012 (prior year: 3).

5.6 DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE IN ACCORDANCE WITH SECTION 161 AktG

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

5.7 GROUP RELATIONSHIPS

Since the Company is the top-level parent of the Group, it prepares the consolidated financial statements for the largest group of companies. The consolidated financial statements are published in the online Federal Gazette ("elektronischer Bundesanzeiger") and can be obtained from the Company.

5.8 DISCLOSURE 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.

Changes to the voting rights as presented here may have occurred after the stated dates that were not subject to disclosure to the Company. Since the Company's stock consists of ordinary bearer shares with no par value, the Company generally only becomes aware of changes in shareholdings if they are subject to mandatory notification. The voting rights indicated below are based on the mandatory notifications required under Sections 21 et seq. WpHG.

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:

Cable Holding S.A., Luxembourg, Grand Duchy of Luxembourg

On July 5, 2011 the companies listed below notified KDH AG that their voting rights on July 5, 2011 fell below the thresholds of 20%, 15%, 10%, 5% and 3% and on this date amounted to 0% (zero voting rights).

- Cable Holding S.A.
- 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 that on July 5, 2011 its voting rights in KDH AG exceeded the threshold of 5% and on this date amounted to 5.25% (this corresponds to 4,727,357 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 that the voting rights of the State of Norway in KDH AG exceeded the threshold of 5% on July 5, 2011 and on this date amounted to 5.25% (this corresponds to 4,727,357 voting rights). Norges Bank (Central Bank of Norway), which holds these voting rights, is controlled by the State of Norway, and the voting rights of 5.25% (4,727,357 voting rights) held by Norges Bank are to be attributed to the State of Norway pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG.

BlackRock

On March 14, 2011 the companies listed below notified KDH AG 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 companies listed below pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG, amounted to:

- BlackRock, Inc., New York, USA: 11.00% (this corresponds to 9,901,898 voting rights),
- BlackRock Financial Management, Inc., New York, USA: 10.80% (this corresponds to 9,719,915 voting rights), and
- BlackRock Holdco 2, Inc., Wilmington, Delaware, USA: 10.80% (this corresponds to 9,719,915 voting rights).

On the same day the companies listed below notified KDH AG that the threshold of 5% was exceeded on March 8, 2011. On this date the voting rights which are to be attributed to each of the companies listed below pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG, amounted to:

- BlackRock Advisors Holdings, Inc., New York, USA: 9.30% (this corresponds to 8,370,723 voting rights),
- BlackRock Jersey International Holdings L.P., St. Helier, Jersey, United Kingdom: 7.29% (this corresponds to 6,563,244 voting rights), and
- BlackRock International Holdings Inc., New York, USA: 7.29% (this corresponds to 6,563,244 voting rights).

On November 4, 2010, BlackRock Group Limited, London, United Kingdom notified KDH AG (in correction of the notification 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 conjunction with sentence 2 WpHG amounted to 3.33% (this corresponds to 2,994,935 voting rights).

FMR LLC, Fidelity Management & Research Company and Fidelity Investment Trust

FMR LLC, Boston, Massachusetts, USA, notified on January 9, 2012, that its voting rights in KDH AG fell below the threshold of 3% on January 4, 2012 and on this date amounted to 2.98% (this corresponds to 2,682,192 voting rights). All the voting rights are attributable to FMR LLC pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG.

Fidelity Management & Research Company, Boston, Massachusetts, USA, notified on January 9, 2012, that its voting rights in KDH AG fell below the threshold of 3% on January 2, 2012 and on this date amounted to 2.93% (this corresponds to 2,633,500 voting rights). All the voting rights are attributable to Fidelity Management & Research Company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

Fidelity Investment Trust, Boston, Massachusetts, USA, notified on October 20, 2011, that its voting rights in KDH AG fell below the threshold of 3% on October 20, 2011 and on this date amounted to 2.92% (this corresponds to 2,625,900 voting rights).

Goldman Sachs

On April 6, 2011, the below-mentioned companies notified 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.

- 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, USA

The voting right notifications of Goldman Sachs Asset Management International, London, United Kingdom, remain in place. This company had most recently, on October 21, 2010, notified to KDH AG that its 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 the company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

Ameriprise, Threadneedle

On February 10, 2012, Threadneedle Asset Management Limited, London, United Kingdom, notified that on February 9, 2012 its voting rights in KDH AG fell below the threshold of 5% and on this date amounted to 4.98% (this corresponds to 4,480,390 voting rights). 4.98% of the voting rights (this corresponds to 4,480,390 voting rights) are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

Threadneedle Asset Management Holdings Limited, London, United Kingdom, notified that on February 13, 2012 its voting rights in KDH AG fell below the threshold of 5% and on this date amounted to 4.97% (this corresponds to 4,471,905 voting rights). 4.97% (this corresponds to 4,471,905 voting rights) are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG. 0.12% (this corresponds to 104,013 voting rights) of these are also attributable to the company according to Section 22 para. 1 sentence 1 no. 1 WpHG.

Threadneedle Asset Management Holdings SARL, Luxembourg, Luxembourg, notified that on February 13, 2012 its voting rights in KDH AG fell below the threshold of 5% and on this date amounted to 4.99% (this corresponds to 4,492,876 voting rights). 4.99% (this corresponds to 4,492,876 voting rights) are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG. 0.12% (this corresponds to 104,013 voting rights) of these are also attributable to the company according to Section 22 para. 1 sentence 1 no. 1 WpHG.

On February 27, 2012, Ameriprise Financial, Inc., Minneapolis, USA, notified that on February 24, 2012 its voting rights in KDH AG fell below the threshold of 5% and on this date amounted to 4.96% (this corresponds to 4,461,261 voting rights). 4.96% of the voting rights (this corresponds to 4,461,261 voting rights) are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG. 0.11% (this corresponds to 97,278 voting rights) of these are also attributable to the company according to Section 22 para. 1 sentence 1 no. 1 WpHG.

Scout Capital Management, L.L.C

Scout Capital Management, L.L.C., New York, USA, notified on May 4, 2011, that its voting rights in KDH AG exceeded the threshold of 3% on May 3, 2011 and on this date amounted to 3.03% (this corresponds to 2,725,000 voting rights). 3.03% of the voting rights (this corresponds to 2,725,000 voting rights) are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

5.9 PROPOSAL FOR THE APPROPRIATION OF ACCUMULATED PROFIT

The Management Board of KDH AG proposes to the Shareholders' Meeting to use the accumulated profit of T€135,000 to distribute a dividend of €1.50 per share to the shareholders and, if the accumulated profit is not fully used, to carry the remaining amount forward to new account.

The final dividend amount depends on the number of shares carrying dividend rights as of the date of the resolution on the appropriation of accumulated profit as adopted on the day of the Shareholders' Meeting.

Unterfoehring, May 29, 2012

Dr. Adrian v. Hammerstein
Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares
Chief Operating Officer

Erik Adams
Chief Marketing Officer

Dr. Andreas Siemen
Chief Financial Officer

Kabel Deutschland Holding AG, Unterfoehring

Analysis of Fixed Assets for the Period from April 1, 2011 to March 31, 2012

	Acquisition and production costs				Accumulated depreciation and amortization				Net book values	
	April 1, 2011	Additions	Disposals	March 31, 2012	April 1, 2011	Additions	Disposals	March 31, 2012	March 31, 2012	March 31, 2011
	€	€	€	€	€	€	€	€	€	T€
Financial Assets										
Investments in Affiliates	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

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KABEL DEUTSCHLAND HOLDING AG, UNTERFOEHRING MANAGEMENT REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2012

1. OVERVIEW

Kabel Deutschland Holding AG ("KDH AG" or the "Company") is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880. Prior to the initial public offering ("IPO") in March 2010, KDH AG was wholly owned by Cable Holding S.A. Luxembourg ("LuxCo"). In the course of the IPO, LuxCo sold 34.5 million shares and reduced its ownership to 61.67%. During the fiscal year ended March 31, 2011, LuxCo reduced its ownership to 21.92% through two placements and sold its remaining shares on July 5, 2011. With that last placement, 100% of the Company's 90 million subscribed shares were in free float. In the period from September 19, 2011 to December 9, 2011 around 1.48 million shares were repurchased through the stock exchange based on a share buyback program. Subsequently, the number of shares of the Company was reduced to 88,522,939 shares by retirement on March 13, 2012.

