Kabel Deutschland Holding AG
Unterfoehring

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

for the Fiscal Year Ended
March 31, 2014

Kabel Deutschland

Selected Key Figures	Fiscal year ended March 31, 2014	2013	Variance	Variance
Consolidated Statement of Income (in € million)				
Revenues	1,900.2	1,829.9	70.3	3.8%
Adjusted EBITDA [1)]	909.7	862.3	47.4	5.5%
Adjusted EBITDA margin (in %) [2)]	47.9	47.1	-	-
Depreciation and Amortization	407.6	360.9	46.7	12.9%
Net profit / loss for the period	(68.2)	246.9 [15)]	(315.1)	-
Earnings per Share (in €) [3)]	(0.77)	2.79	(3.56)	-
Consolidated Statement of Financial Position (in € million)				
Cash and cash equivalents	334.1	609.5	(275.4)	(45.2)%
Net debt [4)]	2,915.9	2,742.9	173.0	6.3%
Leverage net debt to Adjusted EBITDA (in times)	3.2	3.2	-	-
Consolidated Statement of Cash Flows (in € million)				
Cash paid for capital expenditure [5)]	(575.2)	(472.3)	(102.9)	21.8%
thereof success based investments	(318.8)	(311.5)	(7.3)	2.3%
thereof non success based investments	(256.4)	(160.8)	(95.6)	59.5%
Cash flows from operating activities	805.5	729.8	75.7	10.4%
Cash flows from financing activities	(504.4)	217.4	(721.8)	-
Changes in cash and cash equivalents	(275.5)	475.8	(751.3)	-
Operating free cash flow [6)]	334.5	390.0	(55.5)	(14.2)%
Network (in thousands)				
Homes passed [7)]	15,233	15,293	(60)	(0.4)%
Homes passed upgraded for two-way communication	14,198	13,334	864	6.5%
Homes upgraded for two-way communication being marketed [8)]	11,789	11,220	569	5.1%
Subscribers (in thousands)				
Direct subscribers (incl. Internet and Phone "Solo" subscribers) [9)]	7,597	7,576	21	0.3%
Indirect Basic Cable subscribers	747	897	(150)	(16.7)%
Total unique subscribers (homes connected)	**8,344**	**8,473**	**(129)**	**(1.5)%**
RGUs (in thousands) [10)]				
Basic Cable	8,301	8,617	(316)	(3.7)%
Premium-TV [11)]	2,302	2,070	232	11.2%
Internet and Phone	4,309	3,661	648	17.7%
Total RGUs	**14,913**	**14,348**	**565**	**3.9%**
RGUs per subscriber (in units)	**1.79**	**1.69**	**0.10**	**5.9%**
ARPU (in € / month)				
Total blended TV ARPU per subscriber [12)]	10.77	10.37	0.40	3.9%
Total blended Internet and Phone ARPU per subscriber [13)]	27.50	28.27	(0.77)	(2.7)%
Total blended ARPU per subscriber [14)]	**17.11**	**15.87**	**1.24**	**7.8%**
Employees (average headcount)				
Employees	3,664	3,157	507	16.1%

[1] EBITDA consists of profit from ordinary activities before depreciation and amortization. We calculate "Adjusted EBITDA" as profit from ordinary activities before depreciation and amortization, expenses related to LTIP, expenses related to takeover / acquisitions and changes in norms and expenses related to restructuring / legal reorganization.

[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 less 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 less cash paid for investments (without acquisitions).

[7] The change, compared to prior periods, resulted from a modification of the definition of "homes passed". Since September 30, 2013, homes passed are defined as households currently or once connected to our network. In the modified definition, those households that have never been connected to our network but are connectable at a reasonable cost are not considered anymore. The number of homes passed as of March 31, 2013 has not been adjusted retroactively.

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

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

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

[11] Premium-TV RGUs consist of RGUs for our Pay-TV products (Kabel Premium HD and Kabel International) as well as our DVR products Kabel Komfort HD and Kabel Komfort Premium HD.

[12] 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 TV Business products by the sum of the monthly average number of Basic Cable subscribers in that period.

[13] 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 in that period.

[14] Total blended ARPU per subscriber is calculated by dividing recurring TV 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 Business segments by the sum of the monthly average number of total unique subscribers in that period.

[15] The net profit for the period from April 1, 2012 to March 31, 2013 has been adjusted in accordance with the retroactive application of the amendments to IAS 19 "Employee Benefits". See Group Notes 2.1 Accounting Standards recently issued by the IASB.

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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 2014". 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 ("KDH AG" or the "Company") 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 2013/2014, including the related audit reports.

Overview of the activities of the Supervisory Board

During the fiscal year 2013/2014, 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 KDH 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 net assets, financial position and results of operations 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. A subject of regular discussions with the Management Board was the development of the Group in terms of revenues, 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 auditing measures, such as the inspection of Company documents, were necessary.

Important topics the Supervisory Board dealt with in fiscal year 2013/2014 were the takeover by Vodafone, the domination and profit and loss transfer agreement, and personnel changes in the Supervisory Board and the Management Board.

Changes in the Supervisory Board

After the acquisition of the majority of the shares of KDH AG by Vodafone, Tony Ball, the Chairman of the Supervisory Board, and additional shareholder representatives Catherine Mühlemann, Martin Stewart, Paul Stodden and Torsten Winkler resigned from the Supervisory Board effective as of October 31, 2013. Upon request of the Management Board, Dirk Barnard, Philipp Humm, Dr. Thomas Nowak, Karsten Pradel and Jens Schulte-Bockum, who were proposed by majority shareholder Vodafone, were appointed by court to be members of the Supervisory Board of KDH AG as from November 1, 2013.

In fiscal year 2013/2014, Philipp Humm was elected as the new Chairman of the Supervisory Board. As in recent fiscal years, Joachim Pütz is the Deputy Chairman of the Supervisory Board.

Changes in the Management Board

Because Chief Executive Officer Dr. Adrian v. Hammerstein retired from the Company at his own request on March 31, 2014, former Chief Operating Officer and Deputy Chairman of the Management Board Dr. Manuel Cubero was appointed as his successor effective April 1, 2014. Gerhard Mack, formerly Director of the department Technical Operations, was appointed to the Management Board as the new Chief Operating Officer, also effective April 1, 2014. We are particularly proud of being able to present Mr. Cubero and Mr. Mack, both much-respected and highly qualified colleagues from within the Company, as successors. The appointment of Manuel Cubero means that the top position will now be occupied by an experienced manager who has already contributed significantly in his previous positions to the development of the Company and has a solid reputation in the industry. Similarly, Gerhard Mack is ideal for the position of Chief Operating Officer in the Management Board of Kabel Deutschland due to his wide experience in network operations and customer service. The Supervisory Board is deeply grateful to Dr. von Hammerstein for his great dedication to Kabel Deutschland.

Supervisory Board Committees

The Supervisory Board created four standing committees in order to increase its efficiency: the Conciliation Committee in accordance with Section 27 para. 3 of the German Co-Determination Act (Mitbestimmungsgesetz – "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. It consists of the Chairman and the Deputy Chairman of the Supervisory Board and one member each selected by the employee representatives and the shareholder representatives. Committee members selected in fiscal year 2013/2014 were Susanne Aichinger on the employee side and first Paul Stodden and then Jens Schulte-Bockum on the shareholder side.

The **Executive Committee** lays the groundwork for the personnel-related decisions of the Supervisory Board, in particular those relating to the appointment and removal of members of the Management Board and the appointment of the Chairman and decisions as to the remuneration of the Management Board. The Executive Committee is composed of the Chairman of the Supervisory Board, who also acts as Chairman of the Executive Committee, and three further members. In fiscal year 2013/2014, Joachim Pütz was a member, first with Catherine Mühlemann and Ronald Hofschläger, and then with Susanne Aichinger and Jens Schulte-Bockum.

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 regard to the approval of the annual financial statements. To this end it carries out a preliminary audit of the annual financial statements, the combined management report and the proposal as to the appropriation of profits, as well as the consolidated financial statements, 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 composed of four members. In fiscal year 2013/2014, these were first Martin Stewart as Chairman and Torsten Winkler, who were replaced after the change in the Supervisory Board by Annet Aris (an independent member of the Supervisory Board who possesses expert knowledge in the fields of accounting and auditing gained from her professional practice) as new Chairman, and Dr. Thomas Nowak. Susanne Aichinger and Petra Ganser were members of the Audit Committee during the entire fiscal year.

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 fiscal year 2013/2014, these were Annet Aris and Paul Stodden, until his resignation from the Supervisory Board, for whom Jens Schulte-Bockum was appointed to the Nomination Committee.

In addition, in fiscal year 2013/2014 the Supervisory Board constituted a special committee for consultation and preparation of decisions of the Supervisory Board in the event of a possible takeover situation, which consisted of the members of the Audit Committee and the Supervisory Board Chairman as well as the Deputy Chairman.

Meetings of the Supervisory Board and its committees

In the fiscal year 2013/2014, the Supervisory Board held eight meetings. In addition to regular reporting, important topics dealt with were the takeover by Vodafone, the domination and profit and loss transfer agreement, and personnel changes in the Supervisory Board and the Management Board. No member of the Supervisory Board attended fewer than half of the meetings. 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 Executive Committee convened three 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, in particular changes in the Management Board and periodic extension of the term of office of the members of the Management Board and remuneration matters. The Audit Committee held four meetings in the fiscal year 2013/2014, in particular for the purposes of auditing of the annual and consolidated financial statements as well as the semi-annual and quarterly financial reports, concerning matters of independence and the appointment of the auditor, and concerning the internal control and audit system. In addition, in preparation for the decision of the plenary meeting of the Supervisory Board on the domination and profit and loss transfer agreement, the members of the Audit Committee held a question and answer session on issues related to business valuation. The special committee for takeover topics held four meetings. The Nomination Committee has not convened in the fiscal year 2013/2014. 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 recommendations of the Government Commission for the German Corporate Governance Code and in October and December 2013 approved updates to the declaration of compliance of March 2013. In conjunction with the Management Board, the current annual declaration of compliance was approved in accordance with Section 161 of the German Stock Corporation Act ("Aktiengesetz – AktG") in March 2014. The shareholders can find the declaration of compliance on the Company's website.

Main features of the remuneration system

The remuneration system of the Management Board of KDH 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.

Auditing of the Annual and Consolidated Financial Statements

At the Shareholders' Meeting of KDH AG on October 10, 2013, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor for the fiscal year ended March 31, 2014, in line with the proposal made by the Supervisory Board based 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 audited KDH AG's annual financial statements for the fiscal year 2013/2014 (balance sheet date March 31, 2014) as well as the consolidated financial statements prepared in accordance with IFRS regulations as adopted by the European Union (balance sheet date March 31, 2014) and the Combined Management Report including the accounting and issued an unqualified audit opinion 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 report on relationships with affiliated companies in respect of the fiscal year 2013/2014 for the period from October 14, 2013 to March 31, 2014, which was presented by the Management Board, was also examined by the auditor. The Management Board's report on relationships with affiliated companies was assigned the following unqualified auditor's certificate: "After conducting our examination and assessment in accordance with our obligations, we confirm that the factual statements contained in the report are correct, that benefits derived by the Company from the legal transactions specified in the report were not unreasonably high, and that there were no circumstances calling for an evaluation substantially different to that reached by the Management Board concerning the measures specified in the report."

The annual accounting documents, the report on the relationships with affiliated companies for the fiscal year 2013/2014 including the auditor's reports as well as the Combined Management Report were made available to each member of the Supervisory Board in sufficient time before the financial statements meeting on May 16, 2014.

The members of the Audit Committee, in its meeting held on May 16, 2014, carefully reviewed and examined, together with the Chief Financial Officer and the auditor, the financial statements cited above, the audit reports concerning the annual and consolidated financial statements, as well as the report on relationships with affiliated companies and the auditor's report annexed to its statement of independence, and subsequently reported thereon to the entire Supervisory Board at the latter's subsequent meeting. The Supervisory Board, aware of and taking into consideration the auditor's reports, discussed and examined KDH AG's annual and consolidated financial statements and Combined Management Report as well as the report on the relationships with affiliated companies during its May 16, 2014 meeting. Upon request, the Management Board additionally provided an oral explanation of the annual accounting documents and the report on the relationships with affiliated companies 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 KDH AG's annual and consolidated financial statements or its Combined Management Report, and the report on relationships with affiliated companies as well as the auditor's audit reports.

The Supervisory Board therefore concurred with the findings of the audit conducted by the auditor and approved KDH AG's annual and consolidated financial statements as of March 31, 2014. Thus, KDH AG's annual financial statements as of March 31, 2014 have been approved.

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.

Jens Schulte-Bockum
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 it as an important component of good corporate management 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 (Handelsgesetzbuch – "HGB").

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

Under Section 161 of the German Stock Corporation Act (Aktiengesetz – "AktG"), the Management Board and the 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 section of the Federal Gazette ("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.

For the period ended June 10, 2013, the following declaration refers to the version of the Code of May 15, 2012, published on June 15, 2012 ("Former Code"). For the subsequent and future corporate governance practice of Kabel Deutschland Holding AG ("KDH AG" or the "Company"), the following declaration refers to the Code as amended on May 13, 2013 and published on June 10, 2013 ("New Code").

In March 2014, the Management Board and the Supervisory Board filed a declaration pursuant to Section 161 AktG that KDH AG, since the last declaration of compliance in March 2013 (as supplemented by the updates of October and December 2013), 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 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).

- Sections 4.2.2 et seq. of the New Code include new recommendations on the remuneration of the Management Board, in particular taking into consideration of the relationship between the remuneration of senior management and the workforce as a whole, determination of caps amounts and of the desired level of benefits, as well as a specific presentation of the remuneration of the Management Board in the Compensation Report (Sections 4.2.2, 4.2.3 and 4.2.5 of the New Code). The Company complies with the legal provisions on remuneration of the Management Board under Section 87 AktG and with required financial reporting disclosures. We consider these measures to be sufficient and see no corresponding advantages for the increased expense that would be related to compliance with the new requirements of the New Code.

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

- Deviating from Section 5.4.3 sentence 2 of the Code, in October 2013 the Management Board applied for the court appointment of Supervisory

Board members and did not limit the application up to the next Shareholders' Meeting. The reason for this is that pursuant to corporation law, the Shareholders' Meeting can always appoint other Supervisory Board members at any time whereby the court appointment terminates automatically (Section 104 para. 5 AktG).

- The Code recommends in Section 5.4.6 para. 3 sentence 1 that the compensation of the members of the Supervisory Board shall be reported individually, 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.

- Section 5.5.2 of the Code provides that each Supervisory Board member shall inform the Supervisory Board of any conflicts of interest, in particular those conflicts of interest that may result from a consultant or directorship function with clients, suppliers, lenders or other third parties. In accordance with Section 5.5.3 sentence 1 of the Code, in its report to the Shareholders' Meeting the Supervisory Board shall provide information on any conflicts of interest that arise and how they are handled. In accordance with Section 5.5.3 sentence 2 of the Code, the term of office of a Supervisory Board member with material conflicts of interest which are not merely temporary shall result in the termination of his mandate. The Code leaves open the issue of whether majority shareholders are other third parties within the meaning of these recommendations and how detailed the disclosure in the Supervisory Board and the information in the report of the Supervisory Board is required to be. Consequently, there is legal uncertainty in this regard. As a precaution, the Management Board and Supervisory Board of KDH AG have decided to declare a deviation from the recommendations in sections 5.5.2 and 5.5.3 sentences 1 and 2 of the Code.

- Because five of the 12 members of the Supervisory Board of the Company changed in November 2013, it does not appear to be practical to carry out the efficiency review in fiscal years 2013/2014 and 2014/2015 (deviation from section 5.6 of the Code).

- Deviating from the recommendation in Section 7.1.2 of the Code, KDH AG does not always publish its interim 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 fiscal years that are no longer applicable may also be found on KDH 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 KDH 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. The 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, and dealing with donations and other benefits.

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.

The Company has established a dedicated Compliance Manager responsible for implementing, managing and continuing to develop the corporate compliance program. 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 fiscal year 2013/2014, the focus was on the creation of a Group-wide platform for the departments involved to exchange recognized patterns of fraud and the continued networking of activities, particularly with the areas of Group Security, Group Data Protection, Risk Management, Internal Audit and Internal Control System.

The tasks associated with compliance management also include the further recording and evaluation of compliance risks as well as the establishing and investigation of factual and legal information relating to notifications.

In 2007, Kabel Deutschland introduced a 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 ombudsman has been retained for this program. An external auditing company has been appointed with this task. The ombudsman can generally be reached at any time and free of charge. In addition, the Compliance Manager is available to all management staff and any employee of the Group wishing to report potential violations of applicable laws or policies of the Group.

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 KDH AG will be included in an insider register.

Responsible handling of opportunities and risks

Kabel Deutschland is faced with a multitude of opportunities and risks. Responsible handling of risks by the Company is an important part of good corporate governance. By carefully monitoring uncertainties and optimizing opportunities, Kabel Deutschland protects itself and creates value for its shareholders. KDH AG accordingly uses an internal control and risk management system that is carefully adapted to its environment and its operations, and is continuously developed and adapted to changing conditions.

The objective is for risks to be identified at an early stage and minimized by rigorous risk management. The Management Board keeps the Supervisory Board regularly informed of significant risks. The Audit Committee regularly examines the effectiveness of the internal control and audit system.

Further comments on the risk management system and the internal control system relating to accounting can be found in Section 4 "Opportunity and Risk Report" of the Combined Management Report, which is included in the annual financial report.

3. Functioning of the Management Board and Supervisory Board

The **Management Board** of KDH AG is composed of four members. In fiscal year 2013/2014 these were Chairman Dr. Adrian von Hammerstein as well as Messrs. Dr. Manuel Cubero del Castillo-Olivares, 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 interests of its shareholders, its employees and other parties related to the Company. Additional details are governed, in particular, by the internal Rules of Procedure 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 Chief Executive Officer. 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.

In fiscal year 2013/2014, until October 31, 2013 the shareholder representatives in the Supervisory Board were Chairman Tony Ball, Mss. Annet Aris and Catherine Mühlemann as well as Messrs. Martin Stewart, Paul Stodden and Torsten Winkler. After the takeover by Vodafone, Chairman Tony Ball as well as Catherine Mühlemann, Martin Stewart, Paul Stodden and Torsten Winkler resigned from the Supervisory Board effective as of October 31, 2013. Upon request of the Management Board, Messrs. Dirk Barnard, Philipp Humm, Dr. Thomas Nowak, Karsten Pradel and Jens Schulte-Bockum, who were proposed by majority shareholder Vodafone, were appointed by court to be members of the Supervisory Board of KDH AG as from November 1, 2013.

Ms. Aris remained as an independent member of the Supervisory Board. She has expertise in the fields of accounting or auditing.

In accordance with Section 5.4.2 sentence 1 of the German Corporate Governance Code, the Supervisory Board shall include the number of independent members that it considers appropriate. A Supervisory Board member is in particular not to be considered independent under the Code if he/she is in a personal or business relationship with the Company, its executive bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. The Supervisory Board of KDH AG considers it appropriate if at least seven of its members are independent as defined in this recommendation. It is assumed that the employee representatives are considered to be independent for the purposes of this recommendation. When the shareholder side is viewed in isolation, the Supervisory Board, with special consideration of the fact that Kabel Deutschland Holding AG is a dependent company within the meaning of Section 17 para. 1 AktG, views it as appropriate when one shareholder representative is independent.

The employee representatives in the Supervisory Board are the Deputy Chairman Mr. Joachim Pütz as well as Ms. Susanne Aichinger, Ms. Petra Ganser, Ms. Irena Gruhne and Messrs. Ronald Hofschläger and Florian Landgraf.

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 their compensation. The principles governing the work of the Supervisory Board and its cooperation with the Management Board are set forth in the internal Rules of Procedure for the Supervisory Board. The Chairman of the Supervisory Board coordinates the activities of the Supervisory Board and its cooperation 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 regularly 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 functioning 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. It consists of the Chairman and the Deputy Chairman of the Supervisory Board and one member each selected by the employee representatives and the shareholder representatives.

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.

The **Audit Committee** deals particularly with issues relating to the correctness of accounting, the independence of the auditor, the internal control system, the 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 regard to the approval of the annual financial statements. To this end it carries out a preliminary audit of the annual financial statements, the Combined Management Report, proposal as to the appropriation of profits and the consolidated financial statements, as well as 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 composed of four members.

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.

The composition of the committees of the Supervisory Board is presented in more detail in the Report of the Supervisory Board. It can also be found on the website of the Company (www.kabeldeutschland.com).

In addition, in fiscal year 2013/2014 the Supervisory Board constituted a special committee for consultation and preparation of decisions of the Supervisory Board in the event of a possible takeover situation, which consisted of the members of the Audit Committee as well as the Supervisory Board Chairman and the Deputy Chairman.

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, journalists, and interested members of the public on a regular basis of the development of the Company's business and in case of any special events or affairs. In particular the Company's website, www.kabeldeutschland.com, provides a variety of information about the Company, 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 website. All economic and financial press releases, investor relations releases and the financial reports (in German and English) may be viewed online. Our website also allows press and capital market representatives to register and receive corporate news in the form of an online newsletter. In addition, our Investor Relations team is in regular contact with the capital market participants. When the quarterly and annual reports are published, we hold telephone conference calls to inform investors and analysts about the development of the Company's business. The comprehensive information offered to the public is complemented by regular interviews with journalists.

Shareholders and Shareholders' Meeting

KDH 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 KDH AG website (www.kabeldeutschland.com) under: Investor Relations / Events / General Meeting. Attendance and the voting results are published online immediately after the Shareholders' Meeting. This promotes the exchange of information between KDH AG and its shareholders.

Accounting and auditing

Kabel Deutschland Group's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as applied in the European Union and with Section 315a para. 1 HGB. KDH AG's annual financial statements are prepared in accordance with the provisions of the German HGB and the Stock Corporation Act (AktG) and the supplementary provisions contained in the Articles of Association.

At KDH AG's Shareholders' Meeting held on October 10, 2013, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, was appointed as auditor, following submission of a statement of its independence, in accordance with the proposal of the Supervisory Board, as recommended by the Audit Committee. 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 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 2013/2014 and submitted a report to the Supervisory Board on the results of the audit of the annual financial statements, consolidated financial statements and Combined Management Report of KDH AG.

Compensation of Management Board and Supervisory Board

The basic components of the compensation of the members of the Management Board and the Supervisory Board as well as the compensation paid to the individual members of the Management Board are presented in detail in the Compensation Report, 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.

The compensation of the Supervisory Board was determined by the Shareholders' Meeting and is governed by Section 12 of the Articles of Association of KDH AG. The overall compensation of the Supervisory Board is presented in the Compensation Report.

The Compensation Report is part of the Combined Management Report and is published in the annual financial report.

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

Under Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz – "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 shares of Kabel Deutschland or any related derivative financial instruments.

In the fiscal year 2013/2014, the following transactions were reported to the Company:

Date / Place	Name	Reason for the notification requirement	Type of financial instrument / ISIN	Type of transaction	Unit number	Price per unit in €	Trading volume in €
09/20/2013 / OTC	Dr. Adrian v. Hammerstein	Management Board member	Bearer shares with no par value / DE000KD88880	Sale	78,293	84.50	6,615,758.50
09/20/2013 / OTC	Dr. Manuel Cubero	Management Board member	Bearer shares with no par value / DE000KD88880	Sale	53,661	84.50	4,534,354.50
09/20/2013 / OTC	Dr. Andreas Siemen	Management Board member	Bearer shares with no par value / DE000KD88880	Sale	21,422	84.50	1,810,159.00
09/20/2013 / OTC	Erik Adams	Management Board member	Bearer shares with no par value / DE000KD88880	Sale	11,270	84.50	952,315.00
09/20/2013 / OTC	Basil Management Inc.	Company closely associated to a member of the Supervisory Board	Bearer shares with no par value / DE000KD88880	Sale	31,452	84.50	2,657,694.00

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 it directly or indirectly exceeds 1% of the shares issued by the company. Collectively, all members of the Supervisory Board and the Management Board of KDH 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, 2014.

Stock option plans; share-based incentive systems

Effective from fiscal year 2010/2011 onwards, a new compensation structure for the Management Board of KDH 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.

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KABEL DEUTSCHLAND HOLDING AG, UNTERFOEHRING COMBINED MANAGEMENT REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2014

1 COMPANY STRUCTURE AND BUSINESS OPERATIONS

1.1 GENERAL

Kabel Deutschland Holding AG ("KDH AG" or the "Company", together with its consolidated subsidiaries "KDH" or the "Group") is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880. From August 1, 2013 to October 7, 2013 certain KDH AG shares were listed under ISIN DE000KD88872 as "Tendered KDH Shares" (for further details see the following section 1.2). The share capital totals €88,522,939 and is divided into 88,522,939 shares.

On October 14, 2013, Vodafone Vierte Verwaltungs AG ("Vodafone", formerly Vodafone Vierte Verwaltungsgesellschaft mbH) acquired the majority of shares of KDH AG and thus assumed control of the Group, for further explanations see section 1.2. On October 14, 2013, the Group became part of the Vodafone Group Plc ("Vodafone Group").

As of March 31, 2014, KDH AG is the ultimate management and holding company of our Group. Its registered office is 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, such as the strategic development of the Group and the provision of services and financing for its affiliated companies. The Group's business activities are in particular conducted by the respective operating subsidiaries, primarily Kabel Deutschland Vertrieb und Service GmbH ("KDVS GmbH") and Kabel Deutschland Kundenbetreuung GmbH ("KDK").

In terms of homes 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 more than 15 million homes passed, our cable network is likely the largest within a single country in Europe. We offer our customers a variety of television and telecommunications services, including analog, digital and high-definition TV ("HDTV"), Video-on-Demand ("VoD"), digital HD video recorders, Pay-TV, broadband Internet (up to 200 Mbit/s) and phone via TV cable or mobile communication services via a partner. We currently operate cable networks in 13 federal states in Germany, and supply to 8.3 million homes connected. 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.

1.2 TAKEOVER BY VODAFONE

On July 30, 2013, Vodafone Vierte Verwaltungs AG, an indirect subsidiary of Vodafone Group Plc, published its voluntary public takeover offer ("Takeover Offer") to the shareholders of KDH AG to acquire all no par value bearer shares of KDH AG. The offer was subject to certain conditions, including a minimum acceptance threshold of 75% and a merger control clearance.

Under the Takeover Offer, a total of 67,780,374 shares (corresponding to 76.57% of the share capital and the voting rights) had been tendered to Vodafone by the end of the acceptance period on September 30, 2013.

On September 20, 2013, merger control clearance was declared by the European Commission, which meant that all the completion conditions of the Takeover Offer were fulfilled. The Takeover Offer was completed on October 14, 2013. Since then, the Vodafone Group is the ultimate parent company. With the acquisition of the majority shareholding by Vodafone, the Senior Credit Facility became due and was repaid prematurely. For information on the repayment of the Senior Credit Facility and refinancing through loans from Vodafone Investments Luxembourg S.à r.l. ("Vodafone Investments") see section 3.12 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

On December 20, 2013, Vodafone and KDH AG entered into a domination and profit and loss transfer agreement ("DPLTA"), which the Supervisory Board of KDH AG approved on that same day. The General Meeting of Vodafone approved that agreement on December 19, 2013. The extraordinary General Shareholders' Meeting of KDH AG approved the DPLTA on February 13, 2014. Subsequent to its entry in the commercial register responsible for KDH AG on March 13, 2014, the DPLTA became effective on April 1, 2014. From this date on, KDH AG has been controlled by Vodafone. In the DPLTA, the outstanding shareholders were granted a guaranteed dividend in the form of a recurring compensation payment ("Barausgleich") as well as a cash compensation ("Barabfindung"). The recurring compensation payment for each full fiscal year of KDH AG for each bearer share amounts to €3.77 gross less the amount of any corporate income tax and solidarity surcharge. Vodafone has undertaken, on a limited basis and upon request of any outstanding shareholder, to acquire their shares for a cash compensation of €84.53 per share.

Vodafone Group issued a comfort letter to Vodafone with respect to the DPLTA in December 2013.

In the fiscal year ended March 31, 2014, expenses totaling T€208,576 (prior year: €0) were incurred in connection with the takeover by Vodafone. These expenses primarily resulted from the amortization of previously capitalized deferred tax assets on loss carryforwards at the KDH AG level, from non-cash expenses resulting from the immediate amortization of capitalized financing and transaction costs due to the mandatory refinancing of the Senior Credit Facility as well as from expenses for legal advice, for investment banks and in connection with the completion of the DPLTA, as well as for personnel.

1.3 BUSINESS SEGMENTS AND STRATEGY

The Group reports two business segments: TV Business, as well as Internet and Phone Business.

1.3.1 TV Business

The segment TV Business offers our subscribers Basic Cable and Premium-TV products and services.

Our Basic Cable products consist of analog as well as digital TV and radio services. Our analog cable services currently offer up to 32 free-to-air television and up to 36 radio channels, respectively. Our digital cable services offer more than 100 digital TV (Free-TV) channels and up to 70 digital radio channels.

We provide these Basic Cable services primarily via individual contracts with end 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 additionally offered to our direct Basic Cable subscribers. 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 "HD-Senderwelt". Since April 2014, "HD-Senderwelt" offers access to up to 15 free-to-air high definition ("HD") channels with basic encryption and 16 unencrypted ones, and a range of programs in standard definition ("SD") with basic encryption.

Our Pay-TV product branded "Kabel Premium HD" includes 17 HD channels. The additional optional package "Premium Extra" also includes 18 SD channels. For our non-German speaking subscribers we offer "Kabel International", which includes 36 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, our VoD offering "SELECT VIDEO" is available in numerous cities and regions, including Berlin, Dresden, Hamburg, Mainz and Munich, to approximately 3.6 million households.

Services for feed-in and signal transport are rendered for public and private broadcasters as well as third party Pay-TV providers. For information on the current status of the legal dispute with public broadcasters over carriage fees, see section 5.3 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

Our TV Business generated revenues of T€1,165,000 or 61.3% of our total revenues for the fiscal year ended March 31, 2014 compared to T€1,191,638 or 65.1% of our total revenues for the fiscal year ended March 31, 2013.

1.3.2 Internet and Phone Business

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

Broadband Internet access and fixed-line phone services are offered to those homes which can be connected to our network upgraded for bi-directional services. In the fiscal year ended March 31, 2014, 89.2% of our new Internet and Phone subscribers subscribed for a bundled product incorporating both broadband Internet and Phone services. The bundle share in our subscriber base of the Internet and Phone Business increased to 90.2% in the fiscal year ended March 31, 2014, compared with 88.5% in the fiscal year ended March 31, 2013.

Our offering for broadband Internet access includes download speeds between 10 Mbit/s and up to 200 Mbit/s. Since early 2010 we have been offering speeds of up to 100 Mbit/s in cities where the network is fully DOCSIS 3.0 capable. As of March 31, 2014 we had capacity to serve approximately 95.7% of the upgraded homes passed with DOCSIS 3.0 products. In addition to our fixed-line services we offer mobile phone and mobile data services via a contractual relationship with a German mobile network operator.

Since December 2013 we are offering our subscribers bundled packages consisting of HDTV, Internet and Phone for the first time. Thus high-definition TV, fast Internet, and Phone are combined in a new product line.

Our Internet and Phone Business generated revenues of T€735,193 or 38.7% of our total revenues for the fiscal year ended March 31, 2014 compared to T€638,284 or 34.9% for the fiscal year ended March 31, 2013.

1.3.3 Group Strategy

We leverage our strong market position, our high-quality infrastructure, our attractive product offering and our large subscriber base to increase penetration in our core markets through the selective introduction of new services and the improvement of existing products. At the same time, we focus on continuous efficiency improvements in our organization.

With the entry of the DPLTA in the commercial register of the Company on March 13, 2014, effective as of April 1, 2014, the Group strategy is primarily determined by Vodafone. Through the takeover of KDH AG, Vodafone intends to create an integrated communications group and offer mobile phone, fixed-line, broadband Internet and TV services from a single source. A comprehensive network modernization program should make Vodafone's mobile phone network even more powerful. The capabilities of the cable network of KDH will be further strengthened by the "Alpha" investment program (see section 2.3.1). The modernization and expansion measures, and the bundling of the mobile phone network with the fiber optic and coaxial cable network are equally important in creating an integrated communications group as the provision of an expanded range of products and of new, attractive offerings.

For the above-mentioned business segments, we are pursuing the following objectives and strategies:

Promoting Innovation in the TV Market

We intend to continue to develop innovative and comprehensive multimedia and entertainment services for the Premium TV market. Since the launch of our Pay-TV products, we have continuously added new TV channels and introduced the HD-DVR to improve the television experience for our subscribers. We plan to launch further high definition television ("HDTV") channels and interactive TV services as well as to continue expanding VoD and promoting the distribution of our HD-DVRs.

Further Growth in our Internet and Phone Business

We plan to further expand our customer base in the Internet and Phone Business by marketing our bandwidth advantage with competitively priced high-speed products to both our existing subscribers and new customers. Integration into the Vodafone Group will further expand the potential customer base. As of March 31, 2014 the number of Internet and Phone subscribers increased by 329 thousand to 2,271 thousand from 1,942 thousand Internet and Phone subscribers as of March 31, 2013.

The meanwhile almost complete conversion of our networks to the DOCSIS 3.0 transmission standard will allow us to offer products with Internet bandwidths of up to 400 Mbit/s in the future. In our view, these measures enable us to strengthen our competitiveness and maintain our competitive advantage over the long term.

Increasing Growth through our Triple Play Strategy

We are confident that our upgraded cable network provides us with superior technological infrastructure to deliver high-value triple play services. Since December 2013 we have been specifically offering for the first time bundled packages consisting of HDTV, Internet and Phone. As the increase in our blended monthly revenue per subscriber (Average Revenue per Unit, "ARPU") from €15.87 in the fiscal year ended March 31, 2013 to €17.11 in the fiscal year ended March 31, 2014 illustrates, we have successfully increased revenues from existing subscribers through attractive product offerings. Thanks to our high quality network infrastructure, we expect to continue to benefit in the future from increased broadband Internet penetration and from increased customer demand for HDTV offerings and interactive TV applications.

Striving for Operational Excellence

We constantly monitor our customers' perception of the quality of our services and continuously strive for a high level of customer satisfaction. We continue to focus on operational excellence by making sure that our products provide the best possible combination of consistent high quality, lower cost and faster response times of our service. The customer is our priority and it is our goal to improve the customer experience while maintaining our focus on efficiency and reliability.

Consolidating our Direct Customer Base through Selective Acquisitions

We evaluate potential value-accretive acquisition targets from time to time. We will continue to consider opportunities to consolidate our customer base through acquisitions of related businesses in our existing network coverage area. Prerequisites for these acquisitions are favorable market conditions and merger control clearance.

1.4 GROUP MANAGEMENT

In managing the Group, the Management Board relies primarily on financial and non-financial performance indicators as a basis for its decisions. These key indicators are the essential basis for the overall assessment of all the issues and developments to be evaluated within KDH. The key figures used until March 31, 2014 by KDH to manage the Group are explained below.

With the entry of the DPLTA in the commercial register of the Company on March 13, 2014, effective as of April 1, 2014, KDH is currently in a transition phase. Further integration into the Vodafone Group will occur based on the strategy of an integrated group.

1.4.1 Financial Performance Indicators

Our planning and management is primarily based on the revenue and earnings development of the Group and its business segments. In addition to revenue, key figures used are, in particular, adjusted EBITDA, operating free cash flow, capital expenditure ("CapEx") including rate of investment (CapEx to sales ratio), net debt (total debt at nominal amounts (excluding derivatives) less cash) and ARPU.

EBITDA consists of profit from ordinary activities before depreciation and amortization. We calculate "Adjusted EBITDA" as profit from ordinary activities before depreciation and amortization, expenses related to the Long Term Incentive Plan ("LTIP"), expenses related to takeover / acquisitions and changes in norms, as well as expenses related to restructuring / legal reorganization.

The ARPU indicates how far we are realizing our revenue potential from subscribers. Our blended annual, quarterly and monthly ARPUs are calculated by dividing total recurring 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 in that period.

1.4.2 Non-Financial Performance Indicators

In addition to financial performance indicators, we mainly use the following non-financial indicators: upgraded homes, development of customers and RGUs (revenue generating unit), customer satisfaction and employees.

The basis of our business is and will remain our network, which allows us to offer our subscribers the best products with superior service. In doing so, we put the subscriber at the center of our activities.

In addition to subscriber development, RGU development is an important indicator, as RGU relates to sources of revenue (typically a contract), which may not always be the same as subscriber numbers. For example, one subscriber may subscribe to two different services, in which case two RGUs would be assigned to that one subscriber. Our targeted RGU growth is an important element for continuously improving ARPU.

A key indicator of service quality and reliability is customer satisfaction. Customer satisfaction in the areas of customer and technical service centers as well as technical operations is determined by different survey methods, such as an automated call exit survey or through a personal telephone interview. A randomly selected portion of our subscribers grade us on friendliness, competence, accessibility and overall impression. Awards such as the German service award in the category "Technology and Telecommunications" from the Deutsches Institut für Service-Qualität (DISQ) in 2014 are confirmations of our good service.

Well-educated and experienced employees are an important requirement for the success of our Company. Their efforts and dedication are a major reason that we are able to maintain our leading market position. For more information on the number of employees and staff turnover, human resources development and apprenticeship management, see section 2.3.9.

2 BUSINESS DEVELOPMENT

2.1 SECTOR DEVELOPMENT

With the cable network, Germany has an infrastructure that is ideally suited for the transport of broadcast signals and other large-volume data. The connection density, i.e. the number of German households that are connected to a cable network, is about 70% (Source: Federal Network Agency – Bundesnetzagentur; 2012 Annual Report).

KDH offers TV, Internet and Phone services through its cable network. As a result, our cable network is the essential basis for business and forms the basis for all further products and services. In addition to KDH, today there are, in particular, the following cable operators in Germany: Unitymedia Kabel BW, Tele Columbus, PrimaCom, the pepcom group of companies and many small local providers.

The telecommunications market in Germany is highly competitive. Competitors of the Group, along with other cable operators that offer their products and services in the same geographical area of activity, include Deutsche Telekom, other DSL providers (such as United Internet, Telefónica o2) and city network operators that operate regionally, whose services are in direct competition with the offerings of cable operators. In addition, more and more customers in the increasingly converging telecommunications markets are seeking to receive multimedia and communication services from a single source at attractive prices. Cable providers seek to cater to this development through the bundling of products, such as TV, Internet and Phone as triple play, as well as through the sale of additional products to existing subscribers.

TV Market

Television households are supplied with TV products via different transmission paths that compete with each other. These are: satellite, cable, terrestrial and IPTV (Internet). Of the approximately 38.2 million TV households in Germany in 2013, 17.7 million or 46.3% of TV households used a cable connection (Source: Digitalisierungsbericht, die medienanstalten – ALM GbR of September 2013). Following the trend of recent years, satellite reception has almost closed the gap, with 17.6 million or 46.2% of TV households. Terrestrial households and IPTV households are of secondary importance in the overall market, with a market share of around 5% each currently.

A significant trend in the TV sector is the increasing digitization in German television households. According to the 2013 Digitisation Report, 80.8% of all TV households receive and use digital programs. Whereas satellite and terrestrial transmission have been completely digitized with the ending of analog satellite transmission in April 2012 and analog terrestrial television broadcasting at the end of 2008, cable households can currently still receive an analog television signal. In 2013, however, the proportion of digital cable households has already risen to 55.9%.

In the future, according to the trends of the past few years, the number of cable households is expected to decline slightly, with a simultaneous increase in satellite households. The reason for this is competition with other means of transmission in conjunction with a flat overall market (number of TV households), which results in a decline in the number of cable subscribers. We are addressing this trend with our triple play offering, i.e., the bundling of our TV products in one package with Internet and Phone, as well as by intensifying the marketing of additional television services such as Pay-TV, HD-DVR and VoD, which still have significant growth potential.

Internet and Phone Market

The percentage of the German population with Internet access increased to 76.5% in 2013 (Source: Federal Statistical Office).

At the end of 2012, a total of approximately 28 million broadband connections were in operation, representing household market penetration of 70.1% (Source: Federal Network Agency, 2012 Annual Report). Broadband connections are thus increasingly becoming standard equipment in the home, which is why in the future connection quality, which is characterized by features such as speed and actual available bandwidth, will become increasingly important.

For the overall broadband connection market, a transition from growth to a period of stagnation is expected due to the levels of market penetration already achieved. At the same time, with regard to the types of access it is expected that the shift from DSL connections towards types of access with potentially higher transmission rates will accelerate and cable operators will expand their share of Internet access in the coming years. This trend will be further intensified by the integration of KDH into the Vodafone Group.

The majority of broadband connections in fixed networks are based on copper lines (DSL) and HFC cable networks (hybrid fiber coax – networks using both coaxial and fiber optic cable). With 23.3 million connections and a share of 83.2% in 2012, DSL was the dominant access technology (Source: Federal Network Agency, 2012 Annual Report). With 4.4 million and a share of 15.7%, broadband connections of the cable operators were significantly behind DSL connections in the same year. Cable providers, however, have managed in recent years to continually gain market share in the broadband market.

We are already benefiting from our technical advantages that enable us to offer, among others, high-speed connections of up to 100 Mbit/s or more download speed.

2.2 BUSINESS PERFORMANCE OVERVIEW

As forecasted, the Internet and Phone Business was the main driver of revenue growth for our Group. Group revenues further increased overall in the past fiscal year. Adjusted for the elimination of carriage fees from public broadcasters, the increase in revenues was even more pronounced. Strong growth in the broadband and Premium-TV business further increased the number of subscriptions for our New Services, with corresponding positive impact on recurring revenues. Adjusted EBITDA increased disproportionately compared to revenues, so that the adjusted EBITDA margin improved in comparison to the previous year, as expected. The investment program Alpha was launched expanding the availability of our products and services. Due to the multi-year investment program, the operating free cash flow declined in the fiscal year 2014 as forecasted. In addition, KDH remained within the targeted leverage corridor in the course of the year.

2.3 KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

2.3.1 Network Upgrade

We have been making investments to upgrade our broadband networks for interactive services since April 2006. As of March 31, 2014, 93.2% of our network had been upgraded to a bi-directional hybrid fiber coaxial structure. 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 convert additional networks for interactive services in coming years by using DOCSIS 3.0 to offer high Internet bandwidths.

In April 2013, we started the additional multi-year investment program Alpha with a volume of €300 million that is still being implemented in the fiscal year ending March 31, 2015. The objective of the program is enabling additional growth and efficiency improvements in network infrastructure.

In order to promote and accelerate growth, further broadband networks, also a significant share in rural areas, are being upgraded for interactive services. As a result, after the full implementation of Alpha, approximately 95% of our customer potential will be able to take advantage of our attractive Internet and Phone offerings. Further investments are being made in upgrading the network to a transmission bandwidth of 862 MHz, which as of March 31, 2014 allowed additional TV services and HD channels to be offered to about 42% of homes connected. Growth is also promoted by the expansion of our VoD product offering, which will be implemented in networks that have been expanded to 862 MHz.

Systematic progress on the already almost complete conversion of all our networks to the DOCSIS 3.0 transmission standard allows us to offer products with Internet bandwidths of up to 400 Mbit/s in the future. In our view, these measures allow us to strengthen our competitiveness and maintain our competitive advantage over the long term.

The second factor, in addition to accelerated growth, is efficiency improvements in our network infrastructure. These activities are focused on eliminating leased lines, and replacing them with our own fiber optic infrastructure. This allows us to effectively counter the continuous increase in lease costs, and significantly reduce the reaction time required for supplying additional capacity in the network. This investment also creates a foundation for realizing future high bandwidth products and services.

In October 2012 we started the Wi-Fi pilot project PUBLIC WIFI BERLIN in cooperation with the Medienanstalt Berlin-Brandenburg (mabb), which was completed in April 2013 with the Wi-Fi project PUBLIC WIFI POTSDAM. Users can surf in the Internet free of charge for up to 30 minutes a day at one of the many mobile hotspots on high-traffic streets and public squares. The Wi-Fi offering is widely used. Due to the positive response and the experience gained in the framework of this project, the Wi-Fi offering was expanded within the Wi-Fi Offensive. By the end of 2013, more than 500 public Wi-Fi hotspots were established in more than 70 Bavarian cities and municipalities as well as in 20 other large cities in our distribution area. KDH will continue the Wi-Fi Offensive in 2014.

As in past years, we expect our average installation cost per Internet and Phone subscriber will continue to decrease since market penetration of our broadband Internet and fixed-line phone services is increasing and customers are more and more able to self-install the product. In the fiscal year ended March 31, 2014 the average installation cost per Internet and Phone Business subscriber declined to approximately €104 compared to approximately €115 in the fiscal year ended March 31, 2013. For our Basic Cable and our Premium-TV products, typically no installation costs arise as most customers are able to use an existing cable network connection or to self-install CPE delivered to their residence.

2.3.2 Marketing and Promotional Activities

The organization of our sales department is based on our subscriber structure, with the objective of achieving the best possible customer focus and optimizing services in order to further increase customer satisfaction. In general, our marketing is focused on sales-oriented advertising, such as direct mail, sales agents, online marketing and shops, in order to achieve the desired objectives.

We strive to offer our customers high quality products at the best possible price. This is confirmed by awards such as the overall test winner for Internet service providers in the product analysis test performed by the Deutsches Institut für Service Qualität GmbH & Co. KG (private sector service study: Internet service providers 2013) and a grade of "Excellent" for multiple tariffs from the editors of Tariftipp.de for the tariff assessment in January 2014.

The customer need for high bandwidths is further increasing, as shown, for example, by the fact that our 100 Mbit/s product has now become the best-selling tariff in our Internet and Phone portfolio.

To promote sales, we regularly make attractive introductory offers to new subscribers of our TV and Internet and Phone services, such as trial periods with special cancellation rights during the first two months, discounts primarily for the first 12 months (promotional period), incentives for switching providers and bonuses associated with certain online orders. In addition, we offer our subscribers product bundles at a lower price than the sum of the individual prices, and offer individual discounts to certain key accounts.

As of March 31, 2014, approximately 489 thousand of our broadband Internet and Phone subscribers were in a promotional period, compared to 395 thousand as of March 31, 2013. As the promotional period expires, these subscribers will pay the regular price, which is currently up to €20 (inclusive of VAT) per month above the introductory price, depending on the product. After expiry of the minimum contractual term, which includes a time-limited promotional period, there is a possibility of customer fluctuation, but experience over the years has shown that customer churn remains stable at a moderate level and that customer losses following expiry of the promotional period are not extraordinary.

2.3.3 Restructuring / Legal Reorganization

The Group will restructure its network infrastructure for FM radio signals because of new technological options. In this context, in February 2014 the Group established a one-time technical restructuring provision of T€2,666, mainly due to fees for the termination and dismantling of leased antenna systems currently in use.

The strategic realignment introduced in January 2013 of a specific subsection of the sales organization providing basic services to American military bases and military personnel continued in the fiscal year ended March 31, 2014 with additional measures being implemented.

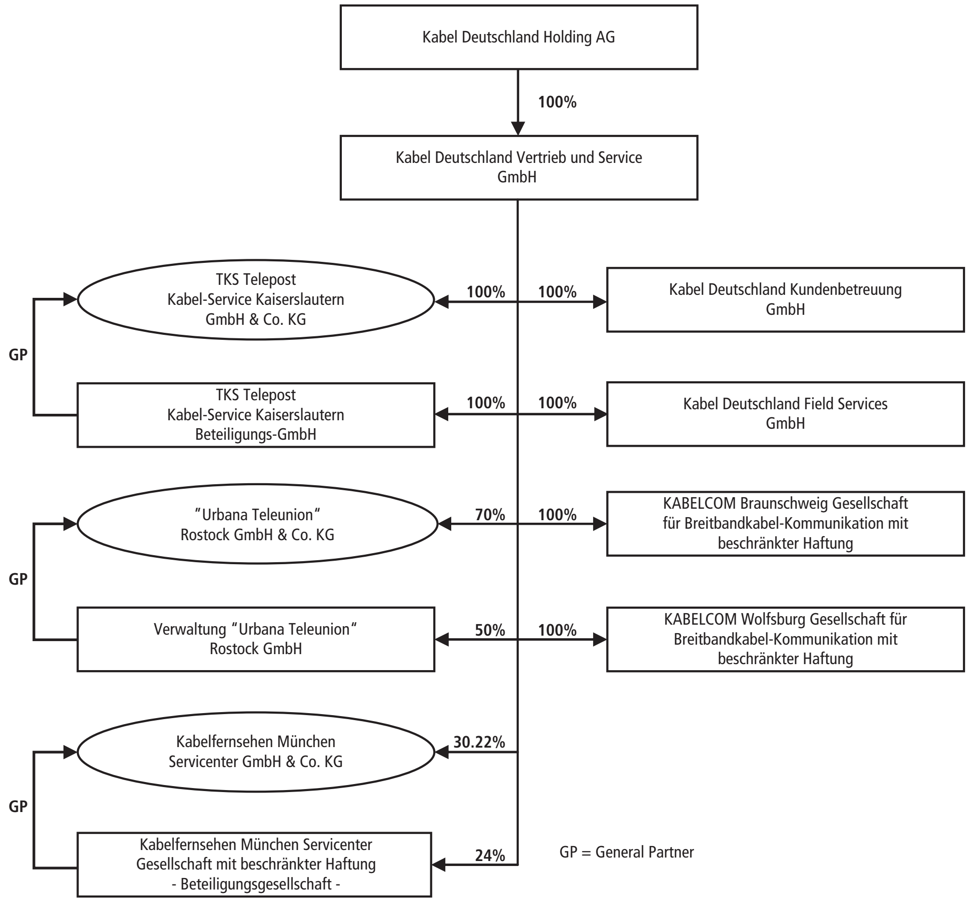
In the fiscal year ended March 31, 2013, the Group undertook a number of steps aimed at optimizing organizational structures and improving operating efficiency that led to structural changes and, in some cases, to changes in legal structure.

A variety of measures implemented in customer-oriented areas, such as the call centers, technical services and sales, were aimed at ensuring the long-term competitiveness of the Group and optimizing services in order to further increase customer satisfaction. Key to the measures were primarily efficiency increases through improving interface processes in the functional areas concerned, and efforts to maintain and increase network quality by analyzing and adjusting the value creation chain. As part of the optimization measures described above, the Group bundled its customer and technical service centers in KDK, a wholly owned subsidiary of KDVS GmbH, effective November 1, 2012. KDK currently has around 1,300 employees located mainly in Berlin, Bonn, Erfurt and Halle/Leipzig. KDK permanently hired approximately 600 previously temporary employees of the Group as part of the process of reorganizing the service centers.

In addition, we acquired the business operations of one of our regional complex service providers in August 2012. This acquisition secured and improved our technical service operations in the region of western and southern Bavaria.

For the implementation of the measures described above, T€3,040 were recorded as an expense in the fiscal year ended March 31, 2014 (prior year: T€3,562).

The following overview shows the most important Group entities as well as our investments in associates:



2.3.4 Acquisition

On May 21, 2012, KDH AG entered into a purchase agreement with Tele Columbus GmbH ("Tele Columbus") to acquire the Tele Columbus Group. This resulted in expenses of T€6,013 in the fiscal year ended March 31, 2013. After this intended acquisition was prohibited by a resolution of the German Federal Cartel Office ("FCO"; Bundeskartellamt) dated February 22, 2013, Tele Columbus withdrew from the purchase agreement. With the withdrawal of the appeal in September 2013 against the prohibition of the merger at the Higher Regional Court of Dusseldorf, KDH AG has abandoned the takeover. In the fiscal year ended March 31, 2014, income of T€389 was recorded from the reversal of restructuring provisions for this originally planned acquisition.

2.3.5 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.

2.3.6 Impact of Exchange Rate Fluctuations

Our functional and reporting currency is the Euro. As of March 31, 2014 we had no revenues, expenses, liabilities or receivables that are denominated in currencies other than the Euro.

2.3.7 Impact of Interest Rate Changes

Our exposure to market risk for changes in interest rates relates primarily to our floating rate debt obligations (term loan from Vodafone Investments). In order to hedge the risks resulting from exposure to changes in interest rates, the Group has entered into and partially adjusted interest rate hedges ("interest swaps") with various banks for portions of the Senior Credit Facility in the fiscal year ended March 31, 2012. Since the full repayment of all tranches of the Senior Credit Facility, the interest rate hedges serve as a partial hedge of the term loan from Vodafone Investments. With these interest swap agreements the variable part of the interest rate (EURIBOR) for a nominal value of €500 million until June 30, 2017, was effectively swapped for a fixed interest rate of 2.44%. In addition, the variable part of the interest rate (EURIBOR) for a nominal value of €400 million until December 31, 2016 was effectively swapped against a fixed interest rate of 2.07%. For further details, see also section 3.12 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

2.3.8 Seasonality

Our business is only subject to small seasonal fluctuations. We have a disproportionately high percentage of annual prepayments for our Basic Cable products in January and February, which results in higher cash flows from operating activities in these months of the fiscal year. In the fiscal years ended March 31, 2014 and March 31, 2013, the Group billed approximately 25.9% and 26.3%, respectively, of its total revenues for the fiscal year in the months of January and February.

2.3.9 Employees

In the fiscal year ended March 31, 2014, the Group had an average of 3,664 employees (thereof 7 in KDH AG). This meant that the average number of employees rose by 507 or 16.1% from 3,157 employees (thereof 7 in KDH AG) in the prior year.

The increase in the average number of employees is primarily due to the insourcing of temporary employees in the customer and technical service of KDK and to the increased number of employees in the areas of technical services, sales and marketing.

As of March 31, 2014, the employees had been with the Group for an average of 9.9 years (prior year: 9.7 years). The turnover rate improved compared to the prior year.

Personnel Development and Apprenticeship Management

KDH is an innovative and growing group of companies. Consequently, advanced training and personnel development are essential. We therefore provide support for further professional and job-related development of our employees by offering external trainings as well as targeted and individually matched in-house trainings. Within management development we offer our executives an extensive and mandatory training program, as well as the management forum.

The Group has steadily expanded its apprenticeship program since 2005. We are currently providing training at a variety of locations for the following occupations: management assistant, IT electronics technician (main focus: equipment and system technology), call center clerks for dialog marketing, and IT specialists. Since 2013, we have also offered dual study programs. In addition, students have the opportunity to work with us as working students or during internships.

2.4 KEY OPERATING MEASURES

2.4.1 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, 2014	March 31, 2013
Operational data		
Network		
Homes passed [1]	15,233	15,293
Homes passed upgraded for two-way communication [1]	14,198	13,334
Upgraded homes as % of homes passed	*93.2%*	*87.2%*
DOCSIS 3.0 availability as % of homes passed upgraded for two-way communication	*95.7%*	*82.6%*
Homes upgraded for two-way communication being marketed [2]	11,789	11,220
Subscribers		
Direct Basic Cable subscribers	7,134	7,194
Internet and Phone "Solo" subscribers [3]	463	382
Total direct subscribers	**7,597**	**7,576**
Indirect Basic Cable subscribers	747	897
Total unique subscribers (homes connected)	**8,344**	**8,473**
Thereof Internet and Phone subscribers	2,271	1,942
RGUs		
Basic Cable [4]	8,301	8,617
Premium-TV [5]	2,302	2,070
Internet	2,178	1,829
Phone	2,131	1,831
Subtotal New Services	**6,611**	**5,731**
Total RGUs	**14,913**	**14,348**
RGUs per subscriber (in units)	**1.79**	**1.69**
Penetration		
Premium -TV RGUs as % of Basic Cable subscribers	*29.2%*	*25.6%*
Internet RGUs as % of total subscribers	*26.1%*	*21.6%*
Phone RGUs as % of total subscribers	*25.5%*	*21.6%*

1) The change, compared to prior periods, resulted from a modification of the definition of "homes passed". Since September 30, 2013, homes passed are defined as households currently or once connected to our network. In the modified definition, those households that have never been connected to our network but are connectable at a reasonable cost are not considered anymore. The number of homes passed as of March 31, 2013 has not been adjusted retroactively.

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

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

4) The difference between the number of Basic Cable subscribers and Basic Cable RGUs is due to the additional digital product component, "Kabel Digital". Until the end of fiscal year 2012/13 it has been 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).

5) Premium-TV RGUs consist of RGUs for our Pay-TV products (Kabel Premium HD and Kabel International) as well as our DVR products Kabel Komfort HD and Kabel Komfort Premium HD.

The number of homes upgraded for two-way communication being marketed increased as of March 31, 2014 by 569 thousand or 5.1% to 11,789 thousand compared to the prior year number of 11,220 thousand.

The number of direct subscribers increased by 21 thousand to 7,597 thousand as of March 31, 2014 compared to the prior year.

Our total unique subscribers decreased by 129 thousand or 1.5% to 8,344 thousand as of March 31, 2014 compared with 8,473 thousand as of March 31, 2013. This decline is primarily due to the net loss of 150 thousand indirect subscribers (households supplied by Level 4 network operators), who only generate a very low ARPU.

Each service that a Basic Cable subscriber receives counts as one RGU. As of March 31, 2014 we had 8,301 thousand Basic Cable RGUs, compared with 8,617 thousand as of March 31, 2013. The primary reason for the decrease was the above-mentioned net loss of 150 thousand indirect subscribers. The number of households receiving Basic Cable services via landlords or housing associations and digital access (Kabel Digital) directly from us also decreased slightly. These households count as two RGUs in our statistics.

As of March 31, 2014 we had 1,480 thousand Premium-TV subscribers and accordingly 2,302 thousand Premium-TV RGUs. Compared to the 2,070 thousand Premium-TV RGUs as of March 31, 2013, this represents an increase of 232 thousand or 11.2%. The expiration of the Pay-TV cooperation with Kabel BW led to a loss of 47 thousand RGUs in the fiscal year ended March 31, 2014. 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. However, Privat HD is not counted as RGU.

Internet RGUs grew by 349 thousand or 19.1% to 2,178 thousand as of March 31, 2014 from 1,829 thousand as of March 31, 2013. The number of Phone RGUs increased by 300 thousand or 16.4% to 2,131 thousand as of March 31, 2014 from 1,831 thousand as of March 31, 2013.

A growing number of our subscribers are purchasing more than one of our service offerings, such as Basic Cable, Premium-TV as well as Internet and Phone products. As of March 31, 2014, we recorded 1.79 RGUs per subscriber, compared to 1.69 RGUs per subscriber as of March 31, 2013.

2.4.2 ARPU

The ARPU indicates how far we are realizing our revenue potential 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 in that period.

	Fiscal Year ended	
in € / month	March 31, 2014	March 31, 2013
Total blended TV ARPU per subscriber 1)	10.77	10.37
Total blended Internet and Phone ARPU per subscriber 2)	27.50	28.27
Total blended ARPU per subscriber 3)	**17.11**	**15.87**

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 TV Business products by the sum of the monthly average number of total 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 in that period.

3) Total blended ARPU per subscriber is calculated by dividing recurring TV 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 Business segments by the sum of the monthly average number of total unique subscribers in that period.

The increase in total blended ARPU per subscriber for the fiscal year ended March 31, 2014 resulted primarily from a higher number of Internet and Phone subscribers, a growing number of subscribers who purchase more than one product, and a decrease in indirect subscribers, who only generate a very low ARPU.

The total blended ARPU per subscriber in the TV Business segment also improved in the fiscal year ended March 31, 2014. This was primarily driven by a higher number of subscribers procuring more than one TV Business product, and a decrease in indirect subscribers, who only generate a very low ARPU.

In contrast, the total blended ARPU in the Internet and Phone Business segment decreased in the fiscal year ended March 31, 2014. The decline is due to lower variable phone usage as well as lower termination fees for incoming phone traffic. The larger number of customer premise equipment ("CPE") rentals and an improved product mix towards higher download speeds of up to 100 Mbit/s helped to partially offset this decline.

We continue to focus on increasing ARPU per subscriber, particularly by increasing RGUs per subscriber. In the fiscal year ended March 31, 2014, the total blended ARPU per subscriber improved by €1.24 or 7.8% to €17.11, compared to €15.87 in the fiscal year ended March 31, 2013.

2.4.3 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 expenditures 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 rose in the fiscal year ended March 31, 2014 to €182 from €161 in the fiscal year ended March 31, 2013.

The average acquisition costs per order for our TV Business products rose to €58 in the fiscal year ended March 31, 2014 from €48 in the fiscal year ended March 31, 2013.