KDH AG is the ultimate management and holding company of our Group ("KDH" or the "Group") and has its registered office in Unterfoehring, Betastraße 6 - 8, Germany (commercial register of Munich HRB 184452). As the parent company of the Group it performs the typical tasks of a holding company, including the strategic development of the Group and the provision of services and financing for its affiliated companies. The business activities of the Group are primarily conducted by the respective operating subsidiaries. The most significant of these is the wholly owned subsidiary Kabel Deutschland Vertrieb und Service GmbH[1)] ("KDVS GmbH").

In terms of residential units that can be connected to a cable network ("homes passed") and subscribers, we are the largest cable network provider in Germany, according to our own estimate. With over 15 million homes passed, we believe our cable network is also the largest in a single country in Europe. We offer our customers a variety of television and telecommunications services, including Basic Cable services, Premium-TV services, broadband Internet access, fixed-line phone and mobile phone services as well as 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.

1) Previously named Kabel Deutschland GmbH ("KDG"). The change of name was recorded in the Commercial Register at the beginning of August 2011 during the course of the Merger (see section 3).

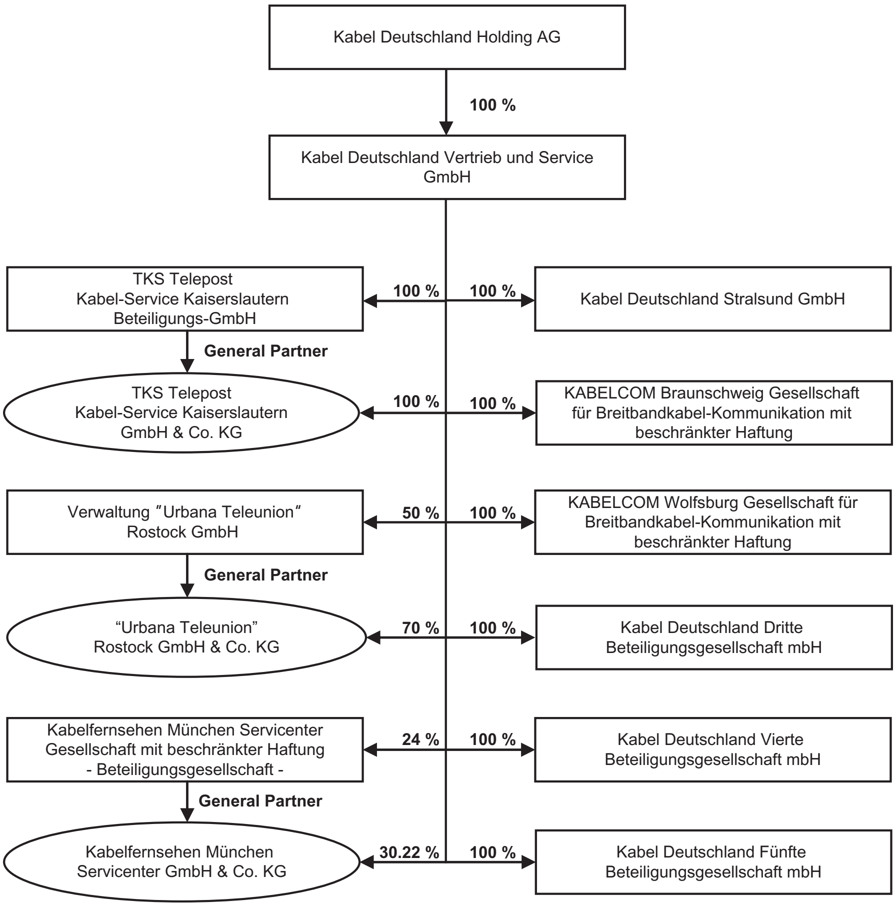
2. BUSINESS ACTIVITY

We provide our products and services through the TV Business and Internet and Phone Business of the Group. Please see the Group Management Report for more details. The Company itself provides services to its direct and indirect subsidiaries on the basis of intercompany service agreements. For this reason, the Company is permanently dependent on the operating results of the Group and any earnings from investments.

3. MERGER / LEGAL REORGANIZATION

In June 2011, KDH AG's Supervisory Board approved the mergers ("Merger") of Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS"), Kabel Deutschland Breitband Services GmbH ("KDBS"), BMH Berlin Mediahaus GmbH and six other non-operating companies[1] with KDG, effective retroactively from April 1, 2011. The Merger was completed in August 2011. KDG then changed its name to KDVS GmbH.

The following overview shows the updated Group structure following the Merger:



[1] Kabel Deutschland Vertrieb und Service Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vertrieb und Service Beteiligungs GmbH & Co. KG; Kabel Deutschland Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs Verwaltungs GmbH; Kabel Deutschland Vermögen Beteiligungs GmbH & Co. KG; Kabel Deutschland Vermögen GmbH & Co. KG

4. BUSINESS PERFORMANCE

4.1 GENERAL ECONOMIC CONDITIONS

In spite of the economic and financial crisis in many other countries of the European Union, the German economy recorded an upswing in the fiscal year just ended. This growth further eased the overall situation in the labor market. The related general conditions and incentives for investment in both private and public consumption continue to be highly positive, including for our Group.

4.2 RESULTS OF OPERATIONS

The following analysis of KDH AG's results of operations reflects the income and expenses for the fiscal year ended March 31, 2012.

4.2.1 Revenues

The revenues of T€2,910 for the fiscal year ended March 31, 2012 (prior year period: T€3,097) primarily resulted from consulting and services invoiced to KDVS GmbH, including for strategic development and consulting services related to financing.

4.2.2 Other Operating Income

Other operating income was T€9 for the fiscal year ended March 31, 2012 (prior year period: T€4) and resulted primarily from personal use of company cars and income from the reversal of provisions.

4.2.3 Personnel Expenses

Personnel expenses were T€11,090 (prior year period: T€12,171), and included salaries of T€3,825 (prior year period: T€4,036) and social security contributions of T€274 (prior year period: T€238). The social security contributions include expenses for pensions of T€191 (prior year period: T€158). The personnel expenses also include currently non-cash[1] share-based payment expenses based on the Group's Long-Term Incentive Plan ("LTIP") amounting to T€6,991 (prior year period: T€7,897).

The personnel expenses mainly related to the members of the Management Board of KDH AG. Also see section 5.4 in the notes to the financial statements for information on the total compensation of members of the Management Board.

[1] Will be cash settled under certain conditions at the end of the program. See section 9.

4.2.4 Other Operating Expenses

Other operating expenses of T€3,849 for the fiscal year ended March 31, 2012 (prior year period: T€4,397) primarily include management fees related to the holding functions of KDVS GmbH amounting to T€2,025 (prior year period: T€2,261), Supervisory Board expenses of T€568 (prior year period: T€559), consulting and audit fees amounting to T€515 (prior year period: T€673), insurance expenses of T€252 (prior year period: T€702), travel expenses amounting to T€164 (prior year period: T€18) as well as expenses in connection with investor relations and corporate communications of T€75 (prior year period: T€141).

The decrease in other operating expenses was mainly due to the increase in expenses for insurance in connection with the IPO in the prior year.