2.5 COMPARISON OF THE GROUP'S RESULTS OF OPERATIONS FOR THE FISCAL YEARS ENDED MARCH 31, 2014 AND MARCH 31, 2013

2.5.1 Revenues

Our business is divided into two operating segments: (i) the TV Business segment, which accounted for 61.3%, and (ii) the Internet and Phone Business segment, which accounted for 38.7% of our total revenues in the fiscal year ended March 31, 2014.

The following table gives an overview of our revenues in the fiscal year ended March 31, 2014 compared to the fiscal year ended March 31, 2013.

	Fiscal Year ended	
in T€, except as noted	March 31, 2014	March 31, 2013
TV Business revenues	1,165,000	1,191,638
Internet and Phone Business revenues	735,193	638,284
Total revenues	**1,900,193**	**1,829,923**
Blended ARPU per subscriber (in € / month) [1)]	17.11	15.87

1) Total blended ARPU per subscriber is calculated by dividing recurring TV 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 Business segments by the sum of the monthly average number of total unique subscribers in that period.

Total revenues increased by 3.8% in the fiscal year ended March 31, 2014. Adjusted for carriage fees from public broadcasters recorded in the previous year (see following section), revenue growth was 5.3%. This is the result of the continued strong growth in the Internet and Phone Business, where particularly products based on the technology standard DOCSIS 3.0, with a transmission rate of up to 100 Mbit/s, contributed significantly to the growth.

TV Business Revenues

TV Business revenues are generated primarily from Basic Cable subscription fees. We provide our TV Business customers with access to our network and reception of our analog and digital TV signals. These Basic Cable subscription fees are realized from private households, housing associations (including landlords) and Level 4 network operators.

In addition, the Group generates revenues in the TV Business from our Premium-TV services 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 newly built homes to our network.

Furthermore, the Group receives revenues from carriage fees for the distribution of broadcasters' programming, from signal transport services as well as other revenues. Carriage fees are typically based on the number of homes to which we distribute the programming. The future development of carriage fees depends, among other things, on the number of subscribers connected to our network and the arrangements specified in the contracts. For additional information on the current status of the legal dispute with public broadcasters over carriage fees, please see section 5.3 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

in T€, except as noted	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013
Subscription fees	1,030,874	1,018,199
Carriage fees and other revenues	134,126	173,440
TV Business revenues	**1,165,000**	**1,191,638**
Blended ARPU per subscriber (in € / month) [1]	10.77	10.37

[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 TV Business products by the sum of the monthly average number of total Basic Cable subscribers in that period.

In the fiscal year ended March 31, 2014, the decrease in revenues in the TV Business was primarily due to a reduction of carriage fees from public broadcasters by T€24,821, and, to a lesser extent, to a decrease in other one-time revenues. An increase in Premium-TV subscription fees due to an increase in RGUs, particularly in connection with our HD-DVR and the expanded HD subscription packages, such as Kabel Premium HD, could not offset the losses.

Internet and Phone Business Revenues

We offer broadband Internet access, fixed-line and mobile phone services, mobile data services as well as additional options. Revenues of our Internet and Phone Business include recurring revenues from monthly usage dependent 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, sale proceeds of CPE, mobile phone commissions and other revenues. We promote these Internet and Phone products independently from our TV products, but have also been offering bundled packages consisting of HDTV, Internet and Phone since December 2013.

We offer mobile phone and data 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 sell this provider's mobile phone services under our own brand name.

in T€, except as noted	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013
Subscription fees (recurring)	694,823	604,712
Installation fees and other non-recurring revenues	40,370	33,572
Internet and Phone Business revenues	**735,193**	**638,284**
Blended ARPU per subscriber (in € / month) [1]	27.50	28.27

[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 in that period.

In the fiscal year ended March 31, 2014, revenues for the Internet and Phone Business increased, primarily as a result of the increase in recurring fees. This continuous strong growth is primarily due to the increase in the number of our Internet and Phone subscribers.

As a percentage of our total revenues our Internet and Phone Business generated 38.7% in the fiscal year ended March 31, 2014 compared to 34.9% in the fiscal year ended March 31, 2013.

2.5.2 Costs and Expenses

Costs and expenses are divided into the three functional areas of (1) cost of services rendered, (2) selling expenses as well as (3) general and administrative expenses and were as follows:

in T€, except as noted	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013
Cost of services rendered	879,525	835,599
Selling expenses	434,742	414,166
General and administrative expenses	195,123	166,811
Costs and expenses	**1,509,390**	**1,416,576**
Thereof:		
Depreciation and amortization	407,602	360,930
Expenses related to LTIP (IFRS 2) [1]	62,223	64,051
Expenses related to takeover / acquisitions and changes in norms	34,934	7,797
Expenses related to restructuring the network infrastructure	2,666	0
Expenses related to restructuring / legal reorganization	374	3,562
Total expenses from non-cash depreciation and amortization and non-operating costs	**507,799**	**436,341**
Operating costs and expenses [2]	**1,001,591**	**980,236**
Monthly operating costs and expenses per average RGU in € [2]	5.71	5.88

[1] Exercised parts were cash settled as of April 1, 2014 (see Notes to the consolidated financial statements of KDH AG as of March 31, 2014 (section 5.5)).

[2] Operating costs and expenses comprise costs and expenses before non-cash depreciation and amortization, expenses related to LTIP, expenses related to takeover / acquisitions and changes in norms, as well as expenses related to restructuring the network infrastructure and to restructuring / legal reorganization. The non-operating expenses indicated are influenced by factors that are not directly related to business operations (primarily the LTIP), or are accordingly characterized by special factors.

In the fiscal year ended March 31, 2014, costs and expenses increased by T€92,814 or 6.6% to T€1,509,390 (prior year period: T€1,416,576). Operating costs and expenses contained therein only increased by T€21,355 or 2.2%, whereas the remaining costs and expenses increased by T€71,458 or 16.4%.

The increase in the remaining costs and expenses primarily resulted from higher non-cash expenses for depreciation and amortization as well as from non-recurring expenses related to the takeover by Vodafone.

The rise in operating costs and expenses is largely related to higher personnel expenses, amongst others due to the regular employment of former temporary personnel in our call centers of KDK, as well as to additional content costs.

As a percentage of total revenues, the adjusted costs and expenses in the fiscal year ended March 31, 2014 declined slightly to 52.7% from 53.6% in the prior year.

Monthly operating costs and expenses per average RGU decreased in the fiscal year ended March 31, 2014 to €5.71 from €5.88 in the prior year.

2.5.2.1 Cost of Services Rendered

Cost of services rendered relates primarily to costs associated with our business activities which are directly attributable to generating revenues. These include costs and expenses related to leased cable ducts and cable networks, costs and expenses related to the operation and maintenance of our network, costs and expenses related to leased networks, as well as other costs directly associated with the provision of products and services through our network, such as content costs.

The cost of services rendered for the fiscal years ended March 31, 2014 and 2013 was as follows:

in T€	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013
Cost of materials and services	**455,490**	**455,486**
Thereof:		
SLAs renting and leasing DTAG	167,055	180,370
Thereof cable ducts	103,470	103,388
Content costs	90,165	76,552
Connectivity and other network costs	47,665	43,692
Maintenance and repair	38,858	41,123
Interconnection expenses	37,441	42,907
Other expenses	71,640	70,842
Expenses related to restructuring the network infrastructure	2,666	0
Personnel expenses	**47,886**	**45,139**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	7,728	8,110
Expenses related to restructuring / legal reorganization	0	101
Depreciation and amortization	**301,316**	**260,333**
Other costs and expenses	**74,833**	**74,641**
Thereof:		
Expenses related to restructuring / legal reorganization	0	433
Cost of services rendered	**879,525**	**835,599**

[1] Exercised parts were cash settled as of April 1, 2014 (see Notes to the consolidated financial statements of KDH AG as of March 31, 2014 (section 5.5)).

In the fiscal year ended March 31, 2014, the cost of services rendered increased by T€43,926 or 5.3% to T€879,525 compared with T€835,599 in the fiscal year ended March 31, 2013. The increase resulted mainly from higher depreciation and amortization. Content costs also increased. The cost of services rendered also grew as a percentage of our total revenues to 46.3% in the fiscal year ended March 31, 2014 from 45.7% in the prior year.

Cost of Materials and Services

Cost of materials and services in relation to cost of services rendered consists to a large extent of expenses in connection with Service Level Agreements ("SLAs") with Deutsche Telekom AG ("DTAG") relating primarily to leased cable ducts, technical rooms, fiber optic systems and energy supply. Additionally, content costs, connectivity and other network costs, maintenance and repair costs, interconnection expenses as well as other expenses are included in the cost of materials and services.

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 operating assets. We lease certain operating assets, such as 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; and
- Payments to DTAG for granting and monitoring access by our technical employees to shared facilities.

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

- Payments made in connection with energy (disclosed under other costs of materials and services).

Expenses from SLAs with DTAG in connection with rental and leasing agreements declined in the fiscal year ended March 31, 2014, by T€13,315 or 7.4% to T€167,055, compared with T€180,370 in the fiscal year ended March 31, 2013. This is primarily attributable to settlements concluded with DTAG which led to an agreement regarding differing positions of both parties relating to certain service items under the term sheets of past years. The cost of leasing cable ducts from DTAG, which accounted for most of the expenses disclosed under this item, remained nearly unchanged in the fiscal year ended March 31, 2014 at T€103,470 (prior year: T€103,388). As a percentage of total revenues, the cost of leasing cable ducts from DTAG declined slightly in the fiscal year ended March 31, 2014 to 5.4% compared to 5.6% in the prior year.

Content costs relate primarily to program costs for the "HD-Senderwelt", German and foreign language Pay-TV packages and the on-demand service

Select Video. Content costs increased by T€13,613 or 17.8% to T€90,165 in the fiscal year ended March 31, 2014 from T€76,552 in the prior year. Content costs increased to 4.7% of our total revenues for the fiscal year ended March 31, 2014 from 4.2% for the fiscal year ended March 31, 2013. The increase in content costs is disproportionately large compared to our number of Premium-TV RGUs, which increased by 11.2% during the past fiscal year. This was primarily due to additional expenses for HD content for our new "HD-Senderwelt". 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, where we have reached the minimum thresholds. We assume that total content costs will increase slightly disproportionately with a corresponding increase in our Premium-TV revenues. We are continuously monitoring and modifying our program offering to achieve maximum customer satisfaction, while minimizing costs per subscriber.

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 the traffic-related extension of the upgraded network and the bandwidth capacity, we expect our connectivity and other network expenses to continue to increase, combined with further customer growth. In the fiscal year ended March 31, 2014, our connectivity and other network costs increased by T€3,973 or 9.1% to T€47,665 (prior year: T€43,692), thereby exceeding the revenue growth rate of 5.3% adjusted for carriage fees from public broadcasters.

In the fiscal year ended March 31, 2014, expenses for maintenance and repair provided by third parties decreased by T€2,265 or 5.5% to T€38,858 (prior year: T€41,123), and as a percentage of total revenues to 2.0% compared with 2.2% in the prior year.

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 recognize 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, 2014, interconnection expenses decreased by T€5,466 or 12.7% to T€37,441 in comparison with T€42,907 in the fiscal year ended March 31, 2013, in particular due to a regulatory order by the German Federal Network Agency in November 2013 – which also adversely affected the interconnection revenues – and falling prices per minute in the telecommunications area. The percentage of our interconnection expenses in relation to Internet and Phone revenues decreased in the fiscal year ended March 31, 2014 to 5.1% (prior year: 6.7 %). In the fiscal year ended March 31, 2014, the monthly average interconnection expenses per Phone RGU decreased to €1.60 from €2.15 in the prior year period.

The remaining cost of materials and services comprises several items, including cost of CPE sold, energy costs, expenses for external technical call center agencies, and other expenses for materials and services. These expenses increased by T€3,463 or 4.9% to T€74,306 in the fiscal year ended March 31, 2014, from T€70,842 in the previous year. However, in relation to total revenues, they remained stable at 3.9% in the fiscal year ended March 31, 2014.

In total, the cost of materials and services decreased to 24.0% of our total revenues during the fiscal year ended March 31, 2014, compared to 24.9% in the fiscal year ended March 31, 2013.

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 centers and our technical service center. Personnel expenses comprise salaries, social security costs, pension costs, and expenses for LTIP and restructuring.

Personnel expenses increased by T€2,747 or 6.1% in the fiscal year ended March 31, 2014 to T€47,886 from T€45,139 in the fiscal year ended March 31, 2013. Personnel expenses adjusted for expenses related to LTIP and restructuring increased in the fiscal year ended March 31, 2014 by T€3,229 or 8.7% to T€40,158, compared to T€36,929 in the fiscal year ended March 31, 2013. This increase is primarily due to additional recruitments in our technical divisions, including the regular employment of former temporary personnel in the technical customer service of KDK. In contrast, personnel expenses were positively affected by own work capitalized in connection with the continued extension of our technical infrastructure and associated improvements in performance capabilities for the provision of our new products and services.

The adjusted personnel expenses increased slightly to 2.1% of our total revenues in the fiscal year ended March 31, 2014 from 2.0% in the prior year.

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, 2014, depreciation and amortization increased by T€40,983 or 15.7% to T€301,316 (prior year: T€260,333). The higher depreciation and amortization expenses relate primarily to a larger number of higher-quality CPE, in particular our HD customer premise equipment in the Premium-TV business, and a larger number of capitalized modems associated with a growth of Internet and Phone RGUs. In addition, higher depreciation and amortization expenses were also due to recent investments in network upgrades. As a percentage of total revenues, depreciation and amortization increased to 15.9% in the fiscal year ended March 31, 2014, compared to 14.2% in the fiscal year ended March 31, 2013.

Other Costs and Expenses

Other costs and expenses within cost of services rendered comprise copyright fees, other expenses for IT support, rental expenses and other miscellaneous items.

In the fiscal year ended March 31, 2014, other costs and expenses remained almost stable at T€74,833 (prior year: T€74,641), whereas they declined slightly as a percentage of total revenues to 3.9% compared with 4.1% in the prior year.

2.5.2.2 Selling Expenses

Selling expenses arise in connection with the activities to support our sales and marketing effort with respect to our products and services, and also comprise expenses related to customer support and customer service. They are divided into four categories.

For the fiscal years ended March 31, 2014 and 2013 selling expenses were as follows:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Cost of materials and services	**27,029**	**35,601**
Personnel expenses	**137,293**	**123,624**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	16,316	17,034
Expenses related to restructuring / legal reorganization	374	1,515
Depreciation and amortization	**79,883**	**76,844**
Other costs and expenses	**190,536**	**178,098**
Thereof:		
Expenses related to restructuring / legal reorganization	0	971
Selling expenses	**434,742**	**414,166**

[1] Exercised parts were cash settled as of April 1, 2014 (see Notes to the consolidated financial statements of KDH AG as of March 31, 2014 (section 5.5)).

Selling expenses increased by T€20,576 or 5.0% to T€434,742 in the fiscal year ended March 31, 2014 (prior year: T€414,166), and as a percentage of total revenues to 22.9% in the fiscal year ended March 31, 2014, compared with 22.6% in the prior year. The increase is primarily related to higher personnel expenses due to additional recruitments in our call centers of KDK.

Cost of Materials and Services

Cost of materials and services within selling expenses is associated with the general sale of our products and services as well as expenses relating to our customer service centers.

The cost of materials and services decreased in the fiscal year ended March 31, 2014 by T€8,572 or 24.1% to T€27,029 (prior year: T€35,601). The decline is primarily due to lower expenses for our external customer service centers.

As a percentage of total revenues, cost of materials and services decreased to 1.4% in the fiscal year ended March 31, 2014 from 1.9% in the fiscal year ended March 31, 2013.

Personnel Expenses

Personnel expenses within selling expenses comprise salaries, social security costs, pension costs as well as expenses for LTIP and restructuring, related to sales and marketing personnel as well as personnel of our customer service centers.

In the fiscal year ended March 31, 2014, personnel expenses for sales and sales-related activities increased by T€13,669 or 11.1% to T€137,293 (prior year: T€123,624). Personnel expenses adjusted for LTIP and restructuring expenses increased by T€15,528 or 14.8% to T€120,603 in the fiscal year ended March 31, 2014 from T€105,075 in the fiscal year ended March 31, 2013, mainly as a result of additional recruitments through the regular employment of former temporary personnel in KDK's customer service. With this regular employment, the cost of temporary personnel, which is disclosed under "Other costs and expenses", decreased accordingly. Adjusted personnel expenses increased to 6.3% of our total revenues in the fiscal year ended March 31, 2014, from 5.7% in the prior year.

Depreciation and Amortization

Depreciation and amortization disclosed under selling expenses primarily include the amortization of the customer list, capitalized subscriber acquisition costs and costs for CPE, and increased in the fiscal year ended March 31, 2014 by T€3,039 or 4.0% to T€79,883 (prior year: T€76,844). This was primarily attributable to an increase in amortization of capitalized subscriber acquisition costs due to subscriber growth.

Other Costs and Expenses

Other costs and expenses with regard to selling expenses mainly include marketing costs, sales commissions, bad debt expenses, sales support, temporary personnel and other items.

In the fiscal year ended March 31, 2014, other costs and expenses within selling expenses increased by T€12,438 or 7.0% to T€190,536 (prior year period: T€178,098). The increase was mainly due to intensified marketing measures. The increase was partially offset by decreased expenses for temporary personnel following their regular employment in our customer service centers. As a percentage of total revenues, other costs and expenses in the fiscal year ended March 31, 2014 increased to 10.0% from 9.7% in the prior year period.

2.5.2.3 General and Administrative Expenses

General and administrative expenses are expenses that are not directly allocated to cost of services rendered or to selling expenses and cover in particular headquarter functions, such as managing directors, IT, legal and regulatory, finance, human resources, corporate services and security.

General and administrative expenses are divided into three categories. For the fiscal years ended March 31, 2014 and 2013 general and administrative expenses were as follows:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Personnel expenses	**95,059**	**94,930**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	38,179	38,907
Expenses related to takeover / acquisitions and changes in norms	2,760	874
Expenses related to restructuring / legal reorganization	0	374
Depreciation and amortization	**26,403**	**23,754**
Other costs and expenses	**73,661**	**48,128**
Thereof:		
Expenses related to takeover / acquisitions and changes in norms	32,174	6,923
Expenses related to restructuring / legal reorganization	0	169
General and administrative expenses	**195,123**	**166,811**

[1] Exercised parts were cash settled as of April 1, 2014 (see Notes to the consolidated financial statements of KDH AG as of March 31, 2014 (section 5.5)).

Personnel Expenses

Personnel expenses within general and administrative expenses comprise salaries, social security costs and pension costs related to administrative personnel. This item also includes expenses for LTIP and personnel expenses for non-recurring items, such as takeover / acquisitions and changes in norms as well as restructuring.

In the fiscal year ended March 31, 2014, personnel expenses remained relatively stable at T€95,059 (prior year: T€94,930). Adjusted for LTIP expenses and non-operating expenses related to takeover / acquisitions and changes in norms, as well as restructuring, personnel expenses declined to T€54,121 in the fiscal year ended March 31, 2014, compared with T€54,774 in the prior year, and, as a percentage of our total revenues, to 2.8% in the fiscal year ended March 31, 2014, compared with 3.0% in the prior year.

Depreciation and Amortization

Depreciation and amortization reported under general and administrative expenses relate primarily to investments in IT systems and software. Depreciation and amortization increased by T€2,649 or 11.2% to T€26,403 in the fiscal year ended March 31, 2014 from T€23,754 in the fiscal year ended March 31, 2013, due to continuous investments into our IT systems and software. As a percentage of our total revenues, depreciation and amortization remained almost stable at 1.4% in the fiscal year ended March 31, 2014, compared to 1.3% in the prior year.

Other Costs and Expenses

Other costs and expenses within general and administrative expenses primarily include expenses for consulting, IT support, and other headquarter-related costs. In the fiscal year ended March 31, 2014 other costs and expenses increased by T€25,533 to T€73,661 (prior year: T€48,128). The increase is primarily due to non-operating expenses of T€32,174. These expenses are mainly related to legal advice and investment banks in connection with the takeover by Vodafone and, to a lesser extent, related to SEPA. The non-operating expenses of T€7,092 in the prior year were mainly related to the originally planned acquisition of Tele Columbus.

Adjusted for non-operating expenses, other costs and expenses within general and administrative expenses increased slightly by T€451 or 1.1% to T€41,487 in the fiscal year ended March 31, 2014 from T€41,036 in the prior year. They remained stable as a percentage of our total revenues at 2.2%.

2.5.3 Profit from Ordinary Activities

In the fiscal year ended March 31, 2014, profit from ordinary activities declined by T€24,053 to T€401,908 (prior year: T€425,961). In spite of the improved operating result, it was not possible to fully compensate for the non-recurring expenses in connection with the takeover by Vodafone.

2.5.4 Interest Income

Interest income increased by T€17,605 to T€20,938 in the fiscal year ended March 31, 2014 from T€3,333 in the prior year. The increase is primarily due to income from the premature settlement of the stand-alone derivatives (interest rate floors) in connection with the required refinancing due to the takeover by Vodafone (see Notes to the consolidated financial statements of KDH AG as of March 31, 2014, section 3.12). Please see the following section 2.5.5 regarding interest expenses associated with the stand-alone derivatives.

2.5.5 Interest Expense

In the fiscal years ended March 31, 2014 and 2013, interest expense amounted to, respectively:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
2018 Senior Secured Notes	56,875	39,744
Thereof:		
Non-recurring	13,217	-
Recurring	43,658	39,744
Amortization of capitalized financing and transaction costs	53,263	19,469
Thereof:		
Non-recurring	49,037	10,630
Recurring	4,226	8,839
Senior Credit Facility	46,623	109,678
Thereof:		
Interest	36,022	90,849
Interest hedging	10,601	18,830
2017 Senior Notes	45,500	20,222
Thereof:		
Non-recurring	19,500	-
Recurring	26,000	20,222
Vodafone Investments loan	39,871	-
Thereof:		
Interest	31,103	-
Interest hedging	8,768	-
Stand-alone derivatives	23,125	6,114
Pensions	2,565	2,435 [1)]
Finance lease	1,829	1,845
Asset retirement and CPE obligations	1,289	1,123
Bridge Credit Agreement	-	817
Other	3,705	4,478
Total interest expense	**274,645**	**205,926**

1) The pension interest expense for the period from April 1, 2012 to March 31, 2013 was adjusted by retrospective application of the amendments to IAS 19 “Employee Benefits”. See section 2.1 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

In the fiscal year ended March 31, 2014, interest expense increased by T€68,719 or 33.4% to T€274,645 (prior year: T€205,926), which was solely due to one-time refinancing effects.

The Group intends to fully settle the 2018 Senior Secured Notes in the amount of T€700,000 and the 2017 Senior Notes in the amount of T€400,000 at the earliest possible contractual redemption date, June 30, 2014, and replace them with a new Vodafone Group term loan. Therefore, due to the higher redemption price compared with the notional value, T€22,750 was recognized in profit or loss for the 2018 Senior Secured Notes, and T€19,500 for the 2017 Senior Notes. The premature reversal of the agio of the 2018 Senior Secured Notes was taken into account as a reduction in expenses in the amount of T€9,533.

Due to the premature repayment of the Senior Credit Facility as of October 15, 2013 in connection with the takeover by Vodafone, expenses in the amount of T€41,162 were recorded for the immediate amortization of capitalized financing and transaction costs, which did not result in a cash outflow. In addition, T€7,426 was recognized as an expense in March 2014 from the immediate amortization of capitalized financing and transaction costs, which are due to the planned premature settlement of both Senior Notes.

The decrease in interest expenses for the Senior Credit Facility of T€63,055 in the fiscal year ended March 31, 2014, in comparison with the prior year, was primarily due to the premature repayment of the Senior Credit Facility in October 2013. In addition, in the first half of calendar year 2013, refinancing measures led to interest reductions for Tranches D and G, which jointly formed Tranche H, and for Tranches E1 and F1. Interest expenses related to the Senior Credit Facility in the amount of T€46,623 included, in addition to interest and commitment fees, expenses of T€10,601 (prior year: T€18,830) for the interest hedges related to Tranches E1 and H. For further details and information on the refinancing measures and interest hedges, please see section 3.12 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

Beginning October 14, 2013, Vodafone Investments granted KDVS GmbH a term loan in the amount of T€2,150,000 and a revolving loan in the amount of T€300,000. The revolving loan has not yet been drawn. Interest expenses of T€39,871 were recorded for these loans in the reporting period. In addition to interest and commitment fees, interest expenses related to both loans also include expenses of T€8,768 for existing interest rate hedges with third parties.

The stand-alone derivatives entered into and the currency swaps that were no longer in a hedge relationship since the repayment of Tranche F1 of the Senior Credit Facility, incurred an interest expense of T€23,125 for the Group in the fiscal year ended March 31, 2014, of which T€18,516 was due to the premature settlement of the stand-alone derivatives. In the prior year, an expense in the amount of T€6,114 was recognized for the stand-alone derivatives. For further details on the termination of the hedging relationship of the currency swaps and the premature settlement of all stand-alone derivatives in October 2013, see section 3.12 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

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, 2014 decreased by T€19,416 or 10.3% to T€169,766 compared with T€189,182 in the fiscal year ended March 31, 2013.

Outstanding interest bearing debt at nominal values (excluding derivatives) as of March 31, 2014 decreased by €102 million or 3.1% to €3,250 million (prior year: €3,352 million).

We constantly monitor our net debt (total debt nominal amounts (excluding derivatives) net of cash) which increased as of March 31, 2014 to €2,916 million (prior year: €2,743 million).

2.5.6 Income from Associates

Based on the financial statements provided for the 2012 calendar year, income from associates increased by T€1,034 to T€3,378 (prior year: T€2,344) in the fiscal year ended March 31, 2014.

2.5.7 Profit before Taxes

Profit before taxes in the fiscal year ended March 31, 2014 was T€151,579 compared with T€225,712 in the prior year. The decrease in the fiscal year ended March 31, 2014 in the amount of T€74,133 is primarily due to non-recurring expenses in connection with the takeover by Vodafone, such as expenses from the immediate amortization of capitalized financing and transaction costs and one-time consulting fees, as well as due to interest expenses because of the planned repayment of both Senior Notes.

2.5.8 Taxes on Income

Tax expenses of T€219,823 were recorded in the fiscal year ended March 31, 2014, compared to a tax benefit of T€21,185 in the fiscal year ended March 31, 2013. Taxes for the fiscal year ended March 31, 2014 comprised current tax expenses of T€92,310 and deferred tax expenses of T€127,513. Taxes recorded for the fiscal year ended March 31, 2013 comprised current tax expenses of T€53,335 and a deferred tax benefit of T€74,520.

The increase in both current taxes and deferred tax expenses is primarily due to the takeover by Vodafone. The consequence of this is that loss carryforwards at the KDH AG level can presumably no longer be used due to the acquisition of the majority of KDH AG shares by Vodafone. Therefore, firstly, the capitalized deferred tax assets on these loss carryforwards were written off and, secondly, the current tax expense increased as offsetting against loss carryforwards was not possible anymore. First time capitalization of deferred taxes on these loss carryforwards of KDH AG resulted in deferred tax income in the fiscal year ended March 31, 2013.

2.5.9 Net Profit / Loss for the Period

A net loss of T€68,244 was recorded in the fiscal year ended March 31, 2014 (prior year: net profit of T€246,897).

The decline of the net result in the fiscal year ended March 31, 2014 was primarily due to the above-mentioned non-recurring expenses of T€208,576 in connection with the takeover by Vodafone.

Earnings per share in the fiscal year ended March 31, 2014 declined to €-0.77 compared with €2.79 in the prior year.

2.5.10 Adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)

	Fiscal Year ended	
in T€, except as noted	March 31, 2014	March 31, 2013
Profit from ordinary activities	401,908	425,961
Depreciation and amortization	407,602	360,930
Expenses related to LTIP (IFRS 2) [1]	62,223	64,051
Expenses related to takeover / acquisitions and changes in norms	34,934	7,797
Expenses related to restructuring the network infrastructure	2,666	0
Expenses related to restructuring / legal reorganization	374	3,562
Adjusted EBITDA	**909,707**	**862,302**
Adjusted EBITDA margin in %	**47.9%**	**47.1%**

[1] Exercised parts were cash settled as of April 1, 2014 (see Notes to the consolidated financial statements of KDH AG as of March 31, 2014 (section 5.5)).

Adjusted EBITDA in the fiscal year ended March 31, 2014 increased by T€47,405 to T€909,707 compared with T€862,302 in the prior year. The increase can be attributed to continued growth, especially in the area of our New Services, accompanied by relatively moderate increases in operating costs and expenses. Our adjusted EBITDA margin also increased to 47.9% in the fiscal year ended March 31, 2014 (prior year: 47.1%).

2.6 FINANCIAL POSITION AND NET ASSETS OF THE GROUP FOR THE FISCAL YEAR ENDED MARCH 31, 2014 COMPARED TO THE FISCAL YEAR ENDED MARCH 31, 2013

As of March 31, 2014, the balance of our cash and cash equivalents was T€334,068. Under our revolving loan granted by Vodafone Investments, we also had T€300,000 in unused credit line available.

The following table shows a condensed version of our cash flows for the fiscal years ended March 31, 2014 and 2013:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Cash flows from operating activities	805,493	729,767
Cash flows from investing activities	(576,566)	(471,376)
Cash flows from financing activities	(504,407)	217,373
Changes in cash and cash equivalents	(275,479)	475,763
Cash and cash equivalents at the beginning of the period	609,547	133,784
Cash and cash equivalents at the end of the period	**334,068**	**609,547**

2.6.1 Cash Flows from Operating Activities

Our net cash flow from operating activities in the fiscal year ended March 31, 2014 increased by T€75,727 to T€805,493 (prior year: T€729,767). The increase resulted, in addition to an improved operating result, particularly from an optimized management of net working capital. However, there were higher tax payments, resulting primarily from payments of KDVS GmbH for the current year as well as, to a significant extent, resulted from prior years. These tax payments were already included in the liabilities reported in the corresponding prior years, but were not paid until this reporting period.

2.6.2 Cash Flows from Investing Activities

Investment payments (CapEx without acquisitions and other) included in cash flows from investing activities increased by T€102,874 to T€575,207 in the fiscal year ended March 31, 2014 (prior year: T€472,333), corresponding to 30.3% of our total revenues for the fiscal year ended March 31, 2014 (prior year: 25.8%). These payments comprise investments in property and equipment of T€449,896 and in intangible assets of T€125,311.