4.2.5 Other Interest and Similar Income

Other interest and similar income was T€4 for the fiscal year ended March 31, 2012 (prior year period: T€159). Interest income for the prior year period primarily resulted from the repurchase of the PIK Loan and the related gain from the difference between face value and market value.

4.2.6 Interest and Similar Expenses

Interest expense and similar expenses declined by T€3,413 during the fiscal year ended March 31, 2012 to T€56,250 (prior year period: T€59,663). Interest expenses to affiliated companies were T€46,411 (prior year period: T€1,830); those from the PIK Loan were T€9,735 (prior year period: T€57,719).

The decrease in interest expenses was therefore primarily due to the debt restructuring performed in the fiscal year just ended, including complete redemption of the PIK Loan using funds from intercompany loans from KDVS GmbH.

4.2.7 Extraordinary Expenses

There were no extraordinary expenses in the fiscal year ended March 31, 2012. The extraordinary expenses of T€23 in the prior year period were due to an adjustment made to the provisions for pensions in accordance with the German Accounting Law Modernization Act (Bilanzrechtsmodernisierungsgesetz – BilMoG).

4.2.8 Income Taxes and Deferred Taxes

Income taxes consist of deferred tax income of T€24 as of March 31, 2012 (prior year period: deferred tax expenses of T€26).

4.2.9 Net Loss for the Year

Taking into account the factors listed above, the net loss for the year was T€68,241 (prior year period: T€73,020). The decrease in the net loss for the year was mainly the result of lower interest expenses, lower personnel expenses associated with currently non-cash[1)] share-based payment expenses from the LTIP, and lower expenses for insurance payments.

1) Will be cash settled under certain conditions at the end of the program. See section 9.

5. FINANCIAL POSITION AND NET ASSETS

5.1 FINANCING AND SECURING LIQUIDITY

KDH AG provides strategic consulting and financing services to KDVS GmbH for an agreed compensation stipulated in the intercompany service agreement. This income represents the most important source of liquidity for the Company. Following full redemption of the PIK Loan in the fiscal year just ended, major funding for the Company also comes from the intercompany loans provided by KDVS GmbH, which is currently KDH AG's main source of debt.

5.2 CHANGES IN FINANCIAL POSITION AND NET ASSETS

Total assets increased by T€10,205 to T€1,533,131 compared to T€1,522,926 in the prior year.

5.2.1 Fixed Assets

Fixed assets consist exclusively of shares in the wholly owned subsidiary KDVS GmbH totaling T€1,515,498. Since the equity investment in KDVS GmbH is recoverable, the assets are unchanged from the previous year.

5.2.2 Current Assets

Current assets total T€17,482 (prior year: T€7,309) and primarily consist of current receivables from KDVS GmbH of T€17,016 (prior year: T€6,574). The increase was mainly the result of higher receivables from VAT in connection with the consolidated VAT group with KDVS GmbH.

5.2.3 Equity

Equity decreased by T€128,241 to T€600,161 (prior year: T€728,402). The change mainly consisted of T€60,000 due to the repurchase and subsequent retirement of treasury shares, and T€68,241 from the net loss for the reporting year, which was primarily due to interest expenses for the intercompany loans from KDVS GmbH. The equity ratio is 39.1% (prior year: 47.8%).

5.2.4 Provisions

The provisions include pension obligations of T€1,695 (prior year: T€1,451) and other provisions of T€17,745 (prior year: T€33,028). The decrease in other provisions was mainly due to full use of the PIK Loan interest provision of T€21,867 following the full redemption of the PIK Loan.

5.2.5 Liabilities

The liabilities to banks of T€715,387 due to the PIK Loan that existed as of March 31, 2011, were repaid in full during the fiscal year ended March 31, 2012. The PIK Loan was replaced by a number of compound interest revolving credit facilities from KDVS GmbH in the amount of T€896,146 (prior year: T€38,752), including accrued interest. The ongoing liquidity requirements of KDH AG led to an increase in total liabilities which primarily consist of intercompany loans to T€913,528 (prior year: T€760,019).

5.3 OVERALL ASSESSMENT OF RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

In summary, the Company's results of operations improved in the fiscal year just ended, resulting in a lower net loss for the year. The change in the financial position of the Company as compared to the prior year was primarily due to early repayment of external funding in the form of the PIK Loan. The PIK Loan was replaced by intercompany loans, resulting in a reduction in interest charges due to the lower level of interest rates.

6. OPPORTUNITY AND RISK REPORT

KDH AG is mainly dependent on the business performance of its operating subsidiary KDVS GmbH and the Group as a whole. An overall Group-wide discussion of opportunities and risks is therefore presented below.

The Group is faced with a multitude of opportunities and risks. By carefully monitoring uncertainties and optimizing opportunities, the Group protects itself and creates value for its shareholders. KDH AG accordingly uses a risk management system which is carefully adapted to its environment and its operations.

6.1 RISK MANAGEMENT SYSTEM

Risk management consists of compiling and monitoring all organizational regulations and measures which are aligned with management's strategy and designed to identify and manage risks.

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

The risk environment can change quickly and unexpectedly due to a variety of factors. It is therefore necessary to react quickly to prevent a situation arising where there is significant damage or long-term impact on the net assets, finances or operating results.

The decisions on identifying opportunities and minimizing risks are generally made in the operating units. Therefore all managers perform an additional task as risk managers and they have the authority to take and monitor risks.

The system is supplemented by the central risk management unit which performs risk control, thus ensuring that the duties are segregated.

The risk control unit is responsible for processes and ensures that the risk situation is assessed comprehensively and is transparent by means of quarterly reporting to the Management Board. In specially defined cases which require thorough investigation, and where defined limits in the early warning system are exceeded, this regular standard reporting is supplemented by immediate reporting. In addition, risk control is also responsible for the ongoing enhancement of the risk management system and for setting company-wide standards. Risks that overlap departments are also monitored.

The risks listed below are closely monitored as part of the Group risk management system so that appropriate measures can be implemented if necessary.

6.2 INTERNAL CONTROL SYSTEM RELATING TO ACCOUNTING

The internal control system includes certain principles, procedures and measures established by the Management Board, which are geared to organizational implementation of the decisions of management:

- Assurance of effectiveness and profitability of the business operations (this includes the protection of assets, including the prevention and detection of economic loss)
- Correctness and reliability of internal and external accounting
- Compliance with the legal provisions relevant for the Group

The Group uses the internal control system to ensure correct accounting. This guarantees prompt, standardized, correct and complete accounting and processing of business transactions and processes and compliance with legal standards. Changes in accounting regulations are continuously reviewed for their relevance and effects on the financial statements of the Group, and if necessary, the internal policies and systems are adjusted 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 compliance with 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). In the Group all control-related business processes are part of a transparent central IT system. Regular checks are also made on personnel in charge of controls and processes.

This accounting process, which can significantly influence the individual financial accounts and the overall statement of the annual financials, including the management report, is part of our internal control and risk management system. The following main elements are included in this regard:

- Identification of the key risk fields and controls that are relevant for the accounting process
- Monitoring controls for monitoring the accounting process and its results at Management Board level and strategic business segment level
- Preventive control measures in finance and accounting and in operational and business performance processes, which generate the key information for the annual financial statements, including review of the economic situation as well as a separation of functions and predefined approval processes in relevant departments
- Measures which ensure the correct computer processing of accounting-related issues and data
- Measures for monitoring the internal control and risk management system related to accounting

In addition, the Internal Audit department has a key function within the Group control system. As part of its risk-oriented audits, it examines inter alia the accounting-related processes and reports the results.

Monitoring the internal control system is also a responsibility of the Audit Committee.

In general, it should be noted that an internal control system provides no absolute guarantee that defective information in external reporting will be found. However, the risks of potential defective information are minimized as far as possible.