These operational investments were composed of success based investments of T€318,803, comprised of investments directly attributable to the acquisition of new subscribers and thus the connection of new homes to our network as well as the CPE and their installation, and non success based investments of T€256,405, thereof T€101,149 related to the investment program Alpha started in April 2013. The objective of the program is enabling additional growth and efficiency improvements in network infrastructure (see also section 2.3.1). The non success based investments were related, besides the upgrade and extension of our network, in particular to the expansion of our IT systems.

2.6.3 Cash Flows from Financing Activities

Net cash used in our financing activities was T€504,407 in the fiscal year ended March 31, 2014, compared to net cash proceeds from financing activities of T€217,373 in the fiscal year ended March 31, 2013.

In the fiscal year ended March 31, 2014, we received cash related to non-current financial liabilities of T€2,150,000 from the term loan from Vodafone Investments. Repayments of current and non-current financial liabilities of T€2,253,308, including the repayment of all tranches of the Senior Credit Facility (T€2,252,440) and the present value of the purchased interest rate floors (T€868). The cash received from the term loan was used for the repayment of the above mentioned financial liabilities. Payments of interest and transaction costs totaled T€176,408, and included firstly T€14,447 in non-recurring financing and transaction costs primarily due to the implemented refinancing measures of Tranches H, E1 and B4 of the Senior Credit Facility. The amount also includes one-time interest of T€6,709 from the premature settlement of currency hedges and one-time expenses of T€411 from the premature settlement of interest rate hedges (floor) related to the premature repayment of the Senior Credit Facility on October 15, 2013 (see also section 3.12 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014). As per resolution by the General Shareholders' Meeting on October 10, 2013, a dividend of T€221,307 was paid out. In addition, liabilities to the silent partners of KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung and KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung were repaid in the amount of T€2,059. Cash payments to reduce finance lease liabilities amounted to T€1,326.

In the fiscal year ended March 31, 2013, we received cash payments related to non-current financial liabilities of T€400,000 from the 2017 Senior Notes. Cash flows were also generated from the T€200,000 increase in the existing 2018 Senior Secured Notes and the resulting agio of T€13,500. In addition, as per resolution by the General Shareholders' Meeting on October 11, 2012, a dividend of T€132,784 was paid out. Cash repayments of non-current financial liabilities of T€73,454 consisted of the repayment of Facility C (T€71,319) and the present value of the purchased interest floors (T€2,135). Payments of interest and transaction costs totaled T€187,665, including non-recurring financing and transaction costs of T€16,190 primarily due to the canceled Bridge Credit Agreement, the issue of the 2017 Senior Notes and the increase in the 2018 Senior Secured Notes. Cash payments to reduce finance lease liabilities amounted to T€2,225.

2.6.4 Other Comments on Net Assets

As of March 31, 2014, the Company had total assets of T€2,715,336 (prior year: T€2,862,768), consisting mainly of non-current intangible assets of T€665,674 (prior year: T€641,371) and property and equipment of T€1,456,340 (prior year: T€1,308,864), as well as cash and cash equivalents of T€334,068 (prior year: T€609,547). The liabilities side of the balance sheet primarily consisted of non-current or current financial liabilities of T€2,184,526 (prior year: T€3,383,119) and T€1,183,426 (prior year: T€40,130), respectively. The decrease in total assets of T€147,432 primarily reflects the reduction in cash and cash equivalents due to the dividend payment and the refinancing measures, which involved repayment of the Senior Credit Facility. This was offset by an increase in property and equipment of T€147,476, which was primarily due to the upgrade to the cable networks as part of our Alpha investment program. The change in current and non-current financial liabilities was mainly due to the reclassification of the Senior Notes. Further details and comments regarding changes in net assets can be found in sections 3.1 to 3.16 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

3 PARTICULAR EVENTS AFTER THE BALANCE SHEET DATE

After the balance sheet date, no particular events occurred with material impact on the net assets, financial position or results of operations of the Group. Effective March 31, 2014 the former Chief Executive Officer Dr. Adrian von Hammerstein has resigned from the Management Board. Dr. Manuel Cubero assumed the position as Chief Executive Officer as of April 1, 2014. Also effective as of April 1, 2014, Gerhard Mack was appointed to the Management Board and assumed the position as Chief Operating Officer.

4 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.

4.1 RISK MANAGEMENT SYSTEM

The 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 flexibly to prevent a situation where there is avoidable damage or sustainable impact on the net assets, financial position or results of operations.

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 control risks. The system is supplemented by the central risk management unit. The separation of responsibilities is thus ensured.

The risk management 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 management 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's risk management system so that appropriate measures can be implemented if necessary.

In assessing individual risks, an assessment period of one year or up to a maximum of three years is used as a basis.

To measure which risks are most likely to threaten the existence of the Company, they are classified as "high", "medium" or "low" according to their probability of occurrence and impact on our business goals.

In relation to the total number of all identified risks, the risks at the fiscal year-end were distributed in a ratio of one-third to two-thirds across medium and low risk. No high risks were identified.

4.2 INTERNAL CONTROL SYSTEM RELATING TO ACCOUNTING

The internal control system includes certain principles, procedures and measures established by the Management Board, which are aimed at the

- Assurance of the 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 the correctness of 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, segregation of duties 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). Regular checks of personnel in charge of controls and processes are made within the Group.

This accounting process, which can significantly influence the individual financial accounts and the overall assessment of the annual financial statements, 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 and the management report 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 inaccurate information in external reporting will be found. However, the risks of potential inaccurate information are minimized as far as possible.

4.3 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 associated decline in the number of our cable subscribers may have an adverse 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.

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 activities are subject to rapid changes in technology and our business activities could be adversely affected if we are not able to respond to technological developments in time.

Failure to maintain and further develop our cable network or make other improvements to the cable 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. Cancelation of these contracts may lead to additional costs for the prolongation 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 Telekom Deutschland GmbH ("Telekom") 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 centers, and to our cable network. Exemplary would be lengthy network outages due to bad weather conditions, particularly long periods of intense cold.

The security of our encryption systems can be compromised by piracy, which may have a negative effect on our business activities and profitability.

We are dependent on equipment and service suppliers who could 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 customer data are 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 customers, adversely affecting our business activities.

The loss of key executives and personnel or the inability to attract key executives or personnel could have a detrimental effect on our business.

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.

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 an adverse effect on our earnings.

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

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

Because of these regulations we do not have complete control of the prices that we can charge to broadcasters, or for resales 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.

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.

As the DPLTA became effective on April 1, 2014 (see section 1.2), the Management Board of KDH AG is obligated to follow the instructions of Vodafone. Vodafone could also issue disadvantageous instructions to the extent that such instructions serve the interests of Vodafone or Vodafone GmbH together with the affiliated companies of Vodafone GmbH. Such disadvantageous instructions could, notwithstanding the obligation of Vodafone to compensate for losses, have a material adverse effect on the financial position and results of operations of KDH, which could persist even after the termination of the DPLTA.

Risks relating to Litigation

KDH is a party in a number of court and out-of-court proceedings with government authorities, competitors and other interest holders. Proceedings with special significance are disclosed in the Notes to the consolidated financial statements. We refer to section 5.3 "Other Financial Obligations, Contingencies and Lawsuits".

Risks relating to our Financing Situation

The Group has issued parts of its debt with a floating rate, both in Euros as well as, until October 2013, in US Dollars and thus is or was exposed to interest rate and currency risk. These market risks could adversely affect the financial position and results of operations of the Group. KDH manages these risks through its operating and financing activities and uses derivative financial instruments, when this is deemed appropriate, required by other contractual agreements or is economically viable, through hedging strategies. For details with regard to the hedging strategies and the financial instruments please see section 3.12.2, subsection "Derivatives" of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

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.

We could still incur more debt, which could lead to further risks related to the increased indebtedness.

Our bonds contain covenants which may limit our flexibility in operating our business. As a result of the takeover by Vodafone and the subsequent rating upgrade, certain negative covenants are currently suspended (also see section 3.12.2, subsection "Senior Notes" of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014).

The term loan and the yet undrawn revolving loan of Vodafone Investments are subject to floating interest rates, which could rise significantly, resulting in increased costs and reduced cash flows.

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

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

The consequence of the takeover of the majority of KDH AG shares by Vodafone could be that loss carryforwards at the KDH AG level can presumably no longer be used.

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

Summary

In summary, it can be stated that the existence of the Group was at no time under threat. In addition, we currently know of no other developments which could pose such a risk or might substantially adversely affect the Group's net assets, financial position or results of operations.

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

4.4 OPPORTUNITIES

In terms of customers and homes passed, the Group is, according to our own estimate, Germany's largest cable network operator. Our cable network encompasses 13 of Germany's 16 federal states, among them the metropolitan areas of the three largest German cities Berlin, Hamburg and Munich. As of December 31, 2012 [1], there were a total of 46.4 million persons living in 23.9 million households in the states where we do business, which account for more than half of Germany's Gross Domestic Product ("GDP"). 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 industry.

The German market offers very good growth prospects for the cable sector. Based on the demand for higher bandwidth, we expect further growth, particularly in the market for broadband Internet access. We believe that German broadband Internet customers will continue to switch from other network technologies to cable in the future, due to the competitive advantage offered by cable technology.

The German market for Premium-TV continues to be underdeveloped. We therefore expect that we will further benefit from the growth potential in our TV Business as we continue the distribution of HD-DVRs to our subscriber base and expand our Premium-TV services with HDTV programming and VoD.

Our TV Business generates predictable, relatively stable cash flows from operations. Along with satellite reception, cable is Germany's leading TV platform. In 2013, 46.3% of German households obtained their television programming over cable networks (source: Digitalisierungsbericht, die medienanstalten – ALM GbR of September 2013). This percentage share has decreased only slightly over the last few years even though alternative distribution platforms are available, such as digital terrestrial broadcasting (DVB-T) or Internet television. This is also shown by relatively low churn rates in the core segments of our TV Business. The stability of our subscriber base, paired with an increasing share of those subscribers who subscribe via TV cable to further Premium-TV as well as Internet and Phone products, leads to a predictable cost basis. Together with a predictable investment structure, this has led to relatively stable operating cash flows.

We have an extensive, but not fully penetrated, subscriber base and network coverage. Despite strong growth, in terms of both RGUs per subscriber (1.79 as of March 31, 2014) and monthly ARPU per subscriber (€17.11 for the fiscal year ended March 31, 2014), we were behind cable providers in other countries over the last three years.

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

As the operator of Germany's largest cable network and second largest media and telecommunications network, we have a considerable technology and coverage advantage. The technology and coverage 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 provision. Also, as compared to providers without their own access network, we have shorter lead times for market launches and a number of cost advantages. Our upgraded cable network can transmit both analog and digital TV signals, which can be viewed 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 almost completed extension of the DOCSIS 3.0 data transmission standard, our network guarantees broadband speeds of 200 Mbit/s or more. Thus we expect to maintain our present position of leadership in the price-performance ratio for the time being.

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 subscriber base, we can operate more cost-effectively than many of our German competitors, in particular resellers and providers on the basis of copper wire pairs from DTAG. Some of our cost elements, such as a significant portion of our network operations, sales and administrative costs, are fixed, which allows us to generate high incremental returns 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 growth effects 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 47.9% for the fiscal year ended March 31, 2014, despite continued investments in sales, marketing and service quality. Our intention over the current fiscal year is to upgrade additional portions of our network that are not yet able to offer bi-directional services. These measures will lead to further marketable homes, which should open improved growth opportunities 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 also encompasses productivity increases, cost reductions,

[1] Based on the most recent information available.

market launches of new products as well as the maintenance and expansion of established customer relationships. Our new Chief Executive Officer, appointed effective April 1, 2014, has worked for us since November 2003 and has been a member of the Management or the Management Board since December 2005. Our Chief Financial Officer has many years of experience in the German telecommunications sector. Our Chief Operating Officer has been working for the Company for eight years. Prior to his appointment to the Management Board effective April 1, 2014, he was responsible in the technical operations area for the expansion and operation of the network as well as for technical customer service. Our Chief Marketing Officer joined us in 2007 from Swiss cable network operator Cablecom Holdings GmbH.

Since October 14, 2013, Vodafone has been majority shareholder of KDH AG, with 76.57%. For more information about the takeover by Vodafone and the DPLTA, please see section 1.2. KDH AG transfers profits to Vodafone as a result of the DPLTA. In return, Vodafone is obliged to compensate for any losses. In addition, KDH AG is bound by the instructions of Vodafone. As part of the Vodafone Group, numerous synergies and economies of scale will arise for the Group. We assume that this will help strengthen business operations. In this respect, we expect cross- and up-selling opportunities for our products will be expanded through the takeover by Vodafone.

5 OUTLOOK

The Group's business has proven resilient over the past few years in a difficult macroeconomic environment. Under now more favorable conditions (following growth of 0.4% in 2013, the German Institute for Economic Research (DIW Berlin) forecasts an increase in GDP against the prior year of 1.6% for 2014, and 2.0% for 2015 for Germany), we think that our business will continue to develop very robustly throughout the current fiscal year and beyond. An economic environment with high inflation, however, could have a negative impact on the success of our business (higher factor costs and interest rates).

In previous years, 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 addition, in April 2013, we started a multi-year investment program with a volume of €300 million that will primarily be implemented in the fiscal year ending March 31, 2015. In our investments, we have benefited from our existing network and from economies of scale due to a relatively fixed cost structure as well as from success based, subscriber-oriented investments. Based on the type of financing chosen by the Group and the meanwhile partial refinancing through a term loan and a revolving loan from Vodafone Investments, we believe that no difficulties will arise with regard to the 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.

In the next two years, we plan to further increase the distribution of our digital video recorders and digital receivers among our subscriber base and to expand our HDTV offering. Furthermore, we plan over the next few years to distribute the interactive VoD service on further upgraded networks. It is our expectation that the marketing of our New Services – either as individual products or as a product bundle with our current Pay-TV offerings – will generate further growth in the TV Business and should make a moderately positive contribution to growth of our Group's revenue and EBITDA in comparison with the prior year.

INTERNET AND PHONE BUSINESS

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 revenues for our company based on differentiated products and technology leadership.

OVERALL ASSESSMENT

Over the last few years, the strategy as described before has led to marked organic growth in revenues and EBITDA. We expect the successful performance of our Group with regard to the marked growth in revenues and EBITDA, in continuation of our strategy, to be sustained in the following two years. As a consequence of the developments described above, we believe that the operating free cash flow (EBITDA less capital expenditure) from our current business will slightly decline in the fiscal year ending March 31, 2015 due to the current investment program, and develop positively in the following fiscal year. We expect to meet all financial obligations (interest and principal repayments) and loan terms and conditions of the Group in coming years, and also strengthen our results of operations on a sustained basis.

Vodafone has achieved control with the entry of the DPLTA in the commercial register of the Company on March 13, 2014, effective as of April 1, 2014. KDH AG must now fully transfer profits to Vodafone from April 1, 2014, and in return, Vodafone is obliged to compensate for any losses. We now expect integration measures to begin, which should give further momentum to our business. Vodafone intends to use the takeover of KDH to create an integrated communications group and offer mobile phone, fixed-line, broadband Internet and TV services from a single source. The modernization and extension measures, and the bundling of the mobile phone network with the fiber optic and coaxial cable network are equally important in creating an integrated communications group as the provision of an expanded range of products and of new, attractive offerings.

6 DISCLOSURES PURSUANT TO SECTION 289 PARA. 4 AND SECTION 315 PARA. 4 HGB AND EXPLANATORY REPORT

The disclosures required under Sections 289 para. 4 and 315 para. 4 of the German Commercial Code (Handelsgesetzbuch – "HGB") are as follows:

DESCRIPTION AND COMPOSITION OF SUBSCRIBED CAPITAL

As of March 31, 2014, KDH AG's subscribed capital remained unchanged from the prior year at T€88,523. It was composed at that time of 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.

There are no different classes of shares; the same rights and duties are associated with all shares, the details of which are specified in particular 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

Under the German Securities Trading Act (Wertpapierhandelsgesetz), investors whose share of direct and indirect voting rights of listed companies has reached, exceeded or fallen below certain thresholds are required to notify the Company. As of the balance sheet date, the following companies and persons have reported exceeding the threshold of 10% of the voting rights to KDH AG:

- Vodafone Vierte Verwaltungs AG, Vodafone Group Plc, Vodafone Holding GmbH (meanwhile renamed Vodafone GmbH), Vodafone Investments Luxembourg S.à r.l., Vodafone Consolidated Holdings Limited, Vodafone Benelux Limited, Vodafone Holdings Luxembourg Limited, Vodafone 2., Vodaphone Limited, Vodafone Intermediate Enterprises Limited, Vodafone International Holdings Limited, Vodafone International Operations Limited, Vodafone European Investments.
- Cornwall (Luxembourg) S.à r.l., Wolverton (Luxembourg) S.à r.l., Maidenhead LLC, Elliott International Limited, Elliott Capital Advisors, L.P., Braxton Associates, Inc., Elliott Asset Management LLC, Paul E. Singer, Elliott International Capital Advisors Inc., Hambledon, Inc., Elliott International L.P. After the balance sheet date, the Cornwall GmbH & Co. KG and the Cornwall Verwaltungs GmbH also have reported exceeding the threshold of 10% of the 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 Conciliation Committee 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 concrete number of members. The Supervisory Board has appointed a Chairman of the Management Board and a Deputy Chairman.

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

In case of amendments of the Articles of Association, the provisions of the AktG shall be observed. In addition, 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 or contingent capital, 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 after expiration of the authorization period, in accordance with the extent of the capital increase(s) from Authorized Capital 2010/I, as well as after complete or partial implementation of the share capital increase out of Contingent Capital 2010/I.

POWERS OF THE MANAGEMENT BOARD, 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 contributions in cash and / or 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 dated March 15, 2010.

Treasury Shares

By a resolution of the Shareholders' Meeting dated March 15, 2010, the Management Board is 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 in its entirety or in several installments, on one or more occasions, 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 acquisition costs) may not be more than 20% above or below the share price as determined by the opening auction 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 acquisition costs) 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 fixed volume, 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 a 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 resolution of the Shareholders' Meeting 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 investments 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 acquisition costs); 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 the 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 regarding acquired treasury shares are excluded insofar as these shares are used in accordance with the above authorizations in letters (b) through (d).

In the fiscal year ended March 31, 2012, 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 the share capital of T€1,477 at a total purchase price of approximately T€60,000 (excluding transaction costs) and retired these treasury shares by reducing the share capital.

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

The loan agreements signed with Vodafone Investments (see section 3.12 in the Notes to the consolidated financial statements of KDH AG as of March 31, 2014) stipulate that the loan can be terminated without notice by the lender upon takeover and the disbursed loan amounts, together with accrued interest, can be declared due immediately.

In the event of a "Change of Control Triggering Event" for the 2018 Senior Secured Notes, KDVS GmbH is obligated and for the 2017 Senior Notes, KDH AG is obligated to submit an offer to buy back the 2018 Senior Secured Notes (KDVS GmbH) or the 2017 Senior Notes (KDH AG) 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 meaning occurs (i) if a person or group acquires control over a majority of voting rights in KDVS GmbH for the 2018 Senior Secured Notes or in KDH AG for the 2017 Senior Notes (ii) if within two successive years persons who constitute the majority of shareholder representatives on the Supervisory Board of KDH AG (together with new Supervisory Board members whose election or nomination for election by the General 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) when all material assets have been leased, transferred or otherwise disposed of. A relevant ratings downgrade is present (i) in the event that the 2018 Senior Secured Notes or 2017 Senior Notes are given an investment grade rating by both Moody's Investors Service, Inc. 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 or 2017 Senior Notes are not given an investment grade rating by at least one of the two rating agencies, if at least one agency downgrades the rating by at least one sub-rating step. The takeover by Vodafone, given that there was no ratings downgrade, was not a "Change of Control Triggering Event".

Individual agreements between KDVS GmbH and Pay-TV providers guarantee a special right of cancelation in the event that a competitor of the contracting party or a company associated with the competitor obtains dominant control over the Group.

Individual communal housing associations 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.

7 CORPORATE GOVERNANCE DECLARATION IN ACCORDANCE WITH SECTION 289A HGB

The Corporate Governance Declaration and 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 their committees are published permanently on the Company's website at www.kabeldeutschland.com.

8 FINAL DECLARATION IN ACCORDANCE WITH SECTION 312 PARA. 3 AKTG

Pursuant to Section 312 para. 3 AktG, the Management Board of KDH has prepared an Affiliated Companies Report on relationships with all affiliated companies for fiscal year 2013/2014.

The report contains the following final declaration by the Management Board: "With regard to the legal transactions and measures mentioned in the report on relationships with affiliated companies, based on the circumstances known to us at the time entering into the legal transactions or undertaking or refraining from a measure, our Company received an appropriate consideration for each legal transaction and was not disadvantaged by undertaking or refraining from such measures."

9 COMPENSATION REPORT

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 fiscal year.

9.1 MANAGEMENT BOARD COMPENSATION SYSTEM

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 common compensation in the 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 the LTIP. Added to these are retirement pensions and common contractual fringe 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

A short-term variable bonus related to the fiscal year, which is payable annually retrospectively, is paid in the form of a success based performance bonus. 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 the 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, 2014: EBITDA, EBITDA less capital expenditure (i.e., investment payments for longer-term fixed assets) without investment program Alpha, total revenues, customer satisfaction (one third each for customer service centers, technical service centers and technical operations), net adds of Internet and Phone RGUs, net adds of individual user contracts and net adds of Premium TV RGUs.

Long-term Variable Bonus

In addition, the members of the Management Board participate in a long-term, performance-dependent compensation plan, referred to as LTIP. This consists of two share-based components: a virtual 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. The 4-year period ends at March 31, 2014, March 31, 2015, March 31, 2016 and March 31, 2017, respectively.

At the beginning of every fiscal year, Management Board members are awarded a number of virtual shares ("performance shares") duly determined at the discretion of the Supervisory Board. Depending on the attainment of certain performance targets, the performance shares will be due for payout four years after they are granted ("vesting period"). The performance targets are assessed based on the performance of the total shareholder return on KDH AG shares compared to the MDAX during the four-year vesting period. Payout is made in cash and is determined by the number of payable performance shares multiplied by the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 trading days prior to the time of full vesting. If the performance of the total shareholder return on KDH AG shares in the vesting period is equal to the performance of the MDAX, there is 100% achievement of the performance targets and 100% of the performance shares granted are paid out. If the total shareholder return on KDH AG shares during the vesting period outperforms the MDAX, 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 granted. The 200% limit is reached if the MDAX is outperformed by 40 percentage points or more. If the total shareholder return on KDH AG shares in the vesting period underperforms the MDAX by up to 20 percentage points (inclusive), the number of payable performance shares is reduced, depending on the extent of the underperformance, to 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 full 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 full vesting) plus any dividends paid out during the vesting period falls below the exercise 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 Supervisory Board made use of this possibility with regard to share performance after the takeover by Vodafone, which may be a consequence of speculation on a higher settlement in the mediation procedure concerning the DPLTA or during a later squeeze-out. The number of virtual performance shares of the 2010 grant due for payout was limited on the basis of the acquisition price of €84.50 (as fixed in the Takeover Offer) as a basis for calculation.

The fair value of the virtual performance shares (2010) due for payout in April 2014 is based on observable market prices of KDH AG shares on March 31, 2014, and on the number of these virtual performance shares limited by the Supervisory Board.

Due to the decision by the Supervisory Board, until further notice a value-equivalent limitation based on the acquisition price of €84.50 will be assumed as a basis for the virtual performance shares payable no earlier than April 1, 2015, and this price plus dividends paid will be used as the basis.

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 up to six years. The quantity of options 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 not exercised within the (original or extended) exercise period shall be forfeited without compensation. 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 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 exercisable virtual stock options. The Supervisory Board made use of this possibility with regard to share performance after the takeover by Vodafone, which may be a consequence of speculation on a higher settlement in the mediation procedure concerning the DPLTA or during a later squeeze-out. The number of exercisable virtual stock options was limited on the basis of the acquisition price of €84.50 as a basis for calculation.

Payment in the Event of Termination or Retirement

Members of the Management Board acquire pension expectancies under individual contracted pension commitments in accordance with currently applicable company pension rules. These pension commitments give Management Board members a right to pension benefits upon reaching the regular statutory retirement age, in the event of permanent disability, or in the event of death. In the event of retirement, permanent disability or death, payments are made out of a capital account plan funded by annual contributions, the amount of which is determined by annual base salary. The amount of the annual contributions to the capital account plan 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. The contributions are translated into an insurance sum that is calculated by multiplying the contribution by a factor depending on age. The total insurance sums accumulated in this manner constitute the pension benefit balance. Payments from this pension benefit balance 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 Fringe Benefits

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

9.2 TOTAL COMPENSATION OF 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 Sections 285 and 314 HGB and German Accounting Standard No. 17 ("DRS 17") in consideration of additional disclosures in section 5.4 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014.

In total, the members of the Management Board received short-term compensation (comprised of annual fixed salaries, variable annual bonuses and various typical fringe benefits) of T€3,243 (prior year: T€3,007) and commitments for pension benefits which were expensed in the amount of T€266 (prior year: T€219) for services performed for KDH AG and its subsidiaries in the fiscal year ended March 31, 2014. In addition, in the fiscal year ended March 31, 2014, KDH AG allocated to the members of the Management Board the currently non-cash[1] share-based compensation based on the LTIP of the Group in the form of virtual performance shares as long-term compensation with a fair value at the grant date of T€1,689 (prior year: T€1,693).

The total compensation for each individual member of the Management Board of KDH AG, broken down by individual components, is shown for the fiscal years ended March 31, 2014 and 2013 in the two charts below:

Type of compensation	Non-performance related compensation [1]	Variable annual bonus	LTIP [2]	Total compensation
in T€		Fiscal year ended March 31, 2014		
Dr. Adrian v. Hammerstein	573	443	527	1,543
Dr. Manuel Cubero	454	339	409	1,202
Erik Adams	437	323	385	1,146
Dr. Andreas Siemen	408	264	368	1,040
Total	**1,873**	**1,370**	**1,689**	**4,931**

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

2) Currently non-cash and long-term part of compensation based on the fair value at grant date.

1) Will be cash settled under certain conditions at the end of the program. See section 9.1.

Type of compensation in T€	Non-performance related compensation [1]	Variable annual bonus	LTIP [2]	Total compensation
		Fiscal year ended March 31, 2013		
Dr. Adrian v. Hammerstein	575	413	544	1,532
Dr. Manuel Cubero	469	316	422	1,206
Erik Adams	437	264	398	1,099
Dr. Andreas Siemen	347	186	330	864
Total	**1,828**	**1,179**	**1,693**	**4,701**

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

[2] Currently non-cash and long-term part of compensation based on the fair value at grant date.

The commitments of pension benefits for each member of the Management Board recognized through profit or loss during the fiscal year ended March 31, 2014, are shown in the chart below:

in T€	Service cost April 1, 2013 - March 31, 2014	Present value of defined benefit obligation (DBO) March 31, 2014
Dr. Adrian v. Hammerstein	61	495
Dr. Manuel Cubero	72	528
Erik Adams	71	261
Dr. Andreas Siemen	62	279
Total	**266**	**1,564**

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

	Grant Date	Number of virtual performance shares granted March 31, 2014 Number	Fair value of virtual performance shares at grant date T€	Forfeited Number	Reduction by limitation [1] Number	Number of remaining virtual performance shares March 31, 2014 Number	Fair value of performance shares due for payout taking into account the performance component at valuation date [2] March 31, 2014 T€
Dr. Adrian v. Hammerstein	April 1, 2010	26,175	576	0	(3,889)	22,286	4,633
	April 1, 2011	15,942	602	(3,985)	0	11,957	2,116
	April 1, 2012	12,055	544	(6,027)	0	6,028	1,056
	April 1, 2013	7,663	527	(5,747)	0	1,916	175
Dr. Manuel Cubero	April 1, 2010	20,295	446	0	(3,015)	17,280	3,592
	April 1, 2011	12,361	467	0	0	12,361	2,188
	April 1, 2012	9,347	422	0	0	9,347	1,638
	April 1, 2013	5,942	409	0	0	5,942	544
Erik Adams	April 1, 2010	16,795	369	0	(2,521)	14,274	2,967
	April 1, 2011	10,211	386	0	0	10,211	1,807
	April 1, 2012	8,812	398	0	0	8,812	1,544
	April 1, 2013	5,601	385	0	0	5,601	513
Dr. Andreas Siemen	April 1, 2010	7,500	165	0	(1,114)	6,386	1,327
	April 1, 2011	5,717	216	0	0	5,717	1,012
	April 1, 2012	7,314	330	0	0	7,314	1,282
	April 1, 2013	5,354	368	0	0	5,354	490
Total		**177,084**	**6,609**	**(15,759)**	**(10,539)**	**150,785**	**26,886**

1) In the event of unusual developments, the Supervisory Board may limit the number of virtual performance shares subject to payout. The Supervisory Board made use of this possibility with regard to share performance after the takeover by Vodafone, which may be a consequence of speculation on a higher cash settlement in the mediation procedure concerning the DPLTA or during a later squeeze-out (see also section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014).

2) Due to the value-equivalent quantitative limitation on virtual performance shares of the first annual grant in 2010 based on the acquisition price of €84.50 plus dividends paid, the Supervisory Board has come to the conclusion that until further notice it would also set a value-equivalent limitation for the virtual performance shares payable no earlier than April 1, 2015, based on the acquisition price of €84.50 plus dividends paid. Since no quantitative limit was placed on the number of virtual performance shares for the second to fourth grants as of March 31, 2014, the valuation of the virtual performance shares granted between 2011 and 2013 is therefore performed based on the acquisition price of €84.50 plus dividends paid.

The virtual stock 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 granted March 31, 2014 Number	Fair value of stock options at grant date T€	Reduction by limitation [1] Number	Number of remaining virtual stock options Number	Fair value of stock options at valuation date March 31, 2014 T€
Dr. Adrian v. Hammerstein	225,000	1,329	(44,580)	180,420	14,062
Dr. Manuel Cubero	191,667	1,132	(37,976)	153,691	11,979
Erik Adams	191,667	1,132	(37,976)	153,691	11,979
Dr. Andreas Siemen	75,000	443	(14,860)	60,140	4,687
Total	**683,334**	**4,036**	**(135,392)**	**547,943**	**42,707**

[1] In the event of unusual developments, the Supervisory Board may limit the number of virtual stock options subject to payout. The Supervisory Board made use of this possibility with regard to share performance after the takeover by Vodafone, which may be a consequence of speculation on a higher cash settlement in the mediation procedure concerning the DPLTA or during a later squeeze-out (see also section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014).

9.3 SUPERVISORY BOARD COMPENSATION SYSTEM

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 fiscal 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 Supervisory 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 it is separately billed.

The members of the Supervisory Board received compensation of T€427 in the fiscal year just ended.

The representatives of Vodafone on the Supervisory Board, Mssrs. Humm, Barnard, Nowak, Pradel and Schulte-Bockum have waived the Supervisory Board remuneration.

10 KABEL DEUTSCHLAND HOLDING AG (NOTES BASED ON HGB)

The KDH AG Management Report and the Group Management Report for the fiscal year ended March 31, 2014 have been combined in accordance with Section 315 para. 3 HGB in conjunction with Section 298 para. 3 HGB. The annual financial statements of KDH AG were prepared in accordance with the principles of the HGB and the AktG. The following notes refer to these statements and therefore contain HGB figures. These figures are not comparable with the IFRS consolidated figures of the Group.

10.1 RESULTS OF OPERATIONS

KDH AG is a holding company and provides services to its direct and indirect subsidiaries on the basis of intercompany service agreements. These are primarily related to consulting services and services in connection with strategic issues and financing. For this reason, the financial position of the Company is permanently dependent on the operating results of the Group and any income from equity investments.

The following analysis of KDH AG's results of operations reflects the income and expenses for the fiscal year ended March 31, 2014 compared to the fiscal year ended March 31, 2013.

Revenues

The revenues of T€3,117 for the fiscal year ended March 31, 2014 (prior year: T€14,448) primarily resulted from consulting and services invoiced to KDVS GmbH, including for strategic development and financing. The considerable decrease of T€11,331 is due to transaction costs passed on to KDVS GmbH in the prior year, primarily in connection with the issue of the 2017 Senior Notes in June 2012 by KDH AG. The 2017 Senior Notes were passed on to KDVS GmbH (for more information, also see section 3.6.1 of the Notes to the annual financial statements of KDH AG).

Other Operating Income

Other operating income was T€209 for the fiscal year ended March 31, 2014 (prior year: T€25) and resulted primarily from income from the reversal of provisions.

Personnel Expenses

Personnel expenses were T€29,626 (prior year: T€29,609), and included salaries of T€4,117 (prior year: T€3,939) and social security costs of T€290 (prior year: T€304). The social security costs included pension costs of T€204 (prior year: T€216). The personnel expenses also include share-based payment expenses based on the Group's LTIP amounting to T€25,218 (prior year: T€25,365).

The personnel expenses were mainly related to the Management Board members of KDH AG. Also see section 9.2 for information on individual compensation for members of the Management Board.

Other Operating Expenses

Other operating expenses were T€31,865 for the fiscal year ended March 31, 2014 (prior year: T€5,351). The increase primarily resulted from higher expenses in connection with the takeover by Vodafone for legal advice and investment banks.

Income from Equity Investments and Income from Profit and Loss Transfer Agreements

The Company generated income of T€543,875 in the fiscal year ended March 31, 2014 from the profit and loss transfer agreement with KDVS GmbH. In the prior year, KDH AG earned income from its equity investment in KDVS GmbH from an advance distribution of T€200,000 for the fiscal year ended March 31, 2013.

Interest and Similar Income and Income from Loans classified as Financial Assets

In June 2012, KDH AG issued T€400,000 2017 Senior Notes and passed on the full amount as loan to KDVS GmbH. Income from this loan was T€26,000 for the fiscal year ended March 31, 2014. In the prior year, the income from the Senior Notes in the amount of T€20,222 was disclosed in interest and similar income (see also sections 3.1 and 4.4 of the Notes to the annual financial statements of KDH AG). The increased interest income from the Senior Notes resulted from the fact that interest in the fiscal year ended March 31, 2014 was incurred for the full fiscal year.

Interest and similar income was T€139 for the fiscal year ended March 31, 2014 (prior year: T€20,222).

Interest and Similar Expenses

Interest and similar expenses declined by T€17,747 during the fiscal year ended March 31, 2014 to T€79,866 (prior year: T€97,613). Interest expenses to affiliated companies were T€53,734 (prior year: T€64,961) and decreased as a result of the lower interest rate level compared to the prior year. Interest expenses to third parties declined by T€6,520 during the fiscal year ended March 31, 2014 to T€26,132 (prior year: T€32,652). The decline resulted from the transaction costs of T€11,446, which only incurred in the prior year, while the interest expenses on the 2017 Senior Notes increased to T€26,000 from T€20,222 as the issue of the 2017 Senior Notes in the previous year occurred during the course of the year.

The 2017 Senior Notes were passed on in full to KDVS GmbH at a matching interest rate. As a result, the interest expenses of T€26,000 indicated above are matched by an equal amount of income from KDVS GmbH (see previous section).

Expenses from Loss Absorption

Expenses from loss absorption in connection with the DPLTAs concluded between KDH AG as the controlling company and Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH were T€4 (prior year: T€0).

Income Taxes and Deferred Taxes

As of March 31, 2014, an income tax expense in the amount of T€642,939 (prior year: income of T€132,940) consisted of current tax expenses of T€91,211 (prior year: T€0) and deferred tax expenses of T€551,728 (prior year: deferred tax benefits of T€132,940).

Since April 1, 2013, after the profit and loss transfer agreement has been effective, there is a consolidated tax group for both corporate and trade tax purposes in place between subsidiary KDVS GmbH and controlling company KDH AG. Therefore, current taxes as well as deferred tax assets and liabilities assessed at KDVS GmbH level were eliminated and disclosed in KDH AG as of March 31, 2014.

While KDVS GmbH recognized deferred tax benefits due to the income tax consolidation and the related elimination of deferred tax liabilities, which led to income also for KDH AG via the profit transfer, KDH AG recognized deferred tax expenses from differences between the commercial balance sheet and the tax balance sheet primarily in relation to intangible assets of KDVS GmbH. Therefore, the disclosure of tax effects for the consolidated tax group has no impact on the KDH AG level. In addition, the deferred tax assets on interest and loss carryforwards, which have been initially recognized in the prior year, were amortized as these loss carryforwards can presumably no longer be used for tax reduction due to the takeover by Vodafone.

The current tax expense resulted primarily from the net profit of KDVS GmbH, which led to income at KDH AG due to the profit transfer. Following the elimination of loss carryforwards of KDH AG, this income could not be offset with tax losses.

Net Profit / Loss for the Year

Taking into account the effects listed above, the net loss for the year was T€210,959 (prior year: net profit of T€235,062). The net loss resulted primarily from current and deferred tax expenses in connection with the elimination of loss carryforwards described above and could also not be compensated by the income from the profit transfer of KDVS GmbH.

10.2 NET ASSETS AND FINANCIAL POSITION

Total assets increased by T€202,942 to T€2,487,621 compared to T€2,284,679 in the prior year.

Fixed Assets

Fixed assets consist of shareholdings in the wholly owned subsidiary KDVS GmbH in an unchanged amount of T€1,515,498 as well as of the loan granted to KDVS GmbH in an unchanged amount of T€400,000. Additionally included are the equity investments in the newly established companies Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH in the amount of T€25 each.

Current Assets

Current assets totaled T€571,884 (prior year: T€236,085) and consisted primarily of a receivable from KDVS GmbH of T€543,875 for the profit transfer for the fiscal year ended March 31, 2014.

Deferred Tax Assets and Liabilities

As of March 31, 2014, there were deferred tax liabilities of T€418,791 (prior year: deferred tax assets of T€132,938). For more details on the changes, see section 10.1, subsection "Income Taxes and Deferred Taxes".

Equity

Equity decreased by T€432,266 to T€270,173 (prior year: T€702,439). The change was due to the net loss for the reporting year of T€210,959 as well as the dividend of T€221,307 paid during the reporting period. The equity ratio is 10.9% (prior year: 30.7%).

Provisions

The provisions include pension obligations of T€2,206 (prior year: T€1,965), tax provisions amounting to T€91,191 (prior year: T€0) and other provisions of T€14,314 (prior year: T€47,950).

In the fiscal year ended March 31, 2014, tax provisions were recognized for the first time due to the income tax consolidation with KDVS GmbH in place since April 1, 2013, and the elimination of loss carryforwards at the level of KDH AG in connection with the takeover by Vodafone.

The decrease in other provisions is mainly related to the reclassification of short-term obligations related to LTIP, which became cash effective in April 2014, into other liabilities.

Liabilities

Liabilities increased by T€158,621 compared to the prior year to T€1,690,946 (prior year: T€1,532,325). Firstly, the rise resulted from an increase by T€103,479 to T€1,221,836 (prior year: T€1,118,357) in loan and interest liabilities to KDVS GmbH to cover payment obligations, e.g. for dividends, and to cover ongoing liquidity requirements. Secondly, the increase was due to the disclosure of short-term obligations related to LTIP in the amount of T€58,694 in other liabilities. LTIP obligations have been disclosed in other provisions before but were reclassified as of March 31, 2014 due to their payout in April 2014.

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 an important source of liquidity for the Company. In addition, funding for the Company comes primarily from intercompany loans from KDVS GmbH, which is currently the main source of debt capital for KDH AG. The 2017 Senior Notes are not a significant source of debt for the Company, as they were passed on as a loan in full to KDVS GmbH at a matching interest rate.

10.3 OVERALL ASSESSMENT OF RESULTS OF OPERATIONS, NET ASSETS AND FINANCIAL POSITION

In summary, the Company's results of operations deteriorated in the fiscal year ended primarily due to the deferred tax expenses, thereby incurring a net loss in spite of the profit transfer from KDVS GmbH. The profit transfer on the one hand and on the other hand the amortization of the deferred tax asset and the recognition of deferred tax liabilities also influenced the balance sheet. The equity and liabilities side of the balance sheet was also affected by the net loss for the year and the distribution of dividends, which both reduced the equity, by the first-time recognition of tax provisions as well as by further intercompany loans from KDVS GmbH.

The financial position was affected by the issue of additional loans from KDVS GmbH, which was necessary to cover dividend distribution and ongoing payment obligations. However, interest expenses could be reduced as a result of the lower interest rate level. The total financial result was positive due to the income from the profit transfer from KDVS GmbH.

10.4 OPPORTUNITY AND RISK REPORT OF KDH AG

KDH AG is mainly dependent on the business performance of its operating subsidiary KDVS GmbH and the Group as a whole. The risk management system presented in section 4, the therein included internal control system and the opportunities and risks also presented in section 4 therefore also apply to KDH AG.

10.5 OUTLOOK

The Company is the management and holding company of the Group. As the parent company of the Group, KDH AG performed to date the typical tasks of a holding company, such as the strategic development of the Group and the provision of central services, including financing activities for Group companies. The business development of the holding company therefore depended, among other factors, on the development and success of the operating companies of the Group, in particular KDVS GmbH.

With the entry of the DPLTA with Vodafone in the commercial register of the Company on March 13, 2014, effective as of April 1, 2014, Vodafone assumed control. Furthermore, KDH AG must fully transfer profits to Vodafone as from April 1, 2014. In return, Vodafone is obliged to compensate for any losses. In addition, KDH AG is obliged to pay an annual guaranteed dividend fixed in the DPLTA amounting to €3.77 gross per share to minority shareholders beginning with April 1, 2014.

We now expect integration measures to begin, which should give further momentum to our business. However, due to the control by Vodafone, strategic development of the Group is not possible without involvement of the Vodafone Group.

Unterfoehring, May 7, 2014

Kabel Deutschland Holding AG

Dr. Manuel Cubero del Castillo-Olivares
Chief Executive Officer

Erik Adams
Chief Marketing Officer

Gerhard Mack
Chief Operating Officer

Dr. Andreas Siemen
Chief Financial Officer

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Kabel Deutschland Holding AG
Unterfoehring

Consolidated Financial Statements

for the Fiscal Year Ended March 31, 2014

Kabel Deutschland Holding AG, Unterfoehring
Consolidated Statement of Financial Position as of March 31, 2014, as of March 31, 2013 [1] and as of April 1, 2012 [1]

Assets	Notes	March 31, 2014 €	March 31, 2013 [1] T€	April 1, 2012 [1] T€
Current assets				
Cash and cash equivalents	3.1	334,067,670.07	609,547	133,784
Trade receivables	3.2	108,868,751.77	131,226	88,808
Inventories	3.3	34,169,183.49	51,899	31,496
Receivables from tax authorities	3.4	43,429,165.46	1,851	284
Other current financial assets	3.5	18,948,866.07	16,430	15,618
Prepaid expenses	3.5	10,932,671.22	12,024	12,303
Total current assets		**550,416,308.08**	**822,978**	**282,292**
Non-current assets				
Intangible assets	3.6	665,674,417.58	641,371	630,368
Property and equipment	3.7	1,456,340,320.32	1,308,864	1,198,018
Equity investments in associates	3.8	10,293,314.82	7,717	8,123
Deferred tax assets [1]	4.9	2,351,992.00	42,791	2,579
Other non-current financial assets	3.9	0.00	7,023	7,793
Prepaid expenses	3.9	30,259,692.23	32,024	32,614
Total non-current assets		**2,164,919,736.95**	**2,039,790**	**1,879,495**
Total assets		**2,715,336,045.03**	**2,862,768**	**2,161,787**

Equity and liabilities	Notes	March 31, 2014 €	March 31, 2013 [1] T€	April 1, 2012 [1] T€
Current liabilities				
Current financial liabilities	3.12.1	1,183,425,556.82	40,130	27,921
Trade payables		296,476,694.54	312,619	287,882
Other current provisions	3.14	8,039,960.98	8,550	21,678
Liabilities due to income taxes	4.9	110,686,527.31	58,109	72,799
Other current liabilities [2]	3.10	229,299,847.17	93,734	88,905
Deferred income	3.11	216,652,424.55	227,774	237,140
Total current liabilities		**2,044,581,011.37**	**740,916**	**736,325**
Non-current liabilities				
Non-current financial liabilities	3.12.2	2,184,526,000.00	3,383,119	2,831,854
Deferred tax liabilities	4.9	92,192,992.00	1,142	41,347
Provisions for pensions [1]	3.13	80,603,258.92	69,186	55,624
Other non-current provisions	3.14	37,371,845.18	33,134	24,793
Other non-current liabilities [3]	3.15	34,673,945.66	115,118	51,425
Deferred income	3.11	723,366.06	1,165	1,922
Total non-current liabilities		**2,430,091,407.82**	**3,602,864**	**3,006,966**
Equity				
Subscribed capital	3.16	88,522,939.00	88,523	88,523
Capital reserve	3.16	68,058,337.94	68,058	68,058
Legal reserve	3.16	8,852,293.90	8,852	0
Cash flow hedge reserve	3.16	(37,239,243.00)	(51,148)	(43,032)
Pensions reserve [1]	3.16	(12,864,438.00)	(10,182)	(4,678)
Asset revaluation surplus	3.16	460,462.66	639	817
Accumulated deficit [1]	3.16	(1,875,150,167.83)	(1,585,777)	(1,691,214)
		(1,759,359,815.33)	(1,481,034)	(1,581,525)
Non-controlling interests	3.16	23,441.17	23	21
Total equity (deficit)		**(1,759,336,374.16)**	**(1,481,011)**	**(1,581,504)**
Total equity and liabilities		**2,715,336,045.03**	**2,862,768**	**2,161,787**

1) The audited consolidated statement of financial position as of March 31, 2013 (including the opening balance as of April 1, 2012) has been adjusted in accordance with the retroactive application of the amendments to IAS 19 "Employee Benefits". See Notes 2.1 Accounting Standards recently issued by the IASB.

2) Included in other current liabilities are financial liabilities (see Notes 3.10).

3) Included in other non-current liabilities are financial liabilities (see Notes 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, 2013 to March 31, 2014 and from April 1, 2012 to March 31, 2013 [1)]

	Notes	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013 [1)]
		€	T€
Revenues	**4.1**	**1,900,193,117.34**	**1,829,923**
Cost of services rendered thereof depreciation / amortization T€301,316 (prior year: T€260,333)	4.2	(879,524,923.44)	(835,599)
Other operating income	4.3	11,105,207.11	12,615
Selling expenses thereof depreciation / amortization T€79,883 (prior year: T€76,844)	4.4	(434,741,859.55)	(414,166)
General and administrative expenses thereof depreciation / amortization T€26,403 (prior year: T€23,754)	4.5	(195,123,412.15)	(166,811)
Profit from ordinary activities		**401,908,129.31**	**425,961**
Interest income	4.7	20,938,030.59	3,333
Interest expense [1)]	4.7	(274,645,435.63)	(205,926)
Income from associates	4.8	3,378,220.63	2,344
Profit before taxes		**151,578,944.90**	**225,712**
Income tax benefit / (expense) [1)]	4.9	(219,822,605.39)	21,185
Net profit / (loss) for the period [1)]		**(68,243,660.49)**	**246,897**
Attributable to:			
Equity holders of the parent		(68,244,538.07)	246,896
Non-controlling interests	4.10	877.58	1
		(68,243,660.49)	**246,897**
Earnings per share (in €):			
Basic earnings per share	4.11	(0.77)	2.79
Diluted earnings per share	4.11	(0.77)	2.79

1) The consolidated statement of income for the period from April 1, 2012 to March 31, 2013 has been adjusted in accordance with the retroactive application of the amendments to IAS 19 "Employee Benefits". See Notes 2.1 Accounting Standards recently issued by the IASB.

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, 2013 to March 31, 2014 and from April 1, 2012 to March 31, 2013 [1)]

	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013 [1)]
	€	T€
Net profit / (loss) for the period [1)]	**(68,243,660.49)**	**246,897**
Changes in fair value of hedging instruments regarding interest and currency	19,206,749.85	(11,702)
Income tax	(5,297,723.00)	3,586
Items which can be reclassified in the profit or loss section of the statement of income in the future	*13,909,026.85*	(8,116)
Actuarial gains / (losses) from defined benefit obligation [1)]	(4,003,599.00)	(7,816)
Income tax [1)]	1,320,700.00	2,312
Items which remain permanently in equity	*(2,682,899.00)*	*(5,504)*
Other comprehensive income	**11,226,127.85**	**(13,620)**
Total comprehensive income	**(57,017,532.64)**	**233,277**
Attributable to:		
Equity holders of the parent	(57,018,410.22)	233,276
Non-controlling interests	877.58	1

1) The consolidated statement of comprehensive income for the period from April 1, 2012 to March 31, 2013 has been adjusted in accordance with the retroactive application of the amendments to IAS 19 “Employee Benefits”. See Notes 2.1 Accounting Standards recently issued by the IASB.

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, 2013 to March 31, 2014 and from April 1, 2012 to March 31, 2013 [1)]

	Notes	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013 [1)]
		T€	T€
1. Cash flows from operating activities			
Net profit / (loss) for the period [1)]		(68,244)	246,897
Adjustments to reconcile net profit / (loss) for the period to cash flows from operating activities:			
Income tax (benefit) / expense [1)]		219,823	(21,185)
Interest expense [1)]		274,645	205,926
Interest income		(20,938)	(3,333)
Accretion / depreciation and amortization on fixed assets		407,602	360,930
(Gain) / loss on disposal / sale of fixed assets		5,586	3,534
Income from associates		(3,378)	(2,344)
		815,097	790,425
Changes in assets and liabilities:			
(Increase) / decrease of inventories		17,730	(20,403)
(Increase) / decrease of trade receivables		22,357	(42,418)
(Increase) / decrease of other assets		(2,516)	(597)
Increase / (decrease) of trade payables		(16,205)	24,570
Increase / (decrease) of other provisions		(2,293)	(14,426)
Increase / (decrease) of deferred income		(11,564)	(10,122)
Increase / (decrease) of provisions for pensions		4,849	3,311
Increase / (decrease) of other liabilities		59,349	69,020
Cash provided by operations		886,803	799,359
Income taxes (paid) / received		(81,310)	(69,592)
Net cash from operating activities		805,493	729,767
2. Cash flows from investing activities			
Cash received from disposal / sale of fixed assets		594	411
Cash paid for investments in intangible assets		(125,311)	(99,797)
Cash paid for investments in property and equipment		(449,896)	(372,536)
Cash paid for purchased service contracts		0	(3,702)
Cash paid for acquisitions, net of cash acquired		(3,929)	(68)
Interest received		1,174	1,567
Dividends received from associates		802	2,750
Net cash used in investing activities		(576,566)	(471,376)
3. Cash flows from financing activities			
Cash payments to shareholders (dividends)		(221,307)	(132,784)
Cash payments to silent partners		(2,059)	0
Cash received from non-current financial liabilities	3.12	2,150,000	600,000
Cash received from non-current financial liabilities – agio		0	13,500
Cash repayments of current and non-current financial liabilities	3.12	(2,253,308)	(73,454)
Cash payments for reduction of finance lease liabilities	3.7	(1,326)	(2,225)
Interest and transaction costs paid		(176,408)	(187,665)
Net cash used in financing activities		(504,407)	217,373
4. Cash and cash equivalents at the end of the period			
Changes in cash and cash equivalents (subtotal of 1 to 3)		(275,479)	475,763
Cash and cash equivalents at the beginning of the period		609,547	133,784
Cash and cash equivalents at the end of the period	3.1	334,068	609,547
Additional information			
Investments relating to finance lease		1,001	2,104

1) The consolidated statement of cash flows for the period from April 1, 2012 to March 31, 2013 has been adjusted in accordance with the retroactive application of the amendments to IAS 19 "Employee Benefits". See Notes 2.1 Accounting Standards recently issued by the IASB.

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, 2012 to March 31, 2014

in €	Attributable to equity holders of the parent: Subscribed capital	Capital reserve	Legal reserve	Cash flow hedge reserve [2]	Pensions reserve [1] [3]	Asset revaluation surplus	Accumulated deficit [1]	Total	Non-controlling interests	Total equity (deficit)
Balance as of March 31, 2012 / April 1, 2012	**88,522,939.00**	**68,058,337.94**	**0.00**	**(43,032,086.80)**	**0.00**	**816,950.02**	**(1,691,214,078.33)**	**(1,576,847,938.17)**	**21,308.89**	**(1,576,826,629.28)**
Adjustments due to the amendments to IAS 19	0.00	0.00	0.00	0.00	(4,677,538.01)	0.00	0.00	(4,677,538.01)	0.00	(4,677,538.01)
Balance as of March 31, 2012 / April 1, 2012 [1]	**88,522,939.00**	**68,058,337.94**	**0.00**	**(43,032,086.80)**	**(4,677,538.01)**	**816,950.02**	**(1,691,214,078.33)**	**(1,581,525,476.18)**	**21,308.89**	**(1,581,504,167.29)**
Net profit for the period [1]	0.00	0.00	0.00	0.00	0.00	0.00	246,896,011.11	246,896,011.11	1,254.70	246,897,265.81
Other comprehensive income	0.00	0.00	0.00	(8,116,183.05)	(5,504,000.99)	0.00	0.00	(13,620,184.04)	0.00	(13,620,184.04)
Total comprehensive income	*0.00*	*0.00*	*0.00*	*(8,116,183.05)*	*(5,504,000.99)*	*0.00*	*246,896,011.11*	*233,275,827.07*	*1,254.70*	*233,277,081.77*
Allocations to legal reserve	0.00	0.00	8,852,293.90	0.00	0.00	0.00	(8,852,293.90)	0.00	0.00	0.00
Reclassification of asset revaluation surplus	0.00	0.00	0.00	0.00	0.00	(178,243.68)	178,243.68	0.00	0.00	0.00
Dividend distribution to shareholders	0.00	0.00	0.00	0.00	0.00	0.00	(132,784,408.50)	(132,784,408.50)	0.00	(132,784,408.50)
Balance as of March 31, 2013 / April 1, 2013 [1]	**88,522,939.00**	**68,058,337.94**	**8,852,293.90**	**(51,148,269.85)**	**(10,181,539.00)**	**638,706.34**	**(1,585,776,525.94)**	**(1,481,034,057.61)**	**22,563.59**	**(1,481,011,494.02)**
Net loss for the period	0.00	0.00	0.00	0.00	0.00	0.00	(68,244,538.07)	(68,244,538.07)	877.58	(68,243,660.49)
Other comprehensive income	0.00	0.00	0.00	13,909,026.85	(2,682,899.00)	0.00	0.00	11,226,127.85	0.00	11,226,127.85
Total comprehensive income	*0.00*	*0.00*	*0.00*	*13,909,026.85*	*(2,682,899.00)*	*0.00*	*(68,244,538.07)*	*(57,018,410.22)*	*877.58*	*(57,017,532.64)*
Reclassification of asset revaluation surplus	0.00	0.00	0.00	0.00	0.00	(178,243.68)	178,243.68	0.00	0.00	0.00
Dividend distribution to shareholders	0.00	0.00	0.00	0.00	0.00	0.00	(221,307,347.50)	(221,307,347.50)	0.00	(221,307,347.50)
Balance as of March 31, 2014	**88,522,939.00**	**68,058,337.94**	**8,852,293.90**	**(37,239,243.00)**	**(12,864,438.00)**	**460,462.66**	**(1,875,150,167.83)**	**(1,759,359,815.33)**	**23,441.17**	**(1,759,336,374.16)**

1) The consolidated statement of changes in equity for the period from April 1, 2012 to March 31, 2013 has been adjusted in accordance with the retroactive application of the amendments to IAS 19 "Employee Benefits". See Notes 2.1 Accounting Standards recently issued by the IASB.

2) This part of the other comprehensive income can be reclassified in the profit or loss section of the statement of income in the future.

3) This part of the other comprehensive income remains permanently in equity.

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, 2014

1 GENERAL

Kabel Deutschland Holding AG ("KDH AG" or the "Company") is the ultimate management and holding company of the Kabel Deutschland Group and has its registered office in Unterfoehring, Betastrasse 6 - 8. KDH AG is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880. The share capital totals €88,522,939 and is divided into 88,522,939 shares. Of these shares, on March 31, 2014 Vodafone Vierte Verwaltungs AG ("Vodafone") held 67,780,374 shares, which corresponds to 76.57% of the share capital and the voting rights. The takeover of the majority shareholding by Vodafone was completed on October 14, 2013. Since then, the Kabel Deutschland Group has been part of the Vodafone Group Plc ("Vodafone Group") Group.

On December 20, 2013, Vodafone and KDH AG entered into a domination and profit and loss transfer agreement ("DPLTA"). The extraordinary General Shareholders' Meeting of KDH AG approved the DPLTA on February 13, 2014. Because of its entry in the commercial register responsible for KDH AG on March 13, 2014, the DPLTA became effective on April 1, 2014. Since then, KDH AG has been controlled by Vodafone. In the DPLTA, the outstanding shareholders are guaranteed annual cash compensation ("Barausgleich") and a cash settlement ("Barabfindung"). For more information about the takeover by Vodafone and the DPLTA, please see section 1.2 of the Combined Management Report as of March 31, 2014.

KDH AG together with 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. The Group's business activities are mainly conducted by the respective operating subsidiaries, primarily Kabel Deutschland Vertrieb und Service GmbH ("KDVS GmbH") and Kabel Deutschland Kundenbetreuung GmbH ("KDK").

On May 7, 2014, 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 fiscal year ended March 31, 2014 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 (Handelsgesetzbuch – "HGB"). The Group therefore applied all IFRSs issued by the IASB and the interpretations issued by the IFRS Interpretations Committee ("IFRIC"), which were effective as of March 31, 2014, 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").

1.2 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 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 measured at fair value and liabilities related to the Long-Term Incentive Plan ("LTIP"), which are also in principle measured at fair value (see section 5.5).

1.3 CONSOLIDATION

Scope of Consolidation

In addition to the parent company, KDH AG, the consolidated financial statements as of March 31, 2014 include all companies in which KDH AG holds a direct or indirect interest of more than 50% of the outstanding voting rights and/or are under the control of KDH AG as defined by IAS 27 "Consolidated and Separate Financial Statements".

Intercompany transactions, balances and intercompany profit and losses on transactions between KDH AG and its subsidiaries and between the subsidiaries are eliminated in consolidation. The accounting and valuation methods of the Group Entities are consistent with the accounting and valuation methods adopted by KDH AG.

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

Business Combinations and Goodwill

Business combinations are accounted for pursuant to IFRS 3 "Business Combinations" using the acquisition 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 any resulting gain or loss is recognized through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" either in the statement of income or as a change to other comprehensive income ("OCI"). 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 in profit or loss.

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

With a purchase agreement dated December 19, 2013 effective February 1, 2014, the Group acquired supply agreements and individual subscriber contracts for about 11 thousand indirect and direct subscriber relationships in several German federal states from TV.Media.Net BK GmbH & Co. KG and BBS Kabelnetzbetreiber GmbH. The underlying network infrastructure, especially Level 4 broadband cable networks, was also acquired from these cable operators. The aggregate purchase price for the acquisition of the operations of T€4,622 resulted in an addition to the customer list of T€3,551 and an addition to technical equipment of T€1,071.

A collateral of T€693 (15% of the total purchase price) was considered as a liability to enforce any claims and is expected to be paid out in the third quarter of the fiscal year ending March 31, 2015.

Restructuring of Customer and Technical Service Centers

Effective November 1, 2012, the Group had bundled all of its customer and technical service centers in a wholly owned subsidiary, Kabel Deutschland Kundenbetreuung GmbH ("KDK"), which resulted from the change of name of Kabel Deutschland Vierte Beteiligungsgesellschaft mbH. KDK currently has around 1,300 employees located mainly in Berlin, Bonn, Erfurt and Halle/Leipzig. KDK permanently hired approximately 600 previously temporary employees of the Group as part of the process of reorganizing the service centers.

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 €, 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 € 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 through profit or loss 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 € at the European Central Bank rate as of the date that the fair value was determined.

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 Company applied the following standards and amendments to standards for the first time starting with the fiscal year beginning on April 1, 2013.

In May 2011, the IASB issued IFRS 13 "Fair Value Measurement". IFRS 13 specifies uniform and consistent regulations for determining and disclosing the fair values of financial and non-financial assets and liabilities where these are required or are permissible when applying other IFRSs. Fair value is to be determined as the sales price in the principal market or most advantageous market. Application of the new IFRS 13 in terms of determination of fair value has no material impact on the net assets, financial position and results of operations of the Group. The disclosure requirements do, however, increase. In addition to information concerning fair value determination and inputs, the fair value hierarchy must also be disclosed for financial and non-financial assets and liabilities measured at fair value.