6.3 RISKS

Risks relating to our Industry

We operate in a highly competitive industry and the competitive pressure can have material negative effects on our business. The developing Internet TV sector also might lead to intensified competition.

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

We may not achieve our growth targets if demand for cable and telecommunications products and services in Germany does not increase, slows down or even collapses. In addition, the market environment in Germany differs from that of other countries; penetration rates, Revenue Generating Units ("RGUs") and Average Revenues per Unit ("ARPUs") of cable providers outside Germany can therefore only restrictedly be used as reliable indicators of our growth potential.

Risks relating to our Business

Failure to control customer churn and the resulting decline in the number of our cable subscribers may have a detrimental effect on our business activities and financial results.

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

In December 2011, Deutsche Annington, one of Germany's largest housing companies, entered into a long-term agreement with Deutsche Telekom AG ("DTAG") for the provision of TV, Internet and Phone services. While this agreement has only a minor effect on the Group's customer base, it nevertheless shows that DTAG's entry is intensifying the competition for license agreements.

If we are unable to continue existing products or successfully launch and establish new or improved products and services, our revenues, margins and cash flows could be lower than expected.

Our business is subject to rapid changes in technology and if we are not able to respond to technological developments in time, our business may be adversely affected.

Failure to maintain and further develop our cable network or make other improvements to the network may have a material adverse effect on our business activities and financial position.

Many components of our cable network are based on rental and leasing contracts. These contracts may be terminated by both parties after a minimum period or for good cause. Cancellation of these contracts may lead to additional costs for the renewal of the contracts or alternative solutions or – in the worst case – to a loss of business if there is no suitable alternative.

We are dependent on DTAG and some of its affiliated companies for cable ducts and other important services. The ongoing litigation against DTAG which seeks to reduce the compensation for joint use of cable ducts may have a negative impact on our business relationship with DTAG.

We do not have guaranteed access to programs and are dependent on contracts with certain program providers. Our profitability may be negatively impacted if we are unable to extend the contracts on comparable terms.

Failure to reach agreements with collection societies for copyright fees might negatively impact our business activities.

The occurrence of events beyond our control might result in damage to our central systems and service platforms, including our digital playout center and our cable network. For example, there would be lengthy network outages due to bad weather conditions, particularly long periods of intense cold.

The security of our encryption systems was compromised by piracy and may in future be compromised again by piracy, which may have a negative effect on our business operations and profitability.

We are dependent on equipment and service suppliers who can discontinue production or attempt to impose prices on us that are not competitive for us, which may adversely affect our business and our profitability.

Sensitive subscriber data is an important part of our daily business, and unauthorized disclosure of such data might violate laws and regulations which could result in fines, loss of reputation and customer churn, adversely affecting our business.

The loss of key management staff and other personnel or the inability to attract key management staff or other personnel may have a detrimental effect on our business.

The risks relating to outsourcing services may have an adverse effect on our business and result in higher costs than expected.

Strikes or other collective bargaining disputes with work stoppage could disrupt or interrupt our operations or make them more costly; for example, the cost increases for personnel in the current negotiations may be unreasonable and have an effect on profitability.

We may acquire assets which could potentially generate revenues, cash flows and profits which are lower than expected. We may encounter problems in the planned integration of these assets and not achieve the expected synergies.

We are subject to increasing operating costs and inflation risks which may have a detrimental effect on our earnings.

We are exposed to risks from litigation and arbitration proceedings.

The insolvency risk of our major suppliers and customers may adversely affect our revenues and the operating results.

We are subject to significant government regulation, which may increase our costs and otherwise negatively affect our business.

Because of these regulations we do not have complete control of the prices that we can charge broadcasters, or for a wholesale basis to Level 4 network operators, which may adversely affect our cash flows and profitability as well as our ability to compete for contracts with subscribers and housing associations.

Our relationships with program content providers and radio broadcasters are subject to asymmetrical regulations. We are required to distribute certain programs on our cable network, which may adversely affect our competitive position and operating results.

In January 2012, the public radio broadcasters announced that, as of 2013, they intend to cease payments of feed-in fees to the Group. Given in particular the fact that these broadcasters remain willing to pay for the distribution of their programs in other infrastructures, the Group will continue to argue for the extension of the feed-in compensation. It cannot, however, be ruled out that a negative change in the revenue situation relating to carriage fees will occur.

We are subject to consumer protection laws and the General Terms of Business incorporated in our customer contracts may not be enforceable in German civil courts, which might negatively affect our business and operating results.

Risks relating to our Financial Profile

Our substantial financial liabilities and our dependence on changing market interest rates may negatively impact our financial strength and our ability to raise further capital to finance our business activities.

Our debt agreements contain covenants which may limit our flexibility in operating our business.

Our capacity to generate sufficient cash depends on many factors that are beyond our control, and in certain circumstances we may not be able to generate the cash required to service our debt.

Despite our current debt level we could still incur more debt, which could lead to further risks related to the increased indebtedness.

The Group has significant financial debts and we may not be able to refinance these on favorable terms, or at all.

We have unfunded liabilities relating to our pension plans and other retirement benefits.

We might lose our tax loss carry forwards and interest loss carry forwards if a change in the shareholder structure were to occur, which could result in significantly higher future tax payments and might adversely affect our liquidity and earnings situation.

In the past we have posted losses and might do so again in the future, which may negatively impact our business and ability to obtain financing in the future.

The loans under the Senior Credit Facilities are subject in part to floating interest rates, which could rise significantly, resulting in increased costs and reduced cash flows.

We could be required to pay additional taxes or other charges resulting from tax audits on us or our subsidiaries.

We might not be able to fully deduct our interest payments for tax purposes.

Despite the current financial crisis we have no expectation of immediate effects that could negatively impact our business. There are no international dependencies of any kind since the Group operates its business exclusively in Germany and does not operate in foreign currencies. If, however, the crisis were to continue in the long-term, our refinancing terms and therefore also our borrowing costs could deteriorate.

Future dividend payments or further share buyback programs strengthen the relationship with shareholders but could restrict the financial flexibility of the Group.

A reduction in the value of the investment in KDVS GmbH could affect the Company’s ability to refinance its debts.

Summary

In summary, it can be stated that the existence of the Group was at no time under threat. In addition, we know of no other developments which could pose such a risk or may adversely affect the net assets, financial position and operating results of the Group in the long term.

Overall, the Group’s risk situation is considered to be controlled and manageable.

6.4 OPPORTUNITIES

The Group operates in a large and powerful economic region of Europe. In terms of customers and homes passed, we are, in our own assessment, Germany's largest cable network operator. Our cable network encompasses 13 of Germany's 16 federal states, including the metropolitan areas of the three largest German cities, Berlin, Hamburg and Munich. As of December 31, 2010[1)], there were a total of 47.1 million persons living in 23.7 million households in the states where we do business, which account for more than half of Germany's Gross Domestic Product (GDP). Taken on its own, this is equivalent to the fifth largest economic output in the European Union, as measured by GDP (source: German Federal Statistical Office, 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 growth opportunities in our market.

The German market offers very good growth prospects for the cable sector. The German market for broadband Internet access alone has grown rapidly over the past five years. Notwithstanding the high growth rates, broadband Internet penetration in 2010 was estimated at only 75%. Compared with the rest of the EU, this leaves Germany trailing the countries with greatest penetration such as Sweden (83%), Denmark (80%) and Finland (76%) (source: Eurostat).

We believe that, due to its competitive advantage, the cable technology will continue to attract broadband Internet access customers from other network technologies, such as DSL.

As before, however, the German market for Premium-TV continues to be 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, relatively stable cash flows from operations. Cable is Germany's leading television platform. In July of 2011, 50.2% of German households obtained their television programming over cable networks (source: Digitalreport TNS Infratest, ALM/ZAK (July 2011)). We believe that this percentage share has remained largely unchanged over the last few years, even though new distribution platforms have been introduced, such as digital terrestrial television broadcast (DVB-T) and Internet television. This stability, combined with relatively low churn rates in the core segments of our TV Business, as well as our predictable cost basis and investment structure have led to relatively stable operating cash flows.

We have an extensive, but not fully exploited, subscriber base and network coverage. Despite strong growth, in terms of both RGUs per subscriber (1.57 as of March 31, 2012) and monthly ARPU per subscriber (€14.44 for the fiscal year ended March 31, 2012), we were behind cable providers in other countries over the last three years.

Part of this has to do with the relatively late introduction of the New Services on our network. In the future, however, with our offerings of complementary and higher-end products in Premium-TV services as well as in broadband Internet and fixed-line phone services (cross-selling / upselling), we will be in a position to gain both existing and new subscribers for our New Services.

As the operator of Germany's second largest media and telecommunications network, we have a considerable technology and range advantage. The technology and range of our cable network positions us well in the converging markets of the media and telecommunications landscape. Since we control the access through our own network also in the "last mile", we can be more flexible in product planning and preparation. Also, as compared to providers without their own access network, we have shorter lead times for product introduction and a number of cost advantages. Our upgraded cable network can transmit both analog and digital TV broadcasting signals, which can be used simultaneously by multiple users per household.

We believe that, because of the high quality network infrastructure, we will also benefit in the future from increased broadband Internet penetration and from increased customer demand for HDTV offerings and interactive TV applications. Through the further extension of the DOCSIS 3.0 data transmission standard, our network will guarantee broadband speeds of 100 Mbit/s or more. Thus we expect to maintain our present position of leadership in the price/value equation until further notice.

We benefit from economies of scale, with a largely fixed cost structure and capital expenditures that are mostly success based. In our view, as the owner of the network and due to our large customer base, we can operate more cost-effectively than many of our German competitors, in particular resellers and providers that use copper wire pairs from DTAG. Certain 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 and margins as we grow our business. Since our cable network also serves as a platform for our broadband Internet access and fixed-line phone products, we benefit from the incremental economics 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 46.8% for the fiscal year ended March 31, 2012, despite continued investments in our sales, marketing and service capabilities. Our intention over the coming years is to upgrade additional portions of our network that are not yet able to offer bi-directional services. These measures will lead to the addition of further homes being marketed, which should open improved opportunities for growth in particular for the Internet and Phone Business.

1) Based on the most recent information available.

Our management possesses considerable experience in the German cable, television and telecommunications sector. Their record of successful achievement encompasses productivity increases, cost reductions, strategic takeovers and the maintenance and expansion of established customer relationships. Our Chief Executive Officer has been with us since May 2007. In more than 20 years he has held leading positions in the information and communications industry, including Siemens Business Services and Fujitsu Siemens Computers. Our Chief Financial Officer has many years of experience in the German telecommunications sector. Before joining us in his original position as Director Corporate Development in 2003, he spent over ten years with management consultant McKinsey & Co., where he provided advice primarily to telecommunications companies. Our Chief Operating Officer has had a broad range of experience in the German media sector, having held a variety of positions at the Kirch Group (Germany) before joining us in 2003. Our Chief Marketing Officer came to us in 2007 from Swiss cable network operator Cablecom Holdings GmbH, and in his previous position was responsible for marketing and sales in the consumer business and in product areas.

7. Employees

As of the balance sheet date, KDH AG had 3 employees (prior year: 3).

8. DISCLOSURES PURSUANT TO SECTION 289 PARA. 4 OF THE GERMAN COMMERCIAL CODE (HANDELSGESETZBUCH – HGB) AND EXPLANATORY REPORT

The disclosures required under Section 289 para. 4 HGB are as follows:

DESCRIPTION AND COMPOSITION OF SUBSCRIBED CAPITAL

As of March 31, 2011, KDH AG's subscribed capital amounted to T€90,000 and was reduced to T€88,523 in the fiscal year ended March 31, 2012. At this time, it consists of 88,522,939 no par value bearer shares with a pro rata amount of €1.00 each. The subscribed capital of KDH AG is fully paid in.

There are no different classes of shares; the same rights and duties are associated with all shares, the details of which are specified by Sections 12, 53a, 186 and 188 et seq. of the German Stock Corporation Act (Aktiengesetz – AktG). The right of shareholders to shares issued in certificate form is excluded under Article 4 para. 3 of the Articles of Association. Each share confers the right to one vote at the Shareholders' Meeting. Shareholders' proportion of the Company's profits is determined in accordance with their proportion of the share capital (Section 60 AktG).

DIRECT OR INDIRECT PARTICIPATIONS IN CAPITAL THAT EXCEED 10% OF THE VOTING RIGHTS

These disclosures are presented in section 5.8 of the notes to the financial statements in accordance with Section 160 para. 1 no. 8 AktG.

APPOINTMENT AND REMOVAL OF THE MANAGEMENT BOARD, AMENDMENTS TO 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 of five years. Reappointment or extension of the term for five years is also permitted. 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 makes 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 has two votes in the next voting.

Under Article 5 of the Articles of Association, the Management Board of KDH AG consists of one or more persons. The Supervisory Board determines the actual number of members. The Supervisory Board has appointed a Chairman of the Management Board and a Deputy Chairman. The Supervisory Board may establish rules of procedure for the Management Board and in particular, stipulate in these rules transactions which require the approval of the Supervisory Board. Both of these were undertaken by the Supervisory Board of KDH AG. 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. Except as required by statute, Supervisory Board resolutions are made by simple majority of the votes cast.

The Supervisory Board may revoke the appointment of a Management Board member and the designation of its Chairman for cause, pursuant to Section 84 para. 3 AktG.

In case of amendments of the Articles of Association, Sections 179 et seq. AktG shall be observed. The German Stock Corporation Act contains special provisions (Sections 182 - 240 AktG) for amendments to the Articles of Association in the event of an increase or decrease in share capital. Under these provisions, the Shareholders' Meeting may authorize the Management Board to undertake particular (capital) measures within the limits specified by it (existing authorizations at KDH AG are set out below). The Shareholders' Meeting decides with regard to amendments to the Articles of Association (Sections 119 para. 1 no. 5, 179 para. 1 AktG). The resolution must be approved by at least three fourths of the share capital represented when the resolution is adopted. The Articles of Association can designate a different controlling interest (higher or lower) and establish additional requirements. The Articles of Association of KDH AG, in Article 17 para. 2, provide that resolutions of Shareholders' Meetings are to be adopted by a simple majority of the votes cast and, insofar as a capital majority is required, by a simple majority of the share capital represented at the time the resolution is adopted, unless a greater majority is required by the Articles of Association or legal statute. The latter is the case, for example, for 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 three-fourths majority of the capital represented when the resolution is adopted is required in each case.

The Supervisory Board is authorized by Article 11 of the Articles of Association to decide on amendments to the Articles that relate only to their wording. The Supervisory Board is further authorized by Article 4 para. 5 and 6 of the Articles of Association to adjust the wording of the Articles of Association after complete or partial implementation of the share capital increase out of Authorized Capital 2010/I and expiration of the authorization period, in accordance with the extent of the capital increase(s) from Authorized Capital 2010/I, and also to make the corresponding adjustments following complete or partial implementation of the share capital increase from 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 shareholders' resolution dated February 19, 2010, the Management Board is authorized to increase the Company's share capital, with Supervisory Board approval, on or before February 18, 2015 by issuing up to 45,000,000 new no par value bearer shares against payment in cash and/or contributions in kind on one or more occasions, up to a total amount of T€45,000 (Authorized Capital 2010/I).