In June 2011, the IASB issued amendments to IAS 1 "Presentation of Financial Statements" whose application requires retrospective application. The items in other comprehensive income and associated income taxes are classified according to whether they will not be reclassified subsequently to profit or loss or will be reclassified to profit or loss when specific conditions are met. Application of the amended IAS 1 effects the classification of the other comprehensive income within the Group. It does not change the presentation of net assets, financial position and results of operations.

In June 2011, amendments to IAS 19 "Employee Benefits" were issued, whose first-time application requires retrospective application. The amendments range from fundamental changes to simple clarifications and rewording. The main change concerns the recognition of actuarial gains and losses that will have to be recognized permanently in other comprehensive income. Neither the application of the corridor method nor the immediate recognition of actuarial gains and losses through profit or loss are permitted any longer. Another change concerns the determination of the expected return on plan assets, which is no longer calculated independently. Instead, a single discount rate is applied to the net liability from pension obligations and plan assets. In accordance with the provisions of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", the change was implemented retrospectively from April 1, 2012. The changes described above have the following effects on the consolidated financial statements of the Group:

Consolidated Statement of Income	April 1, 2012 - March 31, 2013		
in T€	before adjustment	adjustment	after adjustment
Profit before taxes	225,632	80	225,712
thereof interest expense	(206,006)	80	(205,926)
Income tax	21,207	(22)	21,185
Net profit for the period	**246,838**	**59**	**246,897**

Consolidated Statement of Comprehensive Income	April 1, 2012 - March 31, 2013		
in T€	before adjustment	adjustment	after adjustment
Net profit for the period	**246,838**	**59**	**246,897**
Items which will be reclassified in profit or loss			
Gains / (losses) from cash flow hedges	(11,702)	0	(11,702)
Income tax	3,586	0	3,586
Items which will not be reclassified in profit or loss			
Actuarial gains / (losses) from defined benefit obligation	0	(7,816)	(7,816)
Income tax	0	2,312	2,312
Total comprehensive income	**238,722**	**(5,445)**	**233,277**

Consolidated Statement of Financial Position	March 31, 2013			April 1, 2012		
in T€	before adjustment	adjustment	after adjustment	before adjustment	adjustment	after adjustment
Total assets	**2,858,512**	**4,257**	**2,862,768**	**2,159,820**	**1,967**	**2,161,787**
thereof deferred tax assets	38,534	4,257	42,791	612	1,967	2,579
Total current and non-current liabilities	**4,329,400**	**14,379**	**4,343,780**	**3,736,647**	**6,644**	**3,743,291**
thereof provisions for pensions	54,806	14,379	69,186	48,980	6,644	55,624
Total equity	**(1,470,889)**	**(10,123)**	**(1,481,011)**	**(1,576,827)**	**(4,678)**	**(1,581,504)**
thereof other comprehensive income	(51,148)	(10,182)	(61,330)	(43,032)	(4,678)	(47,710)
thereof accumulated deficit	(1,585,835)	59	(1,585,777)	(1,691,214)	0	(1,691,214)

The changes due to IAS 19 do not materially impact earnings per share and the statement of cash flows. If the change in accounting for pension obligations according to IAS 19 had not been implemented retrospectively from April 1, 2012, expenses for pensions resulting from the amortization of actuarial losses included in the consolidated statement of income for the fiscal year ended March 31, 2014 would have been higher by T€528.

In May 2013, the IASB issued amendments to IAS 36 "Impairment of Assets". These changes clarified that, in the case of cash generating units that are assigned a significant amount of goodwill, the recoverable amount shall only be disclosed if an impairment has been recognized or reversed. However, at the same time, disclosures are extended for assets on which an impairment has been recognized or reversed. If the recoverable amount is based on fair value less costs of disposal, the fair value hierarchy level and the valuation technique used must be disclosed in accordance with IFRS 13. The amended IAS 36 becomes effective for the first time for fiscal years beginning on or after January 1, 2014. Earlier application is permitted if IFRS 13 is also applied. The Group is early applying the amendments to IAS 36 as of April 1, 2013 and consequently discloses recoverable amounts for cash generating units that are assigned a significant amount of goodwill only if an impairment has been recognized or reversed. For the fiscal year ended March 31, 2014, this is not the case.

The following standards and interpretations do not materially impact the consolidated financial statements:

Pronouncement	Date of Issue by the IASB	Title
Amendments to IAS 12	December 2010	Income Taxes – Deferred Taxes: Recovery of Underlying Assets
IFRIC 20	October 2011	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IFRS 7	December 2011	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Annual Improvements 2009 - 2011 Cycle	May 2012	Amendments to IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34

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

The following standards have been issued by the IASB and endorsed by the EU by May 7, 2014 but are not effective for these financial statements:

Pronouncement	Date of Issue by the IASB	Title
IFRS 10	May 2011	Consolidated Financial Statements
IFRS 11	May 2011	Joint Arrangements
IFRS 12	May 2011	Disclosure of Interests in Other Entities
Amendments to IAS 27	May 2011	Separate Financial Statements
Amendments to IAS 28	May 2011	Investments in Associates and Joint Ventures
Amendments to IAS 32	December 2011	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments to IFRS 10	June 2012	Consolidated Financial Statements: Transition Guidance
Amendments to IFRS 11	June 2012	Joint Arrangements: Transition Guidance
Amendments to IFRS 12	June 2012	Disclosure of Interests in Other Entities: Transition Guidance
Amendments to IAS 27	October 2012	Separate Financial Statements: Investment Entities
Amendments to IFRS 10	October 2012	Consolidated Financial Statements: Investment Entities
Amendments to IFRS 12	October 2012	Disclosure of Interests in Other Entities: Investment Entities
Amendments to IAS 39	June 2013	Financial Instruments: Recognition and Measurement

The publication and amendment of these standards and interpretations will not materially impact the consolidated financial statements.

The following standards and interpretations have been issued by the IASB by May 7, 2014, but are neither endorsed by the EU nor are they effective for these financial statements:

In November 2009, the IASB issued IFRS 9 "Financial Instruments". The standard is the result of the first phase of a comprehensive three-phase project intended to replace IAS 39 "Financial Instruments: Recognition and Measurement", and regulates the classification and measurement of financial assets. Phase one was completed with the issue of the regulations for the classification and measurement of financial liabilities in October 2010. In December 2011, the IASB issued an amendment to IFRS 9, in which the date of initial application of January 1, 2013 was postponed to January 1, 2015. In November 2013, the IASB issued additional amendments to IFRS 9. First, phase three was completed and the standard was supplemented by the general rules on hedge accounting. Second, mandatory adoption starting January 1, 2015 was eliminated. A new date of initial application will be determined when the standard is completed, which will be after the completion of phase two "Impairment of Financial Instruments" as well as limited amendments to phase one "Classification and Measurement". The Group is currently assessing the impacts of the adoption on the consolidated financial statements.

The following standards as well as amendments to standards will not materially impact the consolidated financial statements:

Pronouncement	Date of Issue by the IASB	Title
IFRIC 21	May 2013	Levies
Amendments to IAS 19	November 2013	Employee Benefits
Annual Improvements 2010 - 2012 Cycle	December 2013	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38
Annual Improvements 2011 - 2013 Cycle	December 2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40
IFRS 14	January 2014	Regulatory Deferral Accounts (interim standard)

2.2 MEASUREMENT AT FAIR VALUE UNDER IFRS 13

The Group measures its derivative financial instruments at fair value. Share-based payment components are also measured at fair value, but are not in the scope of IFRS 13. In addition, the fair value of financial assets and liabilities measured at amortized cost are disclosed in the Notes.

In determining fair value, which is defined as the sales price in the principal market or, if no principal market exists, the most advantageous market, the Group uses both market-based data (inputs) to the greatest extent possible and other valuation techniques appropriate for each determination. Based on the inputs used in the valuation techniques, the fair values in the fair value hierarchy are classified into the following levels:

- Level 1: Inputs are quoted prices (unadjusted) available in active markets for identical assets and liabilities that the entity can access at measurement date.
- Level 2: Inputs other than quoted market prices included within level 1 that are only directly or indirectly observable for assets and liabilities.
- Level 3: Inputs are unobservable inputs for assets and liabilities.

If inputs that relate to different levels are used for determining fair value, classification is made in the level that corresponds to the input on the lowest level that is significant to the entire measurement.

For recurring fair values to be determined, transfers between levels are recognized at the end of a reporting period.

More details can be found in particular in section 5.6.

2.3 CASH AND CASH EQUIVALENTS

Cash and cash equivalents, including for purposes of the consolidated statement of cash flows, are primarily composed of cash on hand and other short-term, highly liquid investments with an original maturity of three months or less. Cash on hand and cash at banks are carried at nominal value.

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

2.6 FINANCIAL INSTRUMENTS

2.6.1 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) has transferred substantially all of the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all of 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 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 recognized through profit or loss.

2.6.2 Financial Assets

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

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

The Group determines the classification of its financial assets after initial recognition and reevaluates this classification, where allowed and appropriate, at each fiscal year-end.

When financial assets are initially recognized they are measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, such assets are measured at amortized cost using the effective interest method, that means they are disclosed less any impairment losses. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired. Gains and losses resulting from the amortization process are also recognized in profit or loss.

Loans and receivables 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).

2.6.3 Financial Liabilities

When financial liabilities are initially recognized they are measured at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, 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.

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. 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 IFRS 13, all derivative financial instruments are measured at fair value and disclosed in accordance with IAS 39 irrespective of the purpose or the intention for which they were entered into. 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 applied are either included in the statement of income or in the statement of comprehensive income 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 recognized through profit or loss.

The cash flow hedge reserve is reversed when the hedging instrument expires or is sold, ended or exercised without being replaced or rolled over into another hedging relationship. The cash flow hedge reserve is also reversed when the criteria for accounting as a hedge relationship are no longer fulfilled. The cumulative profits or losses recognized in the cash flow hedge reserve remain in OCI in equity 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.

The Group exercised 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.

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 rights 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 depreciation and 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 Consolidation, subsection Business Combinations and Goodwill for information on the accounting for and valuation of goodwill.

2.7.2 Customer List

Additions to the customer list are primarily related to the acquisition of Level 4 network operators and subscriber contracts and relationships in conjunction with both share and asset deals. The customer lists acquired are measured at fair value at the date of acquisition and after initial recognition at amortized cost.

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 internally generated intangible assets (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 and overhead costs that are directly attributable to preparing the asset for its intended use, and – as far as applicable – directly attributable borrowing costs. If the requirements for capitalization are not fulfilled, development costs are expensed as incurred.

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

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

2.7.4 Subsequent Costs

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 amortized over the remaining useful life of the related asset.

2.7.5 Amortization of Intangible Assets

The estimated useful life of the customer list is based primarily on the average contract duration of individual user contracts, over which significant revenues are generated, taking into account the average 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 average subscriber relationship period.

The amortization expense is recognized in the statement of income in the expense category consistent with the purpose 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, licences and other intangible assets	1 to 15 years

The intangible assets' net book values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at least once each fiscal year.

2.8 PROPERTY AND EQUIPMENT

2.8.1 General Information

Property and equipment are recognized at cost less accumulated scheduled 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 recorded on a straight-line basis over the lease term as an expense in the consolidated statement of income.

Operating lease for Customer Premise Equipment ("CPE")

The Group offers products that contain signal delivery and the right to use CPE. The CPE are a necessary precondition for the connection to the Group's Internet and Phone services as well as for the use of certain digital TV services. The Group leaves the CPE to subscribers for use bundled with the services provided. This constitutes a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease". Under IAS 17 "Leases", this is classified as an operating lease, for which KDH is the lessor (see also section 2.16.1). Therefore, the Group capitalizes the CPE as property and equipment based on acquisition cost and the cost of returning the asset at the end of the lease. These assets are depreciated over the useful life using the straight-line method.

Finance Lease Agreements

In accordance with IAS 17, assets leased under finance lease agreements are recognized at the inception of the lease at the lower of fair value 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. A liability is recognized in the amount of the capitalized leased asset. Using a constant rate of interest, the ongoing lease payments are apportioned between the financing costs and principal repayment of the lease liability. Financing costs are expensed.

2.8.3 Subsequent Costs

Repair and maintenance charges ("cost of day-to-day servicing") are expensed as incurred. The cost of significant maintenance and extensions 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 maintenance are depreciated over the remaining useful life of the related asset.

2.8.4 Depreciation and Disposal of Property and Equipment

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, the balance from the proceeds from disposal and the carrying amount are recorded as a gain or loss. Gains are reported under other operating income. Losses on disposal of technical equipment are recognized in the functional area in "Cost of services rendered" under "Cost of materials and services". All other losses on disposals are recorded in the respective functional area under "Other costs and expenses".

The assets' net book values, useful lives and amortization methods are reviewed, and adjusted if appropriate, at least once each fiscal year.

2.9 SHAREHOLDERS' 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 potential tax effects.

2.10 IMPAIRMENT OF ASSETS

The carrying amount of intangible assets as well as 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. The difference is recognized as an impairment loss when the recoverable amount of an asset or the related cash generating unit is less than its carrying amount.

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 and the conditions of capital and financial markets. The Company generally uses the fair value less costs of disposal 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 business developments reflecting current uncertainties. Cash flows after the planning period are calculated using a growth rate of 1%. Key assumptions on which management has based its determination of fair value less costs of disposal 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 recoverable amount, i. e. the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of impaired receivables is reduced through use of an allowance account. Receivables 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 costs of disposal and its value in use. The fair value less costs of disposal is the amount that could be generated through the sale of an asset or a CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal. 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 regarding the level of interest rates 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 scheduled depreciation and amortization 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 less the plan assets' fair value. The discount rate, which is used for both discounting the defined benefit obligation and for determination of the expected income from plan assets, is determined by reference to the capital markets and takes into account the expected maturity of the obligation. Actuarial gains and losses, including the difference between calculated and actual return on plan assets, are recognized in other comprehensive income at the end of the reporting period. 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 changed, the share of the changed benefit relating to the employees' previous years of service is expensed immediately as past service cost.

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, 2014, 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"). 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 profit or loss.

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 interest rate effect 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. If the Group acts as an agent, revenue is only recognized in the amount of the commissions.

When free months or graduated discounts 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 free of charge or discounted promotional period. When free months are offered to customers in relation to a subscription, without that the Group has the contractual and enforceable right to deliver the customer with the products after the free of charge promotional period, the Group does not recognize revenues during the promotional period, as the continuance of the customer relationship 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.

2.14.4 Multiple Element Arrangements

For goods and services bundled in multiple element arrangements the Group recognizes revenue for each element on the basis of the relative fair value of each component of the transaction.

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.

With the DPLTA effective since April 1, 2014, there is a consolidated tax group for both corporate and trade tax purposes in place between subsidiary KDH AG and parent company Vodafone. Under the current IAS 12, either the formal or the economic approach can be used for accounting for income taxes at subsidiaries of the consolidated tax group.

In accordance with IAS 8.12, if there are regulatory gaps, pronouncements of other standard-setting bodies can be applied. Accordingly, the economic approach is a possible method for the accounting treatment of deferred taxes. This approach is based on the fact that UIG Interpretation 1052 of the Australian Accounting Standards Board requires this accounting treatment at subsidiaries in the case of a consolidated tax group. At KDH AG, deferred taxes are recognized under the economic approach.

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, unused tax credits and tax loss carryforwards, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the unused tax credits and loss carryforwards can be offset, except:

- where the deferred tax asset relating to the deductible temporary differences 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 sufficient taxable profit will be available against which the temporary differences can be offset.

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 and valuation methods and the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the balance sheet date as well as 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 in addition to estimates the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements.

Derivative Financial Instruments

If appropriate, derivative financial instruments are designated in the financial statements in fair value or cash flow or net investment hedge relationships. The interest rate swaps entered into in the fiscal year ended March 31, 2012 were all designated as cash flow hedges so that corresponding changes in value are recognized in other comprehensive income in equity.

Until September 30, 2013, currency swaps were also designated as cash flow hedges resulting in corresponding changes in value being recognized in other comprehensive income in equity. On September 30, 2013, the changes in value recognized in other comprehensive income in equity were reversed through profit or loss because of the termination of the hedging relationships of the currency swaps. Since then until the early termination of the currency swaps on October 15, 2013, the changes in value were therefore recognized through profit or loss.

During the fiscal year ended March 31, 2012, the Group had also entered into four derivatives, which for accounting purposes could not be designated as components of a hedging relationship. These four derivatives were also terminated in October 2013. See also sections 3.12.2 and 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 defined by KDH 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 is 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 depreciated 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 cable ducts of Deutsche Telekom AG ("DTAG") and fiber optics as well as backbone networks in certain areas for the transmission of Internet, phone and digital TV services. The Group has determined that it retains no significant risks and rewards of ownership neither from the cable ducts nor from the fiber optics or the backbone networks and, therefore, accounts for the leases as operating leases.

Finance Lease

The Group has leased parts of its network infrastructure in order to transmit video and audio signals via Level 3 and 4 networks. The Group has determined for certain lease contracts that specific rights have been transferred to the Group and that the lease term includes the major part of the economic useful 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 fiscal year are discussed below. The carrying amounts are presented in the consolidated statement of financial position or the additional notes relating to the specific assets and liabilities.

Derivative Financial Instruments

The fair values of the derivative financial instruments of KDH cannot be determined 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 uncertain market yield curves) of the future payments and using standard discounted cash flow models in accordance with Level 2 as defined in IFRS 13 (fair value hierarchy).

Share-based Payments

The basis for the valuation of the virtual performance shares (2010) subject to payout in April 2014 is the observable market price of the KDH AG share as of March 31, 2014, and the number of virtual performance shares as limited by the Supervisory Board. The basis for the valuation of the virtual performance shares subject to payout at the earliest on April 1, 2015 is limited, based on a declaration of the Supervisory Board (see section 5.5), value-equivalent to the acquisition price (as fixed in the takeover offer) of €84.50. 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 virtual stock options which have been limited due to a declaration of the Supervisory Board (see section 5.5) are valued based on the fair value of the options using a Black-Scholes calculation.

Internally Generated Software, Customer List and Subscriber Acquisition Costs

The Group recognizes internally generated intangible assets (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.

The customer list and the subscriber acquisition costs are amortized on a straight-line basis over 8.5 years for the TV Business area and 6.5 years for the Internet and Phone Business area. The estimated useful life is derived primarily from the average contract term of the underlying contracts based on empirical experience.

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 reviewed at each balance sheet date and adjusted if necessary.

Asset retirement obligations

The amount of the provision was calculated primarily based on an estimate of the costs expected for the demolition and restoration of broadband cables primarily located in leased cable ducts and of leased separated technical operating areas. Expectations regarding the lessor waiving the fulfillment of asset retirement obligations are considered in the calculation of best estimate of the obligation related to the leased cable ducts and technical operating areas under IFRS. Approximately 91% of the Group's obligations are related to network engineering. This primarily includes the leased technical operating areas and broadband cables in leased cable ducts of DTAG and other network operators. KDH assumes that 12% of the technical equipment will be replaced by other technologies after no later than 10 years, 15% will be replaced after no later than 15 years and the remaining 73% of the technical equipment is expected to be replaced after no later than 30 years. The remaining 9% of the asset retirement obligations are divided into provisions for furniture and fixtures as well as miscellaneous restoration obligations.

Provisions for Pensions

The present value of the pension obligation is determined based on actuarial calculations. An actuarial valuation is based on various assumptions, which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation of the underlying assumptions and its long-term nature, a defined benefit obligation is extremely sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is determined by reference to the capital markets and takes into account the expected maturity of the obligations. Mortality rates are based on the mortality tables according to Dr. Klaus Heubeck "Guidelines 2005 G". For assumptions on salary trends and future pension increases see section 3.13.

3 NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3.1 CASH AND CASH EQUIVALENTS

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Cash at banks	334,039	609,519
Cash on hand	29	28
Cash and cash equivalents	**334,068**	**609,547**

Cash and cash equivalents are composed of cash at banks and cash on hand. The decrease in cash at banks is primarily due to the payment of a dividend in October 2013 in the amount of T€221,307 and the repayment of the Senior Credit Facility in the total amount of T€2,252,440. This decrease was partially offset by a term loan of T€2,150,000 granted to KDVS GmbH by Vodafone Investments Luxembourg S.à r.l. ("Vodafone Investments"), see section 3.12, respectively. Cash at banks was pledged under the indenture governing the 2018 Senior Secured Notes and the interest rate swaps (see section 3.12) as security in favor of the relevant counterparties and amounted to T€331,924 and T€602,861 as of March 31, 2014 and March 31, 2013, respectively. In addition, as of March 31, 2013, the cash at banks was pledged to secure the Senior Credit Facility and the currency swaps. As of March 31, 2014, the pledged bank accounts reflect all the bank accounts of KDVS GmbH and exclude the other Group entities.

3.2 TRADE RECEIVABLES

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Gross trade receivables	133,044	157,108
Bad debt allowance	(24,175)	(25,882)
Trade receivables	**108,869**	**131,226**

Allowances for doubtful accounts

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Balance at the beginning of the period	(25,882)	(25,303)
Allowances for doubtful trade receivables	(16,578)	(14,602)
Write-Offs and other charges as well as income from reversal of bad debt allowances	18,286	14,023
Balance at the end of the period	**(24,175)**	**(25,882)**

The decline in gross trade receivables is primarily due to the decrease in receivables for carriage fees with the public broadcasters (see section 5.3 Contingencies and Certain Lawsuits and Legal Proceedings).

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

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Neither past due nor impaired	72,073	64,977
Net carrying amount past due but not impaired at the reporting date		
less than 30 days	18,112	31,188
31–60 days	6,295	24,427
61–90 days	6,984	7,355
more than 90 days	5,405	3,279
Past due, not impaired total	36,796	66,249
Total not impaired	**108,869**	**131,226**

Receivables with a net invoice amount of in total T€18,211 and T€18,970, excluding VAT, as of March 31, 2014 and March 31, 2013, respectively, were determined to be impaired and fully reserved.

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

No indications of future cash loss are recognizable for accounts receivable that are neither past due nor impaired.

Trade receivables of KDVS GmbH with a carrying amount of T€104,034 and T€127,178 as of March 31, 2014 and March 31, 2013, respectively, were assigned under the indenture governing the 2018 Senior Secured Notes and the interest rate swaps as security in favor of the relevant counterparties (see section 3.12). In addition, as of March 31, 2013, trade receivables of KDVS GmbH were assigned to secure the Senior Credit Facility and the currency swaps.

3.3 INVENTORIES

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Raw materials, consumables and supplies	4,600	3,795
Finished goods and merchandise	29,569	48,104
Inventories	**34,169**	**51,899**

Depending upon specified use, customer premise equipment ("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€6,596 and T€12,053 for the fiscal years ended March 31, 2014 and March 31, 2013, respectively.

In the fiscal year ended March 31, 2014, no expense was recognized in cost of services rendered resulting from the devaluation of inventories (prior year: T€29).

3.4 RECEIVABLES FROM TAX AUTHORITIES

Receivables from tax authorities relate primarily to corporate income tax plus solidarity surcharge and trade tax for the current fiscal year prepaid by KDVS GmbH, and amount to T€43,429 and T€1,851 as of March 31, 2014 and March 31, 2013, respectively.

3.5 OTHER CURRENT FINANCIAL ASSETS AND CURRENT PREPAID EXPENSES

in T€	Fiscal Year ended March 31, 2014	Fiscal Year ended March 31, 2013
Other current financial assets		
Payments in advance for commission fees	5,856	4,090
Deposits	3,172	2,844
Creditors with debit balance	1,365	2,043
Fair value derivatives	0	2,854
Miscellaneous other receivables	8,556	4,600
Other current financial assets	**18,949**	**16,430**
Current prepaid expenses		
Lease payments for cable networks	5,762	5,780
Software support	2,504	3,059
Prepaid expenses for CPE	863	645
Maintenance and repair	550	778
Insurance	204	247
Other	1,049	1,516
Current prepaid expenses	**10,933**	**12,024**

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€12,238 and T€10,631 as of March 31, 2014 and March 31, 2013, respectively. The Group will receive cash at a later point in time from other current financial assets in accordance with IAS 32.

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 subscriber acquisition costs, 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.

For the fiscal years ended March 31, 2014 and March 31, 2013, subscriber acquisition costs in the amount of T€69,227 and T€60,655, respectively, were capitalized. The amortization of subscriber acquisition costs was T€28,592 and T€20,213 for the fiscal years ended March 31, 2014 and March 31, 2013, respectively.

Internally generated software

For the fiscal years ended March 31, 2014 and March 31, 2013, T€8,930 and T€8,964, respectively, of costs for internally developed software were capitalized. These amounts relate to costs incurred in the further and new development of company-specific software applications.

The remaining useful life of internally generated software is between less than one year and five years.

As of March 31, 2014 and March 31, 2013, respectively, development costs for internally generated software with carrying amounts of T€20,731 and T€18,834 were capitalized.

Customer List

In the fiscal year ended March 31, 2014, additions to the customer list in the amount of T€3,551 were recognized for the acquisition of the operations of TV.Media.Net BK GmbH & Co. KG and BBS Kabelnetzbetreiber GmbH. The carrying amount of the complete customer list amounted to T€69,927 and T€101,432 as of March 31, 2014 and March 31, 2013, respectively. The amortization of the customer list totaled T€35,056 and T€36,061 for the fiscal years ended March 31, 2014 and March 31, 2013, respectively.

The remaining useful life of the customer list resulting from the various network acquisitions and acquisitions is between less than one year and seven years.

Goodwill

For the fiscal year ended March 31, 2014 the Group recorded no changes in goodwill. The goodwill recognized totaled T€287,274 as of March 31, 2014 and March 31, 2013, respectively.

For further information relating to intangible assets, reference is made to section 5.2 and to the analysis of fixed assets in Appendix 1 and Appendix 2 to the Notes.

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 used under finance lease agreements. The Group's total property and equipment amounted to T€1,456,340 and T€1,308,864 as of March 31, 2014 and March 31, 2013, respectively. This sum primarily comprises technical and IT equipment related to cable networks including data centers, IP and IT platforms and CPE totaling T€1,387,586 (prior year: T€1,259,148) and includes additions in the amount of T€427,477 (prior year: T€363,970).

Included in the above mentioned paragraph are the following items:

Operating Lease for CPE

CPE such as modems, receivers, digital video recorders ("DVR") and smartcards are depreciated over three years using the straight-line method presented in the analysis of fixed assets as part of technical equipment.

As of March 31, 2014 and March 31, 2013, the net carrying amount of all CPE totaled T€146,580 and T€145,200, respectively.

The future minimum lease payments under non-cancelable operating lease agreements for CPE are as follows:

Minimum lease payment	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Within one year	35,464	27,510
After one year but not more than five years	16,510	5,347
Total minimum lease payment	**51,974**	**32,857**

KDH is exposed to costs of returning CPE at the end of the lease term. For the fiscal years ended March 31, 2014 and March 31, 2013, additions of T€2,196 and T€2,368, respectively, were capitalized for CPE obligations. In the fiscal years ended March 31, 2014 and March 31, 2013, T€2,108 and T€1,784, respectively, were expensed as depreciation for capitalized CPE obligations.

Finance Lease

The Group has capitalized various finance lease contracts with different terms as buildings on non-owned land and technical equipment for Level 3 and 4 networks.

As of March 31, 2014 and March 31, 2013, the net carrying amount of the leased assets totaled T€10,721 and T€11,096, respectively. Due to new finance leases, additions in the amount of T€836 for technical rooms (buildings on non-owned land) and T€165 for furniture and fixtures were recorded.

In the fiscal years ended March 31, 2014 and March 31, 2013, the Group recorded depreciation expense of T€1,376 and T€1,181, respectively. The Group also recorded interest expense related to these finance lease contracts of T€1,829 and T€1,845 for the fiscal years ended March 31, 2014 and March 31, 2013, respectively, and ancillary costs of T€36 and T€36 through profit or loss. The Group paid T€1,326 and T€2,225 to reduce the financial liability, respectively.

Future minimum lease payments under finance lease contracts as well as 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€	2014		2013	
Within one year	2,801	1,074	2,709	900
After one year but not more than five years	10,518	5,276	10,334	4,482
After five years	6,824	4,737	9,052	6,029
Total minimum lease payment	**20,143**	**11,087**	**22,094**	**11,411**
Less future interest expenses from finance leases	9,056		10,683	
Present value of minimum lease payment	**11,087**		**11,411**	

Asset Retirement Obligations included in Property and Equipment

KDH leases space in the cable ducts from DTAG to house KDH's cable network. Related to these leases, KDH is subject to contractual asset retirement obligations for these parts of its cable network. 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€2,536 and T€6,217 for the years ended March 31, 2014 and March 31, 2013, respectively. This includes effects from interest rate and inflation adjustments of T€1,147 and T€5,487, respectively. Depreciation is charged over the expected useful life of the respective assets which resulted in a depreciation expense of T€4,430 and T€4,125 for the years ended March 31, 2014 and March 31, 2013, respectively.

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

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€2,576 and T€-406 for the fiscal years ended March 31, 2014 and March 31, 2013, respectively, and reflect KDH's share of income of the two associates Kabelfernsehen München Servicenter GmbH & Co. KG ("KMS KG") and Kabelfernsehen München Servicenter GmbH ("KMS GmbH") as well as distributions of T€802 received by KDH from KMS GmbH in the fiscal year ended March 31, 2014 and T€2,750 from KMS KG in the fiscal year ended March 31, 2013. These distributions were accounted for as a reduction in the carrying amount 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, the current financial statements for associates are not available and cannot be reliably estimated. Therefore, the amounts disclosed in the following table are for the associate's fiscal years ended March 31, 2012 and March 31, 2011, respectively.

Combined balance sheets of both associates	Financial Statements of the associates as of December 31,	
in T€	2012	2011
Assets	97,340	92,902
Liabilities	68,001	64,116

Combined revenues and profit of both associates	For the fiscal year of the associates from January 1 - December 31,	
in T€	2012	2011
Revenues	52,396	50,258
Net income	11,123	12,066

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, 2014	March 31, 2013
Other non-current financial assets		
Fair value derivatives	0	7,023
Other non-current financial assets	**0**	**7,023**
Non-current prepaid expenses		
Lease payments for cable networks	28,504	30,469
Software Support	767	0
Prepaid expenses for CPE	219	332
Other	769	1,223
Non-current prepaid expenses	**30,260**	**32,024**

Other non-current financial assets were 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€7,023 as of March 31, 2013. The Group received cash from this at a later point in time.