CONTINGENT CAPITAL

The Company's share capital is contingently increased by T€45,000 by resolution of the Shareholders' Meeting of March 15, 2010 through the issue of up to 45,000,000 new no par value bearer shares (Contingent Capital 2010/I). The contingent capital may be used to provide shares to holders/creditors of convertible and warrant bonds pursuant to the authorization of March 15, 2010.

TREASURY SHARES

By a resolution of the Shareholders' Meeting dated March 15, 2010, the Management Board was authorized to purchase treasury shares on or before March 14, 2015, subject to Supervisory Board consent, in a volume of up to 10% of the share capital existing at the time the resolution was adopted (corresponding to 9,000,000 shares). Acquisition for purposes of trading in treasury shares is not permitted. The shares acquired on the basis of this authorization, together with other shares of the Company acquired by the Company and still in its possession at the time of acquisition, may not represent more than 10% of the share capital.

The authorization may be used by the Company on one or more occasions, in its entirety or in several installments, and may also be used by the Company's subsidiaries or companies under majority ownership of the Company or by third parties acting on behalf of the Company or its subsidiaries or companies under majority ownership of the Company.

Purchases may be made over the stock exchange or through a public offer to all shareholders. For acquisition via the stock exchange, the purchase price (excluding incidental purchasing expenses) may not be more than 20% above or below the price of the stock as determined by the opening sales in XETRA trading (or a corresponding successor system) on the trading date.

In the event of acquisition through a public offer, the purchase price offered or the limits of the purchase price range per share (excluding incidental purchasing expenses) may not be more than 20% above or below the closing price in XETRA trading (or a corresponding successor system) on the third exchange trading day preceding the date of public notification of the offer. If there are significant fluctuations in the prevailing price after the public offer to purchase is published, the offer may be adjusted. In that event, any adjustment will be based on the price on the third exchange trading day prior to the public announcement.

The volume of the offer may be limited. If the entire subscription of the offer exceeds the established size, acceptance must be effected according to quota. Provisions may be made for preferential acceptance of smaller numbers of up to 1,000 tendered shares per shareholder.

In addition to sale via the stock exchange, or 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 may be retired, with no further shareholder resolution required for the retirement or its implementation.

(b) With the consent of the Supervisory Board, they may be offered and transferred to third parties against contributions in kind in connection with company mergers or for the purpose of acquiring (including indirectly) companies, divisions of companies, equity interests in companies or other assets.

(c) With the consent of the Supervisory Board, they may be sold to third parties for cash payment if the price at which the shares are sold is not materially below the stock exchange price of the Company's shares at the time of the sale (excluding incidental purchasing expenses); the relevant price in that event will be the stock exchange price of the Company's shares in XETRA trading (or a corresponding successor system) at the time of the determination of the selling price.

    Altogether, the shares sold on the basis of this authorization may not exceed the upper limit for simplified exclusion of subscription rights of 10% of the share capital, neither at the time this authorization goes into effect nor when it is exercised. This number is to include company shares issued by the Company while this authorization is valid with shareholder subscription rights excluded in direct or indirect application of Section 186 para. 3 sentence 4 AktG. This number is also to include shares issued, or that may yet be issued, to service conversion or option rights or conversion obligations, insofar as the bond conveying a corresponding conversion or warrant right or providing a basis for a corresponding conversion obligation was issued while this authorization was in effect in accordance with this provision precluding shareholders' subscription rights.

(d) With the consent of the Supervisory Board, they may be used to service warrant and / or conversion rights or conversion obligations on bonds issued by the Company or an affiliated company.

The above authorizations for use or retirement of treasury shares may be used in full or in installments, on one or more occasions, individually or in combination.

Shareholders' subscription rights to acquire treasury shares are excluded insofar as these shares are used in accordance with the above authorizations in letters (b) through (d).

In the period from September 19, 2011 to December 9, 2011, the Management Board, with consent of the Supervisory Board, repurchased on the stock exchange a total of 1,477,061 no par value shares, with a pro rata amount of share capital equal to T€1,477 at a total purchase price of approximately T€60,000 (excluding transaction fees). The amount used for acquisition of the 1,477,061 shares was covered by unrestricted capital reserves pursuant to Section 272 para. 2 no. 4 HGB.

By resolution dated March 12, 2012, the Management Board, using the authorization granted to it by Section 71 para. 1 no. 8 sentence 6 AktG, resolved to retire 1,477,061 treasury shares, with a T€1,477 reduction in share capital, causing removal from the books of the corresponding treasury shares in a Company securities account maintained at a bank. The capital reduction through retirement of treasury shares was then announced on March 13, 2012 in accordance with Section 30b para. 1 sentence 1 no. 2 of German Securities Trading Act (Wertpapierhandelsgesetz – WpHG).

As of May 10, 2012, the implementation of the capital reduction and the amendment of the wording of the Articles of Association in accordance with Article 11 of the Articles of Association in connection with Section 179 para. 1 sentence 2 AktG, as resolved by the Supervisory Board on March 13, 2012, have been entered in the commercial register.

At this time, the authorization of the Shareholders' Meeting of March 15, 2010 still encompasses the repurchase of up to 8.36% of the share capital existing at the time the resolution was adopted (corresponding to 7,522,939 shares).

MATERIAL AGREEMENTS OF THE COMPANY THAT ARE CONDITIONAL ON CHANGE OF CONTROL RESULTING FROM A TAKEOVER OFFER

In the following circumstances, mandatory prepayments are due on borrowings under the Senior Credit Facility: (i) in full, upon a change of control (normally triggered if a person or group obtains control over more than 30% of the Company’s total voting rights) or upon the sale of all significant assets of the Group, (ii) in part from a flow of funds from specific third parties, including in connection with the sale of assets.

In the event of a “Change of Control Triggering Event”, KDVS GmbH is obligated to submit an offer to buy back the 2018 Senior Secured Notes at a price of 101%, plus accrued interest. A “Change of Control Triggering Event” takes place if there is a change of control accompanied by a ratings downgrade. A change of control in this sense occurs (i) if a person or group acquires control over a majority of voting rights in KDVS GmbH, (ii) if within two successive years persons who constitute the majority of shareholder representatives on the Supervisory Board (together with new Supervisory Board members whose election or nomination for election by the Shareholders’ Meeting was previously supported by the majority of shareholder representatives on the Supervisory Board) no longer constitute the majority of shareholder representatives on the Supervisory Board, or (iii) upon a sale, lease, transfer or other disposition of all material assets. A relevant ratings downgrade is present (i) in the event that the 2018 Senior Secured Notes are given an investment grade rating by both Moody’s Investors Service and Standard & Poor’s Rating Services, if this investment grade status is revoked by at least one of these two agencies, or (ii) in the event that the 2018 Senior Secured Notes are not given an investment grade rating by at least one of the two rating agencies, if at least one agency reduces the rating by at least one sub-rating step.

Individual agreements with pay-TV providers guarantee a special right of cancellation in the event that a competitor of the contracting party or a company associated with the competitor obtains dominant control over the Group.

A communal housing association may cancel a permit and services agreement with KDVS GmbH if a third party acquires a majority interest in KDVS GmbH or KDH AG and, due to the changed ownership structure, it is no longer reasonable to expect adherence to the agreement.

9. COMPENSATION REPORT

9.1 BASIC PRINCIPLES OF THE COMPENSATION SYSTEM FOR THE MANAGEMENT BOARD AND SUPERVISORY BOARD

The following compensation report summarizes the main features of the system for compensation of the Management Board and Supervisory Board of KDH AG that have determined Management Board and Supervisory Board compensation during the past financial year.

The system for compensation of the Management Board of KDH AG was revised during the financial year ended March 31, 2011, following the IPO in March 2010. On May 19, 2010 the Supervisory Board of KDH AG passed a resolution pertaining to the Management Board compensation structure presented below, retroactive for the entire fiscal year ended March 31, 2011, which was the basis for newly established service agreements with Management Board members.