3.10 OTHER CURRENT LIABILITIES

in T€	Fiscal Year ended March 31, 2014	March 31, 2013
Liabilities for share-based payments	141,311	0
Liabilities for personnel expenses	48,104	43,047
Liabilities to silent and limited partners	17,356	21,590
Value added tax and wage tax liabilities	9,124	13,871
Finance lease liabilities	1,074	900
Debtors with credit balances	2,476	746
Miscellaneous other liabilities	9,855	13,579
Other current liabilities	**229,300**	**93,734**

The increase in other current liabilities was mainly due to the reclassification of the liabilities due in April 2014 arising from share-based payments from other long-term liabilities. Liabilities from share-based payments are related to the LTIP program (see section 5.5).

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 the silent partners of KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung ("KCB") and KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung ("KCW") as well as liabilities to non-controlling interests in "Urbana Teleunion" Rostock GmbH & Co. KG – interest payments attributable to the silent and limited partners. In the fiscal year ended March 31, 2014, part of the liabilities to silent partners were repaid.

Other current liabilities are comprised of financial liabilities in accordance with IAS 32 primarily in form of liabilities to silent and limited partners, debtors with a credit balance as well as the current portion of finance lease liabilities in the amount of T€22,383 and T€26,456 as of March 31, 2014 and March 31, 2013, respectively. Cash outflow from the Group will occur at a later point in time from these other current financial liabilities.

3.11 DEFERRED INCOME

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

3.12 FINANCIAL LIABILITIES

On October 14, 2013, Vodafone acquired the majority shareholding in KDH AG and thus assumed control of the Group (see section 1.2 of the Combined Management Report for the fiscal year ended March 31, 2014). As a result, all tranches of the Senior Credit Facility of KDVS GmbH became due for repayment on October 14, 2013 in accordance with the Senior Credit Facility agreement. Accordingly, on October 15, 2013, a total of T€1,500,000 was repaid for the Tranches E1 and H and TUS$750,000 for the Tranche F1. All related transaction costs that were deducted from the loan amounts in accordance with IAS 39 were recognized through profit or loss. Refinancing was provided through a term loan in the amount of T€2,150,000 made available to KDVS GmbH by Vodafone Investments, which could be drawn beginning on October 14, 2013.

Subsequent to the repayment of the Senior Credit Facility, the interest hedges (interest rate swaps) are designated for hedging the term loan in accordance with the existing hedge accounting documentation. The interest hedges are disclosed as current or non-current financial liabilities based on the maturity date of the interest payments.

Since the term loan of Vodafone Investments no longer includes a foreign currency component, the currency hedging instruments for US$ Tranche F1 were prematurely settled on October 15, 2013, and all related effects were recognized through profit or loss.

The following sections show the effects on the current and non-current financial liabilities.

3.12.1 Current Financial Liabilities

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
2018 Senior Secured Notes	723,138	0
2017 Senior Notes	419,201	0
Accrued interest related to		
Term loan Vodafone Investments	10,198	-
2018 Senior Secured Notes	7,583	7,583
2017 Senior Notes	4,333	4,333
Senior Credit Facility	-	1,203
Total accrued interest	**22,114**	**13,119**
Interest Hedge	18,972	21,089
Derivatives (embedded Interest rate floor, US$-LIBOR floor-options)	-	5,922
Current financial liabilities	**1,183,426**	**40,130**

The Group intends to fully settle the 2018 Senior Secured Notes and the 2017 Senior Notes at the first optional redemption date, June 30, 2014, and replace them with new Vodafone Group term loans. Accordingly, as of March 31, 2014, these bonds were shown under current financial liabilities.

Further details on the underlying bonds and loans, on the interest rate hedge, and on the derivatives can be found in the following section 3.12.2.

3.12.2 Non-current Financial Liabilities

The composition of non-current financial liabilities and bonds as of March 31, 2014 and 2013 is as follows:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Term loan Vodafone Investments	2,150,000	-
2018 Senior Secured Notes	0	706,669
2017 Senior Notes	0	395,744
Interest Hedge	34,526	45,531
Senior Credit Facility	-	2,216,421
Derivatives (embedded Interest rate floor, US$-LIBOR floor-options)	-	18,754
Non-current financial liabilities	**2,184,526**	**3,383,119**

Of the nominal amounts disclosed in non-current financial liabilities as of March 31, 2014, about 42% (prior year: about 60%) are not exposed to any interest rate risk in relation to the term of the non-current financial liabilities or hedging instruments.

Term Loan Vodafone Investments

As of March 31, 2014, the non-current financial liabilities with respect to the term loan granted by Vodafone Investments amounted to T€2,150,000 (March 31, 2013: €0). The term loan, which has been available for drawing and repayment in tranches since October 14, 2013, has an interest margin of 1.65% above the one month EURIBOR as well as an annual commitment fee of 1.10% on the total notional amount of the term loan. The loan matures in June 2020 and was drawn in full as of March 31, 2014.

Until October 14, 2013, there was an undrawn revolving credit facility under the Senior Credit Facility in the amount of T€324,030. This was replaced by a revolving loan from Vodafone Investments in the amount of T€300,000. The revolving loan provides for a margin of 1.65% over the one month EURIBOR on drawn amounts and a commitment fee of 1.10% on the total notional amount. The revolving loan has not been drawn as of March 31, 2014.

Senior Notes (Current and Non-current Financial Liabilities)

in T€	Fiscal Year ended March 31, 2014	March 31, 2013
2018 Senior Secured Notes	700,000	700,000
Premium 2018 Senior Secured Notes	22,750	0
Agio due to the increase of the 2018 Senior Secured Notes	703	12,077
Accrued financing and transaction costs	(315)	(5,408)
2018 Senior Secured Notes	**723,138**	**706,669**
2017 Senior Notes	400,000	400,000
Premium 2017 Senior Notes	19,500	0
Accrued financing and transaction costs	(299)	(4,256)
2017 Senior Notes	**419,201**	**395,744**
Senior Notes	**1,142,339**	**1,102,413**

The Group intends to fully settle the 2018 Senior Secured Notes in the amount of T€700,000 and the 2017 Senior Notes in the amount of T€400,000 at the first optional redemption date, June 30, 2014, and replace them with a new Vodafone Group term loan. Accordingly, as of March 31, 2014 these bonds were recognized in their entirety under current financial liabilities. The terms of repayment are fixed by contract: the 2018 Senior Secured Notes can be repaid at a price of 103.250% of the nominal value or T€722,750 (of which premium: T€22,750), and the 2017 Senior Notes at a price of 104.875% of the nominal value or T€419,500 (of which premium: T€19,500). The related accelerated pro rata amortization of financing and transaction costs was recorded as interest expense and amounted to T€7,426. The accelerated pro rata amortization of the agio was recorded as a reduction in interest under interest expense and amounted to T€9,533. The accrued financing and transaction costs and the agio still recognized as of March 31, 2014 will be amortized on a pro rata basis until the repayment date.

2018 Senior Secured Notes

On June 17, 2011 Kabel Deutschland Vertrieb und Service GmbH & Co. KG ("KDVS", legal predecessor of KDVS GmbH) issued T€500,000 of 6.50% 2018 Senior Secured Notes due in 2018 at par. All financing and transaction costs were capitalized and deducted from the nominal value of the 2018 Senior Secured Notes in accordance with IAS 39. The 2018 Senior Secured Notes are 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 proceeds from the Notes, together with the proceeds from the T€500,000 Term Loan Tranche E, were used to repay all of the remaining PIK Loan (Pay-in-kind Loan, which was borrowed in 2006 and repaid in 2011), the drawings under the revolving credit facility Tranche B and a portion of Term Loan Tranche A under the Senior Credit Facility.

On July 31, 2012 KDVS GmbH increased the principal of the 2018 Senior Secured Notes due on June 29, 2018 by a nominal amount of T€200,000, with a 6.5% coupon at an issue price of 106.75%, generating cash proceeds of T€213,500. All financing and transaction costs were capitalized and deducted from the notional amount of the 2018 Senior Secured Notes in accordance with IAS 39. KDVS GmbH intended to use the funds received for the acquisition of the Tele Columbus Group. Since the acquisition of the Tele Columbus Group could not be completed, the funds could then be used for general corporate purposes.

The notional amount of the 2018 Senior Secured Notes outstanding as of March 31, 2014 was T€700,000.

Their interest is payable on January 31 and July 31 of each year, beginning on January 31, 2012.

The 2018 Senior Secured Notes contain several covenants limiting, among other things, the ability of KDH 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 affiliated companies; 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.

As a result of the takeover by Vodafone and the repayment of the Senior Credit Facility, the rating agencies Standard & Poor's and Moody's upgraded the ratings of the 2018 Senior Secured Notes to investment grade. In this case, the indenture provides for the suspension of specific negative covenants. Affected are covenants that had previously restricted, among other things, the ability of KDH to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- pay dividends or make other payments via subsidiaries to KDH AG;
- transfer, lease or sell assets;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliated companies.

The suspension of specific negative covenants applies as long as the 2018 Senior Secured Notes are rated investment grade by both rating agencies.

At any time prior to June 30, 2014, the Group may redeem all or part of the 2018 Senior Secured Notes at a redemption price equal to the principal amount thereof plus accrued and unpaid interest plus a "make whole" premium. At any time thereafter the 2018 Senior Secured Notes may be redeemed at the following prices (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 2018 Senior Secured Notes), subject to certain exceptions, each holder of the 2018 Senior Secured Notes has the right to require the issuer to repurchase such holder's 2018 Senior Secured Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date. The takeover by Vodafone is not a change of control as defined in the indenture.

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

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

2017 Senior Notes

On June 21, 2012 KDH AG issued T€400,000 of 6.5% 2017 Senior Notes due on July 31, 2017 at par. All financing and transaction costs were capitalized and deducted from the notional amount of the 2017 Senior Notes in accordance with IAS 39. The 2017 Senior Notes are unsecured. The principal amount of the 2017 Senior Notes outstanding as of March 31, 2014 was T€400,000.

Their interest is payable on January 31 and July 31 of each year, beginning on January 31, 2013.

The 2017 Senior Notes contain several covenants limiting, among other things, the ability of KDH AG to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- make certain other restricted payments and investments;
- create liens;
- transfer, lease or sell assets;
- merge or consolidate with other entities;
- enter into unrelated sectors and undertake prohibited business activities; and
- enter into certain transactions with affiliated companies.

Under the Senior Notes indenture, the amount of restricted payments (including dividends) that can be made by KDH AG is, subject to certain adjustments and exceptions, limited in a way that the ratio of consolidated outstanding indebtedness less cash and cash equivalents 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 4.75:1.

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

As a result of the takeover by Vodafone and the repayment of the Senior Credit Facility, the rating agencies Standard & Poor's and Moody's upgraded the ratings of the 2017 Senior Notes to investment grade. In this case, the indenture provides for the suspension of specific negative covenants. Affected are covenants that had previously restricted, among other things, the ability of KDH to:

- incur additional indebtedness;
- pay dividends or make other distributions;
- transfer, lease or sell assets;
- merge or consolidate with other entities; and
- enter into certain transactions with affiliated companies.

The suspension of specific negative covenants applies as long as the 2017 Senior Notes are rated investment grade by both rating agencies.

At any time prior to June 30, 2014, the Group may redeem all or part of the 2017 Senior Notes at a redemption price equal to the principal amount thereof plus accrued and unpaid interest plus a "make whole" premium. At any time thereafter the 2017 Senior Notes may be redeemed at the following prices (as a percentage of the nominal value):

- on and after June 30, 2014: 104.875%;
- on and after June 30, 2015: 103.250%;
- on and after June 30, 2016: 101.625%;
- on and after January 31, 2017: 100,000%.

Upon the incurrence of a change of control (which is defined in the indenture governing the Senior Notes), subject to certain exceptions, each holder of the 2017 Senior Notes has the right to require the issuer to repurchase such holder's 2017 Senior Notes at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date. The takeover by Vodafone is not a change of control as defined in the indenture.

In addition, in the case of certain asset dispositions (which term is defined in the indenture governing the 2017 Senior Notes), subject to certain exceptions, each holder of the 2017 Senior Notes has the right to require the issuer to repurchase such holder's 2017 Senior Notes with the net available cash from such dispositions at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to the repurchase date.

The indenture governing the Senior Notes provides for events of defaults which, if any occurs, would permit or require the nominal amount of and accrued interest on the 2017 Senior Notes to become or to be declared due and payable.

Interest Hedging

Within the Group, as of March 31, 2014 and March 31, 2013, respectively, interest rate swaps existed that were designated as cash flow hedges for interest rate risks. The interest hedges originally entered into for Tranches D and E of the Senior Credit Facility remained effective, in spite of the changes described in the following section "Senior Credit Facility" to the terms and conditions of the two hedged transactions that were effectively implemented in the quarter ended June 30, 2013, and were designated to hedge the new Tranches H and E1 since April 30, 2013 and May 14, 2013, respectively, until October 14, 2013.

Following the contractual repayment of Tranches E1 and H of the Senior Credit Facility on October 15, 2013, in connection with the takeover by Vodafone, these interest rate swaps remain as hedging for the term loan from Vodafone Investments in accordance with the existing hedge accounting documentation.

The current financial liabilities relating to the interest hedge amounted to T€18,972 as of March 31, 2014 (prior year: T€21,089), and the non-current financial liabilities to T€34,526 (prior year: T€45,531).

As a result of the derivative financial instruments described with respect to the interest hedge, the interest rate risk is hedged for about 42% of the notional amount outstanding under the term loan of Vodafone Investments as of March 31, 2014.

Senior Credit Facility

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Senior Credit Facility Tranche B	-	0
Senior Credit Facility Tranche D	-	400,000
Senior Credit Facility Tranche E	-	500,000
Senior Credit Facility Tranche F1 [1)]	-	570,452
Senior Credit Facility Tranche G	-	781,988
Senior Credit Facility (nominal amounts) [1)]	-	2,252,440
Accrued financing and transaction costs	-	(29,443)
Embedded Derivative	-	(12,821)
Interest Hedge	-	45,531
Currency Hedge	-	(8,464)
Foreign exchange rate effect	-	14,709
Senior Credit Facility, net of financing and transaction costs	**-**	**2,261,952**

1) The Senior Credit Facility Tranche F1 was nominally TUS$750,000 and was converted with the hedged currency rate of 1.3147 US$/€ up to January 31, 2017; therefore, the converted amount in Euro was shown.

On October 15, 2013, all tranches of the Senior Credit Facility (Tranches E1 and H in the amount of T€1,500,000, Tranche F1 in the amount of TUS$750,000) were repaid as a result of the takeover by Vodafone. At the same time the existing currency hedging instruments relating to Tranche F1 were prematurely settled on October 15, 2013, and all the related effects were recognized through profit or loss. The accumulated financing and transaction costs in the amount of T€41,162 were deducted from the Senior Credit Facility in accordance with IAS 39 were recognized in full as interest expense. For information on interest hedges, please see the previous section "Interest Hedging".

The history of the Senior Credit Facility is presented below:

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 was 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") could be borrowed, repaid and reborrowed up until one month prior to the final maturity date. Borrowings under Tranche B could be used for general corporate purposes.

On October 22, 2007, KDVS signed a T€650,000 Senior Add-on Facility ("Tranche C"), which ranked 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 totaled 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 interest 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 agreement 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 gradually returning to the original level of 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 proceeds from the newly issued 2018 Senior Secured Notes in the amount of T€500,000, were used to repay all the aggregate of the remaining PIK Loan (Pay-in-kind Loan, which was borrowed in 2006 and repaid in 2011), the drawings under the revolving credit facility 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 another T€100,000 of the revolving credit facility Tranche B, which would have matured in March 2012, to June 2015. This Tranche ("Tranche B2") has been available since March 31, 2012 and would have expired on June 30, 2015.

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 set to 1.00%, resulting in a minimum interest rate of 4.25%. All financing and transaction costs were capitalized and deducted from the loan amount in accordance with IAS 39. Tranche F was drawn down on 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 repayment 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 the respective forward starting facility became effective on February 10, 2012. Tranche G was 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 variable interest rate of Tranche G totaled 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") would have become available on March 31, 2014 and would have expired on March 31, 2017. The commitments for the respective forward starting facility became effective on January 20, 2012.

In February 2013, with the consent of the lenders, the Group agreed an amendment to the terms of Tranche F ("Tranche F1"). Effective February 6, 2013 Tranche F1 bore interest of 2.75% above the US$-LIBOR. It was also stipulated that upon reaching a rating of BB and Ba2 from the rating agencies Standard & Poor's and Moody's, the interest margin will be decreased again by 0.25% to 2.50% above the US$-LIBOR. The permissible minimum LIBOR was set at 0.75% as of February 6, 2013. The rating was first reached in March 2013, so that with effect from March 18, 2013, the minimum interest rate was 3.25%.

On February 28, 2013, with existing liquidity KDVS GmbH paid back T€71,319 of Tranche C of the Senior Credit Facility. Financing and transaction costs relating to the repayment were recorded as interest expense and amounted to T€788.

On April 19, 2013, the Group was able to improve the terms and conditions of its T€400,000 Tranche D and T€781,988 Tranche G by reducing the interest margin to 2.75% (previously 4.00% and 3.50%, respectively) above the EURIBOR, while simultaneously extending the term by approximately three years to March 2020. The changes were implemented by rolling the majority of the former Tranches D and G into the T€1,000,000 Tranche H, effective April 30, 2013. At that time, the remaining financial liabilities of Tranches D and G of the Group amounting to T€181,988 were correspondingly repaid in full with existing liquidity. All other contractual terms and conditions remained unchanged. The interest hedges entered into for Tranche D remained in place and were used based on the existing hedge accounting documentation to hedge the new Tranche H.

In addition, on April 19, 2013, the Group concluded a new revolving credit facility Tranche B4 that would have been available starting in March 2014, would have run until March 2019, and would have had a variable interest rate of 2.75% above the EURIBOR. Tranche B4 would have started with a drawing limit of T€84,600, which would have increased to T€159,600 in June 2015 and to T€270,000 in March 2017. From March 2014, a commitment fee of 1.10% p.a. would have had to be paid on unused amounts.

On May 3, 2013, the Group was able to improve the terms and conditions of its T€500,000 Tranche E by reducing the interest margin to 2.75% (previously 3.25%) above the EURIBOR, while simultaneously extending the term by approximately two years to June 2020. The changes were implemented by rolling the former Tranche E into Tranche E1, effective May 14, 2013. All other contractual terms and conditions remained unchanged. The interest hedges entered into for Tranche E remained in place and were used based on the existing hedge accounting documentation to hedge the new Tranche E1.

Derivatives

The Group borrowed in Euros and, until October 2013, in US Dollars and thus is or was exposed to interest rate and currency risk. These market risks could adversely affect the financial position and results of operations of the Group. KDH manages these risks through its operating and financing activities and, when deemed appropriate or required by contractual agreements, through hedging strategies that utilize derivative financial instruments.

Interest rate swaps and floors are and were used to reduce the risk of fluctuations in interest rate payments and currency swaps were used to reduce currency risk. Derivative financial instruments are only used to hedge existing or planned transactions. The Group does not engage in trading with derivative financial instruments and therefore holds no derivative financial instruments for trading purposes.

Derivatives designated in a Hedging Relationship

The Senior Credit Facility beared a variable interest rate and is therefore exposed to interest rate-related cash flow risk. Tranche F1 of the Senior Credit Facility in the amount of T€570,452 was also exposed to currency risk until its full repayment on October 14, 2013 because the corresponding nominal amount was TUS$750,000.

In order to hedge the variability of interest payments of the Senior Credit Facility, interest hedges ("interest rate swaps") were concluded with different, leading global investment and commercial banks (see also section 3.12.2, subsection "Interest Hedging").

To also hedge against currency exchange risks associated with the US Dollar Tranche F1 under the Senior Credit Facility, currency swaps were entered into in February 2012 for a term of five years (from February 3, 2012 until January 31, 2017). These hedged both the variable interest payments in US Dollars and the redemption amount of the nominal value. The hedged US$/€ exchange rate was US$/€ 1.3147. The US$-LIBOR plus 3.25% variable rate was originally exchanged for EURIBOR plus 3.30% during this period. In February and March 2013, the contracts for these currency swaps were adjusted to the lower margin of the Senior Credit Facility Tranche F1. The US$-LIBOR plus 2.50% variable rate was accordingly exchanged for EURIBOR plus 2.58% from March 18, 2013.

The Senior Credit Facility was settled in October 2013 in connection with the takeover by Vodafone and replaced by a term loan from Vodafone Investments. The currency swaps for Tranche F1 were therefore also fully settled prematurely in October 2013.

The term loan from Vodafone Investments has a nominal value of T€2,150,000, bears a variable rate of interest and is exposed to interest rate-related cash flow risk. After early repayment of the Senior Credit Facility on October 15, 2013, the interest rate swaps initially entered into for the Senior Credit Facility therefore continue to serve as a hedge for this term loan in accordance with the existing hedge accounting documentation. With these interest swaps the variable portion (EURIBOR) of the interest rate on part of the term loan from Vodafone Investments of T€400,000 was effectively exchanged for a fixed interest rate of 2.07% until December 31, 2016. The variable portion (EURIBOR) of the interest rate for a further T€500,000 was also effectively exchanged for a fixed interest rate of 2.44% until June 30, 2017. Including the effective margin of 2.75%, the weighted average fixed rate is 5.03% for T€900,000 of the term loan. For information on interest rate swaps, please see section 3.12.2, subsection "Interest Hedging".

The 2018 Senior Secured Notes with a nominal value of T€700,000 as well as the 2017 Senior Notes with a nominal value of T€400,000 are the only financial instruments of KDH that bear a fixed interest rate and are therefore subject to interest rate-related market value risk.

As of March 31, 2014 and March 31, 2013, respectively, the following interest swaps designated as cash flow hedges for interest rate risks as well as the following currency swaps designated as cash flow hedges for changes in the €/US$ exchange rate were in place:

Type of Derivative	Number of Derivatives	Notional Amount	Fair Value (Net Asset) / Net Liability March 31, 2014 T€	Fair Value (Net Asset) / Net Liability March 31, 2013 T€
Interest Rate Swaps	9	T€900,000	53,498	66,620
Currency Swaps	5	TUS$750,000	-	(8,464)

The following tables show a breakdown of the present value of the future short-term and long-term cash flows for the interest rate swaps as of March 31, 2014 and March 31, 2013, respectively, as well as for the currency swaps as of March 31, 2013, based on the contractually agreed schedule for expected cash flows:

Type of Derivative	Current March 31, 2014 T€	Non-current March 31, 2014 T€	Total March 31, 2014 T€
Interest Rate Swaps	18,972	34,526	53,498

Type of Derivative	Current March 31, 2013 T€	Non-current March 31, 2013 T€	Total March 31, 2013 T€
Interest Rate Swaps	21,089	45,531	66,620
Currency Swaps	0	(8,464)	(8,464)

The interest rate swaps are fully effective as of March 31, 2014 and March 31, 2013 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 these hedging instruments are disclosed in equity as part of the cash flow hedge reserve since the designation. The effects from the hedging instrument initially recognized in the cash flow hedge reserve are transferred to the statement of income in the period in which the hedged underlying transaction affects profit or loss 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 profit or loss. No interest rate swap ineffectiveness had to be recognized by the Group through profit or loss for the fiscal years ended March 31, 2014 and March 31, 2013.

Until September 30, 2013, the currency swaps entered into in the fiscal year ended March 31, 2012 were all designated as cash flow hedges so that corresponding changes in value were recognized in other comprehensive income in equity. On September 30, 2013, the changes recorded in equity were released to income. From that time until the early repayment on October 15, 2013, the changes in value were correspondingly recognized through profit or loss. Details of the change in the cash flow hedge reserve are described in the following two tables:

in T€	Interest Rate Swaps April 1, 2013 - March 31, 2014	Currency Swaps April 1, 2013 - March 31, 2014	Total April 1, 2013 - March 31, 2014
Cash flow hedge reserve April 1, 2013	**46,749**	**4,400**	**51,148**
Net loss deferred in Cash flow hedge reserve due to the effective portion of the change in the fair value of the derivatives	6,411	(350)	6,061
Reclasses from Cash flow hedge reserve to expense			
Related to hedges of the EURIBOR	*(19,369)*		*(19,369)*
Related to termination of the hedge of the €/US$ exchange rate for the notional amount of Tranche F1		*(5,899)*	*(5,899)*
Net amount of reclasses from Cash flow hedge reserve to expense	(19,369)	(5,899)	(25,268)
Deferred taxes recognized in equity	3,448	1,850	5,298
Net change of the Cash flow hedge reserve	(9,509)	(4,400)	(13,909)
Cash flow hedge reserve March 31, 2014	**37,239**	**0**	**37,239**

in T€	Interest Rate Swaps April 1, 2012 - March 31, 2013	Currency Swaps April 1, 2012 - March 31, 2013	Total April 1, 2012 - March 31, 2013
Cash flow hedge reserve April 1, 2012	**35,181**	**7,851**	**43,032**
Net loss deferred in Cash flow hedge reserve due to the effective portion of the change in the fair value of the derivatives	35,402	(27,727)	7,674
Reclasses from Cash flow hedge reserve to expense			
Related to hedges of the EURIBOR	*(18,830)*		*(18,830)*
Related to hedges of the €/US$ exchange rate for the notional amount of Tranche F1		*22,857*	*22,857*
Net amount of reclasses from Cash flow hedge reserve to expense	(18,830)	22,857	4,028
Deferred taxes recognized in equity	(5,005)	1,419	(3,586)
Net change of the Cash flow hedge reserve	11,567	(3,451)	8,116
Cash flow hedge reserve March 31, 2013	**46,749**	**4,400**	**51,148**

Derivatives not designated in a Hedging Relationship

As of March 31, 2013, as well as during the fiscal year ended March 31, 2014 four derivative financial instruments existed in the Group that were not designated in a hedging relationship for accounting purposes. The derivatives were all entered into or arose as a consequence of the drawing and accounting of Tranche F of the Senior Credit Facility.

Three of these derivatives, all of which were interest floor options based on the one month LIBOR, with an original strike rate of 1.00% and a maturity date in 2017, were used for economic hedging of the Group's risk from changes in interest rates arising from an interest floor embedded into Tranche F. These did not meet the requirements of IAS 39 for hedge accounting and therefore could not be designated by the Group as a hedging relationship for accounting purposes. These interest floors were entered into with three different, leading, global investment and commercial banks in order to minimize as much as possible any potential credit risk. As part of the amendment to the conditions of Tranche F with effect from February 6, 2013 (see subsection "Senior Credit Facility"), the conditions of the purchased interest floor options have been adapted to the newly set minimum LIBOR rate of 0.75%. The change in the fair value of the purchased interest floor options and the related liability was recognized directly in equity as of February 6, 2013. The present value of the option price was recognized as a liability. The liability was repaid in monthly installments of T€190, consisting of an interest portion and a principal portion, through March 31, 2017. The interest portion was expensed over the term.

The embedded interest floor was presented as a floor written (sold) to the lenders of Tranche F1 of the Senior Credit Facility with a strike rate of 0.75%

and a maturity date in 2019 identical to the tranche's maturity date. The call premium for this interest floor was paid in equal monthly installments over the term and increased the interest margin in relation to the nominal value in Euros (T€570,452) by originally 0.58%, so that the effective hedged interest rate of Tranche F including the interest floor was EURIBOR plus 3.88%. With effect from February 6, 2013, these interest floors were adjusted due to the effective reduction of the minimum LIBOR rate to 0.75% at that time. The call premium paid for the remaining monthly installments was reduced and accordingly increased the interest margin in relation to the nominal value in Euros (T€570,452) by just 0.40%, so that the effective hedged interest rate of Tranche F1 including the interest floor was EURIBOR plus 2.98%. This written interest floor had to be accounted for separately. Changes in fair value had to be recognized directly in profit or loss as required by the relevant accounting standards.

All four interest floors were prematurely settled as a result of the repayment of Tranche F1 of the Senior Credit Facility in October 2013.

The following table shows the allocation of the present value or the fair value of the derivatives not designated as part of a hedging relationship recognized under non-current financial liabilities:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Fair value embedded Derivative	-	12,962
Present value liability US$-LIBOR Floor-Options	-	5,792
Derivatives	**-**	**18,754**

Due to their settlement, there are no more outstanding notional amounts and fair values for the interest hedges not designated in a hedging relationship as of March 31, 2014. A detailed split is presented in the following table:

Type of Derivative	Number of Derivatives	Notional Amount	Fair Value (Net Asset) / Net Liability March 31, 2014 T€	Fair Value (Net Asset) / Net Liability March 31, 2013 T€
Embedded Interest Rate Floor (sold)	1	TUS$750,000	-	17,115
Interest Rate Floors (purchased)	3	TUS$750,000	-	(9,877)

Due to the premature settlement of the US$-LIBOR floor options, no future cash flows are related to them anymore. The following table shows a breakdown of the present value of the future short- and long-term cash flows for the interest rate floors as of March 31, 2013, based on the contractually agreed schedule for expected cash flows:

Type of Derivative	Current March 31, 2013 T€	Non-current March 31, 2013 T€	Total March 31, 2013 T€
Embedded Interest Rate Floor (sold)	4,153	12,962	17,115
Interest Rate Floors (purchased)	(2,854)	(7,023)	(9,877)

For the change in the fair value in the current and non-current portions of the embedded derivative and its settlement, income of T€17,115 was recognized in profit or loss in the fiscal year ended March 31, 2014. Changes in the fair value of the three interest floors entered into with financial institutions (including the associated interest payments and accruals) were recognized directly in the consolidated statement of income. They amounted to an expense of T€3,595 for the current and non-current portion of the purchased interest floors for the fiscal year ended March 31, 2014, and to income of T€1,766 for the fiscal year ended March 31, 2013.

3.13 PROVISIONS 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 salary-related plans, which are in accordance with regulations applicable for public servants. These plans were continued with substantially the same terms upon the acquisition of the business from DTAG. The plans for other employees represent individual commitments.

The annual contributions for CA and NCA employees are 2.5% of their annual base salaries, with an additional contribution made for NCA employees equal to 7.5% of the amount by which their annual base salaries exceed the contribution ceiling of 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% of the most recent pension account balance. The contribution rates for individual pension commitments are determined on an individual basis.

Plan assets amount to T€1,375 and consist of insurance policies purchased to cover the pension commitments and pledged as collateral (prior year: T€632).