The new system for Management Board compensation was approved by a resolution of the Shareholders' Meeting of October 20, 2010.

9.2 Management Board Compensation

The whole Supervisory Board defines reasonable compensation for the individual members of the Management Board. The criteria for the reasonableness of total compensation 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 absence of special justifying reasons.

Total compensation for Management Board members essentially comprises three elements: base compensation, short-term variable compensation based on the fiscal year, and long-term variable compensation components based on a Long-Term Incentive Plan ("LTIP"). Added to these are retirement pensions and standard benefits.

Fixed Salary

A fixed annual salary is provided. This is paid out regardless of performance in equal monthly installments, and represents the fixed element of compensation.

Short-term Variable Bonus

In addition, a short-term variable bonus in the form of a 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 beginning of each fiscal year. If targets are achieved 100%, the performance bonus corresponds to the agreed target bonus, equal to 80% of base compensation. If there is 70% target achievement, a bonus in the amount of 10% of the agreed target bonus is paid; there is no bonus for lower achievements. The upper limit of the performance bonus is 150% of the contractually agreed target bonus. The extent to which targets have been achieved is calculated and determined by the Supervisory Board at the end of each fiscal year based on actual operating results.

The following parameters were used to establish performance targets for the fiscal year ended March 31, 2012: EBITDA, EBITDA less CAPEX (i.e. investment in longer-term capital goods) taking into account changes in Net Working Capital (i.e. various current asset items), subscription revenues, customer satisfaction (one third each for customer service center, technical service center and technical operations), net adds of individual customer agreements and net add of Internet and Phone customer numbers.

Long-term Variable Bonus

In addition, the members of the Management Board participate in a long-term, performance-dependent compensation program, so called "LTIP". This consists of two share-based components: a performance share program, issued annually ("LTIP I") and a one-time grant of virtual stock options ("LTIP II").

LTIP I

The virtual performance share program is a performance-dependent compensation component rated to the total shareholder return (TSR) on shares of KDH AG during a 4-year period ("vesting period") relative to the performance of the MDAX.

At the beginning of every financial year, Management Board members are awarded a number of virtual shares ("performance shares") defined by the Supervisory Board in the proper exercise of its discretion. Depending on the attainment of certain performance targets, the performance shares will be due for payout four years after they are granted. The performance targets are assessed based on the performance of the shareholder return on KDH AG shares compared to the MDAX over the four-year vesting period. Payout is made in cash, and is determined by the number of payable performance shares times the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 trading days prior to the time of vesting. If the performance of the shareholder return on KDH AG shares in the vesting period is equal to the performance of the MDAX index, there is 100% achievement of the performance targets and 100% of the performance shares granted are paid out. If the shareholder return on KDH AG shares during the vesting period outperforms the MDAX index, the number of payable performance shares rises, depending on the extent of the outperformance relative to the MDAX, up to a maximum of 200% of the performance shares originally awarded. The 200% limit is reached if the MDAX is outperformed by 40 percentage points or more. If KDH AG shares underperform the MDAX by up to 20 percentage points (inclusive), the number of payable performance shares is reduced, depending on the extent of the underperformance, by up to 50%. Straight-line interpolation is applied between the upper and lower limits. The performance target is missed, and the performance shares will expire worthless, if the MDAX is underperformed by more than 20 percentage points. The performance shares will likewise expire worthless if the MDAX is underperformed and, at the same time, the price of KDH AG shares at the time of vesting (the relevant price being the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 trading days before the time of vesting) plus any dividends paid out during the vesting period falls below the issuing price of the performance shares.

LTIP II

Effective April 1, 2010, the members of the Management Board received a one-time allotment of virtual stock options with a term of six years. The quantity of options received was duly determined at the discretion of the Supervisory Board.

Depending on the achievement of specific performance targets, the virtual stock options vest in several tranches on March 31, 2012 (40% of the options), March 31, 2013 (another 30% of the options), and March 31, 2014 (the remaining 30% of the options). The established performance targets are the target EBITDAs which must be achieved during a specific time period as well as the price targets for KDH AG shares that must be achieved within defined performance time frames. If the respective price targets are not achieved within the relevant performance time frame, the options may also become vested subsequently, up to the expiration of the exercise period, if and when the price target for one of the following performance time frames is achieved either before the start of such next performance time frame or during it, insofar as the relevant Management Board member is in office at the time the target is achieved (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 may also extend the term of the options and the exercise period by up to two years. Virtual stock options that are not exercised within the (original or extended) exercise period will expire worthless. Upon exercise of the virtual options, the difference between the IPO issue price of KDH AG shares (€22) and the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 days before the time of exercise will be paid out in cash.

In the event of extraordinary developments, the Supervisory Board may limit both the number of payable performance shares and the number of exercisable virtual stock options.

Payment in the Event of Termination or Retirement

Members of the Management Board acquire pension benefits under a company pension plan. The individual pension agreements give Management Board members, under the company pension scheme applicable to the Group, a right to lifelong pension benefits or survivor benefits upon reaching the age of 65, in the event of permanent disability or in the event of death. Upon reaching normal retirement age, payments are made out of a capital account plan funded by annual contributions, the amount of which is determined by annual fixed salary and age. The amount of the annual contributions is calculated using 2.5% of annual base salary and 7.5% for the amount of annual base salary exceeding the contribution measurement limits of statutory pension insurance, multiplied by a factor depending on age. The total contributions accumulated in this manner constitute the pension benefit balance. Payments from the capital account may consist of a lump sum withdrawal (as a single amount or in installments) or an annuity on the pension benefit balance existing at the time of retirement, permanent disability or death. The payment in the event of disability amounts to 100% of the pension credit balance achieved at the time of retirement. The survivor benefits give the spouse a right to 100% of the pension benefit balance. Children under the age of 27 are entitled to 100% of the pension benefit balance in equal shares if there is no surviving spouse.

In the event a Management Board member leaves the company before reaching retirement age, the retirement benefits are vested. If annualized pension payments are made, an annual increase is made to the ongoing pension payments. If the retirement capital is spread out over yearly installments, a commitment may be given for a widow / orphans annuity, in the amount of 60% of the annuity payment.

Contractual Benefits

Board members have a right to standard (non-cash) benefits. These include the use of a company car, D&O insurance, a life insurance policy, health insurance contributions and, on an individual basis, a housing allowance or reimbursement of tax advisory costs.

9.3 SUPERVISORY BOARD COMPENSATION

The compensation of the Supervisory Board was set by the Shareholders' Meeting and is governed by Article 12 ("Compensation") of KDH AG's Articles of Association. Each member of the Supervisory Board receives a fixed base compensation payable after the end of the financial year, in the amount of T€20. The Chairman of the Supervisory Board receives fixed compensation in the amount of four times this amount and the Deputy Chairman in the amount of one and a half times the amount. The Chairman of the Executive Committee additionally receives twice the aforementioned amount and the Chairman of the Audit Committee additionally receives four times the amount of base compensation for Management Board members. Every ordinary member of the Audit Committee receives an additional amount of 0.75 times the base compensation. Supervisory Board members who belong during only part of a fiscal year to the Supervisory Board and/or a Supervisory Board committee or who hold the post of Chairman or Deputy Chairman of the Supervisory Board of KDH AG are to receive only the corresponding prorated compensation.

In addition, Supervisory Board members receive an attendance fee of T€1 per meeting for each meeting of the entire Supervisory Board in which they personally take part. The attendance fee is limited to T€1 per calendar day. In addition, the Company reimburses Supervisory Board members for expenses arising from the exercise of their Supervisory Board responsibilities as well as for the value-added tax payable on their compensation and expenses, provided that the latter are separately billed.

Members of the Supervisory Board who withdrew from or first join the Supervisory Board during the financial year ended March 31, 2012 have a right to the above-specified compensation payments prorated to the length of their respective time in office. This relates to the shareholder representatives who withdrew at the end of October 2011: John Hahn, Robert Sudo, Biswajit Subramanian and Ian West. Since November 2011 their successors have been Annet Aris, Catherine Mühlemann, Paul Stodden and Torsten Winkler. In addition, since the election of employee representatives at the beginning of December 2011, Petra Hesse and Norbert Michalik have withdrawn from the Supervisory Board and Irena Gruhne and Helmut von der Lieck have joined. Torsten Winkler has become a member of the Audit Committee, replacing Robert Sudo, as has Susanne Aichinger, replacing Petra Hesse. They received the corresponding prorated compensation.

10. CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB

The corporate governance declaration together with the corporate governance report, relevant disclosures on corporate governance practices, a description of the working procedures of the Management Board and Supervisory Board, and the composition and working procedures of its committees are published permanently on the Company's website at www.kabeldeutschland.com.

11. OUTLOOK

The Company is the management and holding company of the Group. As the parent company of the Group, KDH AG performs the typical tasks of a holding company, such as the strategic development of the Group and provision of central services, including financing activities for Group companies. The future business development of KDH AG therefore depends crucially on the future development and performance of the operating companies of the Group, in particular KDVS GmbH. In view of the business outlook for the operating companies and the Group described below, we are convinced that KDH AG will continue to be able to cover its operating expenses in the future. In total, however, we expect future net losses due to interest expenses, if not exceeded by income from investments.

The business of our Group has proven its resilience in recessionary economic environments. Given this experience, we believe our Company will continue to turn in a very robust performance during the current fiscal year and beyond. However, an economic environment with high inflation rates could have a negative effect on business performance (rising factor costs and interest rates).

Since 2006, the Group has implemented a comprehensive investment program for network upgrading, introduced New Services and strengthened its marketing and sales capabilities. This enabled the sale of new products such as broadband Internet access, fixed-line phone services and Premium-TV services, e.g. DVR or pay-TV. In our investments, we have benefited from our existing network, our economies of scale owing to a relatively fixed cost structure and success based, subscriber oriented investments. Over the last few years, this strategy has led to clear organic growth in revenues, EBITDA and free cash flow. We expect the successful performance of our Group and the continuation of our strategy to move forward over the next years. Based on the type of financing chosen for the Group and KDH AG and the performance of direct and indirect investments, KDH AG also believes that no difficulties will arise with regard to timely fulfillment of its financial obligations.

TV BUSINESS

We expect that our Basic Cable business will continue to generate stable revenues and cash flows in the future as well, despite a continuing slight fall in the number of Basic Cable subscribers. As in the past years, this decline in subscribers is expected to appear mainly in the segment of indirect customers with low average monthly revenues, triggered by further cable connection removal notices by Level 4 network operators. Possible additional acquisitions of Level 4 network operators in our network area might further increase the proportion of direct subscriber relationships. As in the past, we shall continue to examine potential added value from possible acquisitions in the future as well, in order to profit from an ongoing consolidation in the German cable industry given an appropriate environment (market, regulators).

The growing familiarity with and demand for digital television offerings should give us multiple further opportunities for innovation in providing our Basic Cable subscribers with additional Premium-TV services. In the next two years, we plan to further increase the distribution of our new digital video recorders and digital receivers among our customer base and to expand our HDTV offering. Furthermore, we plan over the next few years to distribute the interactive VoD service, introduced in March of 2011, on further upgraded networks. It is our expectation that the marketing of these New Services – either as individual products or as part of a portfolio of products with our current pay-TV offerings – will generate further growth in the TV Business and should make a positive contribution to the performance of our Group's EBITDA and cash flow.

INTERNET AND PHONE BUSINESS

As in past years, we expect the Internet and Phone Business to continue to be the major engine of our Group's revenue and EBITDA growth in the future as well. While growth in the overall market in Germany is weakening, we nevertheless believe that, as Internet penetration rises, this will mean significantly above-average growth in Internet subscribers and Internet revenues for our company. Cable network operators have won market share from DSL providers, and our growth will be increasingly supported by DSL customers looking to make a move, customers we can win through product differentiation and by leadership in the cable technology price/performance relationship. We will be able to expand this technological leadership further still, with increased availability of our DOCSIS 3.0 services at a speed of 100 Mbit/s or above.

NETWORK PROJECTS, CAPITAL EXPENDITURE AND FINANCIAL POSITION

To accommodate further growth of subscribers, traffic and our New Service offerings, we will continue to invest in our network and service platforms in the years to come. The majority of our investments going forward will also be success based, i.e. directly connected with new subscriber acquisition and set-up and the accompanying expenditures for terminal equipment. In addition, we will upgrade more networks to offer our Internet and Phone services, and systematically investigate replacing leased infrastructures with investments in our own line capabilities.

As a consequence of the expected developments described above, we believe that the operating free cash flow (EBITDA minus CAPEX) for the current business of our Group will remain stable in the coming year and grow the following year. This will enable us to reduce our net debt level and meet all financial obligations (loan covenants, interest and principal repayments) and loan terms and conditions of the Group in coming years, and also strengthen our earnings on a sustained basis.

12. PARTICULAR EVENTS AFTER THE BALANCE SHEET DATE

The RTL Group terminated existing feed-in agreements with KDVS GmbH on April 28, 2012, and took legal steps to enforce the de facto termination of feed-in. KDH considers the exercise of the special right of termination and the measures taken by the RTL Group to be legally void. At the same time, KDH is currently in advanced negotiations with the RTL Group and expects to reach contractual agreement shortly.

On April 30, 2012 KDH AG signed a new unsecured financing with a volume of up to €600 million that can be drawn down in two separate tranches until June 7, 2013. The purpose of the loan is to finance the acquisition of TeleColumbus, but in parts (€200 million) it can also be used for general corporate purposes. If drawn, this financing will have a maturity of five years (initial interest of 4.25% over EURIBOR, capped at 8.0%), but can be refinanced before.

On May 21, 2012 KDH AG has entered into a purchase agreement with TeleColumbus GmbH ("TeleColumbus") to acquire the TeleColumbus Group. The purchase price amounts to €603 million plus accrued interest. As of December 31, 2011, this would have been equivalent to €618 million. The purchase price will provide for repayment in full of the financial debt of TeleColumbus.

TeleColumbus, headquartered in Berlin, provides basic cable services to approximately 1.7 million customers in 2.1 million homes connected and is Germany's largest Level 4 cable network operator. TeleColumbus operates predominantly in Berlin and in Eastern Germany including the cities of Dresden, Magdeburg and Potsdam. The business of TeleColumbus overlaps to a large extent with KDH's footprint. In the fiscal year 2011 TeleColumbus reported revenues of €218 million and an operating result (EBITDA) of €81 million.

Following a successful closing of the acquisition, most of TeleColumbus' customers will be able for the first time to subscribe to KDH's high speed Internet products and new TV services.

The acquisition is subject to the approval of the German Federal Cartel Office.

Unterfoehring, May 29, 2012

Dr. Adrian v. Hammerstein
Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares
Chief Operating Officer

Erik Adams
Chief Marketing Officer

Dr. Andreas Siemen
Chief Financial Officer

RESPONSIBILITY STATEMENT

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 29, 2012

Dr. Adrian v. Hammerstein
Chief Executive Officer

Dr. Manuel Cubero del Castillo-Olivares
Chief Operating Officer

Erik Adams
Chief Marketing Officer

Dr. Andreas Siemen
Chief Financial Officer

AUDIT OPINION

Independent Auditors' report

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, Unterfoehring, Germany, for the fiscal year from April 1, 2011 to March 31, 2012. 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 29, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]	*[signed]*
Dahmen	Christ
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Kabel Deutschland