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, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Current service cost	5,529	4,181
Interest expenses	2,565	2,435
Expected return on plan assets	(23)	(21)
Actuarial net losses	0	74
Plan disbursements	0	(54)
Net benefit expenses	**8,071**	**6,615**

The expenses arising from the accrued interest on pension obligations are disclosed in interest expense.

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

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Cost of services rendered	1,334	1,064
Selling expenses	2,526	1,781
General and administrative expenses	1,669	1,410
Other	(23)	(75)
Interest expenses	2,565	2,435
Net benefit expenses	**8,071**	**6,615**

Defined Benefit Liability

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Defined benefit obligation	81,979	69,818
Fair value of plan assets	(1,375)	(632)
Defined benefit liability	**80,603**	**69,186**

Changes in the Present Value of the Defined Benefit Obligation are as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Defined benefit obligation as of April 1	69,818	56,229
Current service cost	5,529	4,181
Interest expenses	2,565	2,516
Actual benefit payments	(536)	(693)
Retransfers to DTAG	(121)	(231)
Contributions by plan participants	737	0
Actuarial losses	3,986	7,816
Defined benefit obligation as of March 31	**81,979**	**69,818**

The principal assumptions used in determining the Group's pension obligations are shown below:

Underlying actuarial Assumptions

in %	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Discount rate as of March 31	3.30	3.70
Future salary increases	2.80	3.25
Future pension increases [1]	1.00 - 1.80	1.00 - 1.50

[1] Predominantly fixed at 1% due to contractual agreements

In addition, age and gender-dependent fluctuation probabilities have been applied, whose average is 6.0% (previous year: average fluctuation in the amount of 6.10%).

Amounts for the Reporting Period and the previous four Periods are as follows:

Fiscal Year ended March 31, in T€	2014	2013	2012	2011	2010
Defined benefit obligation	81,979	69,818	56,229	46,066	40,382
Plan assets	(1,375)	(632)	(605)	(580)	0
Deficit	80,604	69,186	55,624	45,486	40,382
Experience adjustments on plan liabilities	(54)	326	122	19	(26)

Sensitivity Analysis

In the following sensitivity analysis, the impact of possible changes in actuarial valuation assumptions classified as significant on the Defined Benefit Obligation ("DBO") determined at the reporting date of March 31, 2014 are presented. As of March 31, 2014, a change in assumptions about the changes presented would have the following impact on DBO with otherwise unchanged assumptions:

	Effect on the DBO as of March 31, 2014	
in T€	Reduction by 25 basis points	Increase by 25 basis points
Discount rate	3,133	(2,977)
Salary trend	(25)	25
Pension trend	(25)	26

	Effect on the DBO as of March 31, 2014	
in T€	Reduction by 1 year	Increase by 1 year
Life expectancy	(213)	194

The sensitivity analysis was carried out in isolation for the discount rate, salary trend and pension trend. In the modification of life expectancy, the age of the reference person (gender-dependent, a 65-year-old man and a 65-year-old woman) has been modified by an age shift in that their life expectancy has been increased or decreased by one year. The age shift obtained for the reference person was used for the other plan participants. Only insignificant effects would result from a variation in the assessment final age or in the fluctuation.

Based on an aging analysis of the expected benefit payments, the following contributions result from the defined benefit obligation in the future:

	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
In year 1	1,104	970
In year 2	884	680
In year 3	1,828	1,005
In year 4	2,090	1,980
In year 5	3,691	2,235
In years 6 to 10	17,366	17,505

As of March 31, 2014, the average duration of the defined benefit obligation is 15.2 years (prior year: 14.7 years).

3.14 OTHER PROVISIONS (CURRENT AND NON-CURRENT)

in T€	Balance as of April 1, 2013	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2014
Asset retirement / CPE obligations	34,233	(1,867)	(40)	4,732	1,289	38,348
Restructuring / Reorganization	5,513	(2,718)	(8)	2,966	0	5,753
Jubilee payments	121	(16)	0	49	55	208
Other	1,817	(1,712)	(3)	1,000	0	1,103
Total other provisions	**41,684**	**(6,313)**	**(51)**	**8,747**	**1,344**	**45,412**

Other provisions as of March 31, 2014 can be segregated into current obligations (T€8,040) and non-current obligations (T€37,372).

in T€	Balance as of April 1, 2012	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2013
Asset retirement / CPE obligations	31,276	(5,058)	(1,692)	3,063	6,644	34,233
Restructuring	8,929	(3,849)	(54)	487	0	5,513
Jubilee payments	129	(20)	0	12	0	121
Other	6,138	(4,594)	0	274	0	1,817
Total other provisions	**46,472**	**(13,520)**	**(1,746)**	**3,836**	**6,644**	**41,684**

Other provisions as of March 31, 2013 can be segregated into current obligations (T€8,550) and non-current obligations (T€33,134).

Provisions for Asset Retirement and CPE Obligations

All asset retirement obligation calculations as of March 31, 2014 utilize an inflation rate of 1.59% (20-year OECD average ("OECD" – Organization for Economic Co-operation and Development); prior year: 1.72%). The obligation is accreted to the expected payment amount using the effective interest method. As of March 31, 2014 and March 31, 2013, the asset retirement obligations, mainly for broadband cables located in leased cable ducts and for leased separate technical operating areas, amounted to T€32,301 and T€28,839, 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. All obligations related to CPE returns are henceforth calculated based on an inflation rate of 1.73% and a refinancing interest rate of 1.52%, for a return horizon of 3 years. The obligation is also accreted to the expected payment amount using the effective interest method. The amount of the provision for such costs is based on an estimate of the expected costs. Obligations related to these costs amounted to T€6,047 and T€5,395 as of March 31, 2014 and March 31, 2013, respectively.

Additions for new asset retirement obligations and obligations related to returns of CPE in the amount of T€4,732 and T€3,063 were recognized in the fiscal years ended March 31, 2014 and March 31, 2013, respectively. Included is an interest adjustment of T€1,159 recognized with no income effect through a parallel increase in the corresponding fixed assets.

Additions for the interest portion of the provision for asset retirement obligations and obligations related to returns of CPE for the fiscal year ended March 31, 2014 amounted to T€1,289 (prior year: T€6,644). Included is the expensed accretion of T€1,289 (prior year: T€1,123) as well as in the prior year disclosed interest adjustment of T€5,521 recognized with no income effect through a parallel increase in the corresponding fixed assets. See also section 3.7, subsection "Asset Retirement Obligations included in Property and Equipment".

Provisions for Restructuring

In the fiscal year ended March 31, 2014, a total of T€2,966 was added to provisions for restructuring measures. The addition was recognized both for the technical restructuring due to the change from the decentral transmission of radio signals to central transmission via backbones as well as for the strategic realignment of a specific segment of the sales organization, which is responsible for the provision of basic services to American military bases and military personnel. Of the provision amount of T€5,513 from the prior year, T€2,718 was utilized and T€8 was reversed during the fiscal year ended March 31, 2014. As a result, as of March 31, 2014, the total provisions for restructuring amounted to T€5,753, which was primarily attributable to expenses related to terminations of technical operating areas and to personnel expenses.

3.15 OTHER NON-CURRENT LIABILITIES

in T€	Fiscal Year ended March 31, 2014	March 31, 2013
Liabilities related to share-based payments	22,662	101,884
Finance lease contracts	10,013	10,511
Provision of smartcards	239	708
Other	1,761	2,015
Other non-current liabilities	**34,674**	**115,118**

The decrease in other non-current liabilities was mainly due to the reclassification of the liabilities arising from share-based payment that will become due in April 2014 into other current liabilities. Liabilities from share-based payment are related to the LTIP program (see section 5.5).

Other non-current liabilities consist of financial liabilities according to IAS 32 in form of liabilities from finance lease contracts and liabilities from the provision of smartcards in the amount of T€10,251 and T€11,220 as of March 31, 2014 and 2013, respectively. Cash will flow out from the Group at a later point in time from these other non-current financial liabilities.

3.16 SHAREHOLDERS' EQUITY

Subscribed Capital

The subscribed capital of KDH AG remained unchanged at T€88,523 as of March 31, 2014 and 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 General Shareholders' Meeting.

Dividend Distribution

At the General Shareholders' Meeting on October 10, 2013, the Company's shareholders approved the proposed dividend of €2.50 per share for the fiscal year ended March 31, 2013. The dividend totaling T€221,307 was paid out the day after the Shareholders' Meeting.

Authorized Capital and Contingent Capital

As of March 31, 2014, KDH AG had 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 a shareholders' 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 General 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 General 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 General 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 fiscal years ended March 31, 2014 and March 31, 2013, the capital reserve amounted to T€68,058 in each case. The capital reserve comprises primarily contributions from share-based payments of prior years.

Legal Reserve

The legal reserve in accordance with Section 150 AktG in the amount of T€8,852 corresponds to 10% of the share capital. It is generally subject to restrictions and can be used only in accordance with the conditions specified under Section 150 para. 3 and para. 4 AktG.

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 (see also section 3.12.2).

The reclassification from the cash flow hedge reserve to income or expense is to offset the deviations in the statement of income in actual interest payments from hedged interest rates (via interest swaps) as well as the deviation of the fair value of the US Dollar denominated Tranche F1 of the Senior Credit Facility from the hedged amount (via currency swaps) recorded in the statement of income. Due to premature repayment of Tranche F1, the cashflow hedge reserve for the currency swaps was reversed through profit or loss.

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 list acquired in this step acquisition and is therefore reclassified directly to the accumulated deficit as the asset is amortized.

Accumulated Deficit

For the fiscal years ended March 31, 2014 and March 31, 2013, the accumulated deficit was T€1,875,150 and T€1,585,777, 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. There were no dividends distributed to non-controlling interests in the fiscal years ended March 31, 2014 and 2013.

4 NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

4.1 REVENUES

Revenues were generated in Germany as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
TV Business revenues	1,165,000	1,191,638
Internet and Phone Business revenues	735,193	638,284
Total revenues	**1,900,193**	**1,829,923**

Included in TV Business revenues are Basic Cable subscription fees in the amount of T€825,498 and T€842,915 for the fiscal years ended March 31, 2014 and 2013, respectively, excluding recurring revenues and proceeds from basic services provided to American military bases and military personnel, as well as recurring subscription fees for service options from cable subscribers.

4.2 COST OF SERVICES RENDERED

Cost of services rendered relates primarily to costs associated with our business activities which are directly attributable to generating revenues. These include costs and expenses related to leased cacle ducts and cable networks, cost and expenses related to the operation and maintenance of the KDH network, costs and expenses related to leased networks, as well as other costs directly associated with the provision of products and services through the Group's network, such as content costs. Cost of services rendered includes four categories of expenses as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Cost of materials and services	**455,490**	**455,486**
Thereof:		
Service Level Agreements ("SLAs") renting and leasing DTAG	167,055	180,370
Thereof cable ducts	103,470	103,388
Content costs	90,165	76,552
Connectivity and other network costs	47,665	43,692
Maintenance and repair	38,858	41,123
Interconnection expenses	37,441	42,907
Other expenses	71,640	70,842
Expenses related to restructuring network infrastructure	2,666	0
Personnel expenses	**47,886**	**45,139**
Thereof:		
Expenses related to LTIP (IFRS 2) [1)]	7,728	8,110
Expenses related to restructuring / legal reorganization	0	101
Depreciation and amortization	**301,316**	**260,333**
Thereof:		
Intangible assets	14,535	11,306
Tangible assets	286,781	249,026
Other costs and expenses	**74,833**	**74,641**
Thereof:		
Expenses related to restructuring / legal reorganization	0	433
Cost of services rendered	**879,525**	**835,599**

1) Exercised parts were cash settled as of April 1, 2014 (see section 5.5).

4.3 OTHER OPERATING INCOME

In the fiscal year ended March 31, 2014, other operating income fell from T€12,615 by T€1,509 to T€11,105 and primarily consists of other service income, especially returned direct debit fees in the amount of T€4,853 (prior year: T€4,185), commissions for shared advertising measures in the amount of T€2,748 (prior year: T€2,750), indemnifications in the amount of T€1,549 (prior year: T€1,511), as well as various other positions of minor importance.

4.4 SELLING EXPENSES

Selling expenses are expenses incurred to support the Group's sales and marketing effort with respect to its products and services, and also comprise expenses related to customer support and customer service. They are divided into four categories as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Cost of materials and services	**27,029**	**35,601**
Personnel expenses	**137,293**	**123,624**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	16,316	17,034
Expenses related to restructuring / legal reorganization	374	1,515
Depreciation and amortization	**79,883**	**76,844**
Thereof:		
Intangible assets	69,362	63,021
Tangible assets	10,521	13,823
Other costs and expenses	**190,536**	**178,098**
Thereof:		
Expenses related to restructuring / legal reorganization	0	971
Selling expenses	**434,742**	**414,166**

[1] Exercised parts were cash settled as of April 1, 2014 (see section 5.5).

4.5 GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses are expenses that are not directly allocated to cost of services rendered or to selling expenses and cover in particular headquarter functions, such as managing directors, IT, legal and regulatory, finance, human resources, corporate services and security. General and administrative expenses are divided into three categories as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Personnel expenses	**95,059**	**94,930**
Thereof:		
Expenses related to LTIP (IFRS 2) [1]	38,179	38,907
Expenses related to acquisitions and changes in norms	2,760	874
Expenses related to restructuring / legal reorganization	0	374
Depreciation and amortization	**26,403**	**23,754**
Thereof:		
Intangible assets	20,658	18,169
Tangible assets	5,745	5,585
Other costs and expenses	**73,661**	**48,128**
Thereof:		
Expenses related to takeover / acquisitions and changes in norms	32,174	6,923
Expenses related to restructuring / legal reorganization	0	169
General and administrative expenses	**195,123**	**166,811**

[1] Exercised parts were cash settled as of April 1, 2014 (see section 5.5).

In the fiscal year ended March 31, 2014, the auditor of the Group received a total fee of T€773 (prior year: T€3,542) broken down in T€730 for auditing services (prior year: T€772), T€8 for other consulting services (prior year: T€2,451) and T€35 for tax consulting services (prior year: T€319), which was recorded within other costs and expenses under general and administrative expenses.

4.6 PERSONNEL EXPENSES

Personnel expenses are comprised of the following:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Wages and Salaries	241,172	229,407
Social Security	39,066	34,286
Total personnel expenses	**280,238**	**263,693**

Expenses included in wages and salaries in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Expenses related to LTIP (IFRS 2) [1]	62,223	64,051
Thereof:		
Cost of services rendered	7,728	8,110
Selling expenses	16,316	17,034
General and administrative expenses	38,179	38,907
Expenses / (income) related to restructuring / legal reorganization	374	1,990
Thereof:		
Cost of services rendered	0	101
Selling expenses	374	1,515
General and administrative expenses	0	374

[1] Exercised parts were cash settled as of April 1, 2014 (see section 5.5).

For further information regarding restructuring plans, see section 3.14.

Included in social security are, inter alia, the following expenses in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Personnel expenses related to the defined benefit pension plan	5,529	4,256
Thereof:		
Cost of services rendered	1,334	1,064
Selling expenses	2,526	1,781
General and administrative expenses	1,669	1,410
Statutory social security contribution	30,191	26,623
Thereof:		
Cost of services rendered	8,777	7,548
Selling expenses	14,850	12,665
General and administrative expenses	6,564	6,411

For the fiscal years ended March 31, 2014 and 2013, social security included T€15,678 and T€13,859, respectively, for expenses related to the governmental pension scheme.

During the fiscal years ended March 31, 2014 and March 31, 2013 an average of 3,664 and 3,157 people were employed respectively.

Average number of employees by functions	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Customer and Technical Service Center	1,322	958
Technology and IT	1,099	1,010
Sales and Marketing	751	711
Overhead	492	478
Total	**3,664**	**3,157**

4.7 FINANCIAL RESULT

Interest Expense

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Interest expenses on financial instruments that are not at fair value through profit or loss		
Senior Notes including expenses for premium	102,375	59,966
Amortization of capitalized financing and transaction costs	53,263	19,469
Senior Credit Facility	46,623	109,678
Vodafone Investments Loan	39,871	-
Finance Lease	1,829	1,845
Bridge Credit Agreement	-	817
Other	3,516	4,404
Interest expenses on financial instruments that are at fair value through profit or loss	23,125	6,114
Interest expenses on provisions and non-financial liabilities		
Pensions [1)]	2,565	2,435
Asset retirement and CPE obligations	1,289	1,123
Other	189	75
Total Interest Expenses	**274,645**	**205,926**

1) The pension interest expense for the period from April 1, 2012 to March 31, 2013 was adjusted by retrospective application of the amendments to IAS 19 "Employee Benefits". See section 2.1.

Comparisons of the financial liabilities and financial instruments can also be found in sections 3.12 and 5.6.

Interest Income

Interest income for the fiscal years ended March 31, 2014 and March 31, 2013, was T€20,938 and T€3,333, respectively. The increase resulted primarily from the premature settlement of the stand-alone derivatives (interest rate floors) in the amount of T€17,115 which are offset by expenses of T€16,416 (see prior section).

4.8 INCOME FROM ASSOCIATES

Income from associates for the fiscal years ended March 31, 2014 and March 31, 2013 amounted to T€3,378 and T€2,344, respectively.

4.9 TAXES ON INCOME

The corporate income tax expenses for the fiscal years ended March 31, 2014 and March 31, 2013 break down as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Consolidated statement of income		
Current income tax		
Current income tax expense	92,984	53,078
Prior year income tax expense / (benefit)	(674)	256
Deferred income tax [1]	127,513	(74,520)
Income tax (benefit) / expense reported in the consolidated statement of income	**219,823**	**(21,185)**

[1] The deferred income tax for the period April 1, 2012 to March 31, 2013 were adjusted to reflect the retroactive application of the amendments to IAS 19 "Employee Benefits". Refer to section 2.1.

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Consolidated statement of changes in equity		
Deferred income tax		
Net deferred costs on revaluation of hedges	5,298	(3,586)
Net deferred costs on defined pension plans [1]	(1,321)	(2,312)
Income tax (benefit) / expense reported in equity	**3,977**	**(5,898)**

[1] The consolidated statement of changes in equity for the period April 1, 2012 to March 31, 2013 were adjusted to reflect the retroactive application of the amendments to IAS 19 "Employee Benefits". Refer to section 2.1.

The tax rate of 30.3% for the fiscal year ended March 31, 2014 (prior year: 29.6%) is based on the corporate income tax rate of 15% (prior year: 15%), a solidarity surcharge of 5.5% (prior year: 5.5%) on corporate income tax and a trade tax rate of 14.4% (prior year: 13.8%). Current taxes are calculated using individual tax rates of the respective Group companies and can differ from the weighted Group's tax rate of 30.3%.

The slight increase in the trade tax rate is due to adjusted apportionment criteria to reflect changes in the payroll structure according to section 29 para. 1 no. 1 of the German Trade Tax Act (Gewerbesteuergesetz – "GewStG").

A reconciliation of income taxes for the fiscal year ended March 31, 2014 using a combined statutory rate of 30.3% (prior year: 29.6%) for corporate and trade tax to actual income taxes as recorded on the statement of income, is as follows:

in T€	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Benefit before income tax [1]	(151,579)	(225,712)
Notional tax expense at KDH's statutory income tax rate of 30.3% (prior year: 29.6%)	45,966	66,809
Adjustments in respect of current income tax of previous years	(674)	256
Recognized tax loss carryforwards from income tax consolidation	0	(105,039)
Amortization of deferred taxes on capitalized loss carryforwards due to takeover by Vodafone	162,336	0
Non-deductible expenses	10,226	14,409
Untaxed income portions	(1,086)	129
Adjustments in respect of changes in the tax rate	338	452
Other	2,717	1,799
Income tax expense / (benefit) according to the statement of income	**219,823**	**(21,185)**

1) The consolidated statement of income for the period April 1, 2012 to March 31, 2013 were adjusted to reflect the retroactive application of the amendments to IAS 19 "Employee Benefits". Refer to section 2.1.

Deferred Taxes

Deferred taxes as of March 31, 2014 and March 31, 2013 are comprised as follows:

	Consolidated statement of financial position as of March 31,		Consolidated statement of income	
in T€	2014	2013	April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
Deferred tax liabilities				
Intangible assets	81,293	71,108	10,185	6,334
Property and equipment	42,977	46,019	(3,042)	(3,870)
Trade receivables	9,827	6,439	3,388	5,178
Gross deferred income tax liabilities	134,097	123,567		
Offsetting with deferred tax assets	(41,904)	(122,426)		
Net deferred tax liabilities	92,193	1,141		
Deferred tax assets				
Other non-current liabilities	28,796	11,130	(22,963)	(2,622)
Other non-current provisions	7,042	6,526	(517)	387
Provisions for pensions [1]	8,418	5,983	(1,114)	363)
Tax loss carryforwards	0	141,576	141,576	(80,289)
Gross deferred tax assets	44,256	165,215		
Offsetting with deferred tax liabilities	(41,904)	(122,425)		
Net deferred tax assets	2,352	42,791		
Deferred tax expense / (income)			**127,513**	**(74,520)**

1) The deferred taxes for the period from April 1, 2012 to March 31, 2013 was adjusted by retrospective application of the amendments to IAS 19 "Employee Benefits". See section 2.1.

A deferred tax expense of T€127,513 was recorded in the fiscal year ended March 31, 2014. The deferred tax expense is primarily due to the amortization in the current year of deferred tax assets on loss and interest carryforwards. The tax loss carryforwards can presumably no longer be used for tax reduction due to the takeover of the majority of KDH AG shares by Vodafone on October 14, 2013.

For the fiscal year ended March 31, 2013, deferred tax assets have been recognized from corporate income tax loss carryforwards of KDH in the amount of T€241,891 and from trade tax loss carryforwards of KDH in the amount of T€159,900, as well as from interest carryforwards in the amount of T€310,866.

Deferred tax assets on further corporate income tax loss carryforwards by KDH in an amount of T€77,101 were not recognized for the fiscal year ended March 31, 2013 due to uncertain recoverability, since KDH was unable to offset these tax loss carryforwards against positive income within the Group.

Liabilities due to Income Taxes

The liabilities due to income taxes of T€110,687 and T€58,109, respectively, for the fiscal years ended March 31, 2014 and March 31, 2013 in the consolidated statement of financial position relate to corporate income 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 minority shareholders in the Group's fully consolidated subsidiaries. Profit attributable to non-controlling interests amounted to T€1 for each of the fiscal years ended March 31, 2014 and March 31, 2013, respectively.

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, 2014	March 31, 2013
Profit / (loss) attributable to the equity holders of the parent	(68,245)	246,896
Reconciling items	-	-
Adjusted net income / (loss) (basic)	**(68,245)**	**246,896**
Weighted average number of no par value bearer shares issued	88,522,939	88,522,939
Instruments affecting earnings per share	-	-
Adjusted weighted average number of no par value bearer shares (basic)	**88,522,939**	**88,522,939**
Basic earnings per share (in €)	**(0.77)**	**2.79**

Diluted earnings per share	Fiscal Year ended	
in T€	March 31, 2014	March 31, 2013
Profit / (loss) attributable to the equity holders of the parent	(68,245)	246,896
Reconciling items	-	-
Adjusted net profit / (loss) (basic)	(68,245)	246,896
Dilutive effects on net profit / (loss)	-	-
Net profit / (loss) (diluted)	**(68,245)**	**246,896**
Weighted average number of no par value bearer shares issued	88,522,939	88,522,939
Instruments affecting earnings per share	-	-
Adjusted weighted average number of no par value bearer shares (basic)	88,522,939	88,522,939
Dilutive shares	-	-
Weighted average number of no par value bearer shares (diluted)	**88,522,939**	**88,522,939**
Diluted earnings per share (in €)	**(0.77)**	**2.79**

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, TV Business as well as Internet and Phone Business, which report and are managed separately. The headquarter functions and financing activities are represented through a reconciliation. The 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 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 IFRSs 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 transactions 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. Premium-TV products include Pay-TV products, such as "Kabel Premium HD", "Premium Extra" or "Kabel International", DVR products, such as "Kabel Komfort HD", and Video-on-Demand ("VoD").

Services for feed-in and signal transport are rendered for public and private broadcasters as well as third party Pay-TV providers.

TV Business revenues are generated primarily from Basic Cable subscription fees, which are paid for access to KDH's network and reception of its analog and digital TV signals. In addition, the Group generates revenues in the TV Business via its Premium-TV services such as Pay-TV and DVR services. The Group also earns installation fees.

Furthermore, the Group receives revenues from carriage fees for the distribution of broadcasters' programming, from signal transport services and other revenues.

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 network upgraded for bi-directional services.

In the Phone sector the Group additionally offers mobile phone and data services via a contract with a German mobile network operator.

Revenues for the Internet and Phone Business segment include recurring revenues from monthly usage dependent and fixed subscription 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 CPEs, mobile phone commissions and other miscellaneous revenues.

Headquarter Functions / Reconciliation to the Consolidated Financial Statements

Headquarter functions include functions such as managing directors, legal and regulatory, finance, human resources, internal audit, corporate communications, investor relations, purchasing, and IT which are not allocated to the operating segments.

Segment information by business segment is as follows:

in T€	TV Business April 1, 2013 - March 31, 2014	TV Business April 1, 2012 - March 31, 2013	Internet and Phone Business April 1, 2013 - March 31, 2014	Internet and Phone Business April 1, 2012 - March 31, 2013	Headquarter Functions / Recon. to the Consolidated Financial Statements April 1, 2013 - March 31, 2014	Headquarter Functions / Recon. to the Consolidated Financial Statements April 1, 2012 - March 31, 2013	Total Group April 1, 2013 - March 31, 2014	Total Group April 1, 2012 - March 31, 2013
Revenues	1,165,000	1,191,638	735,193	638,284	-	-	1,900,193	1,829,923
Other operating income	7,014	8,774	3,892	3,566	199	275	11,105	12,615
Costs and expenses	(775,137)	(824,830)	(535,199)	(421,803)	(199,053)	(169,943)	(1,509,390)	(1,416,576)
thereof depreciation / amortization	(198,839)	(181,075)	(178,430)	(153,010)	(30,333)	(26,845)	(407,602)	(360,930)
thereof share-based payment (LTIP)	(18,856)	(19,789)	(5,189)	(5,355)	(38,179)	(38,907)	(62,223)	(64,051)
Profit or loss from ordinary activities	396,877	375,582	203,885	220,048	(198,854)	(169,668)	401,908	425,961
Financial result [1] [2]	-	-	-	-	(250,329)	(200,249)	(250,329)	(200,249)
Profit or loss before taxes [2]	396,877	375,582	203,885	220,048	(449,183)	(369,917)	151,579	225,712
Taxes [2]	-	-	-	-	(219,823)	21,185	(219,823)	21,185
Net profit / (loss) for the period [2]							(68,244)	246,897
Additions to fixed assets	218,006	209,994	328,581	246,810	38,976	29,920	585,563	486,724

[1] The financial result includes interest income and interest expenses as well as income from associates

[2] The values for the period from April 1, 2012 to March 31, 2013 have been adjusted in accordance with the retroactive application of the amendments to IAS 19 "Employee Benefits". See Notes 2.1.

5.2 IMPAIRMENT TESTING OF GOODWILL

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

Carrying amount of goodwill allocated to each of the CGUs:

in T€	TV Business as of March 31, 2014	TV Business as of March 31, 2013	Internet and Phone Business as of March 31, 2014	Internet and Phone Business as of March 31, 2013	Total as of March 31, 2014	Total as of March 31, 2013
Goodwill	220,339	220,339	66,934	66,934	287,274	287,274

Disclosures on Impairment Test

The Group performed its annual goodwill impairment test as of March 31, 2014 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, 2014, the market capitalization of the Group was above the carrying amount of KDH's equity and gave neither an indication for a potential impairment of goodwill nor for an impairment of assets of any operating segment.

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

The following paragraphs summarize key assumptions used to determine fair values less costs of disposal for the impairment test regarding the two CGUs to which 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 6.0% (prior year: 5.7%) for the fiscal year ended March 31, 2014.

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 detailed planning horizon are extrapolated using a growth rate of 1% (prior year: 1%) for the fiscal year ending March 31, 2019. Management's key assumptions for the execution of the impairment test are primarily based on internal sources and include past experience regarding, among others: development of revenue, subscriber acquisition and retention costs, churn rates, capital expenditure, market shares, 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 key figures would have an impact on the fair values of the cash generating units.

On the basis of information available on the reporting date and expectations with respect to the markets and competitive environment, the recoverable amounts were estimated to be higher than the carrying amounts of the net assets of the CGU. Management therefore did not identify any impairment.

With regard to the assessment of fair value less costs of disposal for the two cash generating units, management believes that no reasonably possible change in any of the key assumptions presented above would cause the carrying amount of the net asset of the CGU to exceed its recoverable amount.

5.3 OTHER FINANCIAL OBLIGATIONS, CONTINGENCIES AND CERTAIN LAWSUITS AND LEGAL PROCEEDINGS

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, technical rooms and energy supply. The agreements primarily have fixed prices, either based on a monthly or unit basis, and have a term of 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, 2014 and March 31, 2013 include the obligations arising due to the earliest possible termination date of KDH and are as follows:

Type of obligation	March 31, 2014				March 31, 2013			
	Due			Total	Due			Total
in T€	less than 1 year	between 1 and 5 years	more than 5 years		less than 1 year	between 1 and 5 years	more than 5 years	
1. Agreements with DTAG and subsidiaries	207,944	135,375	1,001	344,319	208,328	140,379	4,128	352,835
2. License, rental and operating lease commitments	56,629	153,326	34,510	244,465	71,793	152,645	55,624	280,062
3. Other	74,339	19,002	1,347	94,689	57,214	31,707	2,393	91,313
Total	**338,912**	**307,703**	**36,858**	**683,473**	**337,334**	**324,731**	**62,145**	**724,209**

Lease payments for cable ducts were T€103,470 and T€103,388 for the fiscal years ended March 31, 2014 and March 31, 2013, respectively. While the Group has the legal right to cancel the agreements for the lease of the cable ducts with a notice period of 12 to 24 months, the technological requirements to replace leased capacity represent economic costs, the extent of which makes renewal of the leases advantageous with reasonable certainty for a certain period of time. This results in an anticipated lease term, in consideration of all contractual renewal periods, until March 31, 2033. After this date, the lease can be canceled by DTAG. Taking into account the advantageous extension of the leases, financial obligations for cable duct leases were recognized in the amount of T€1,497,344 and T€1,600,609 as of March 31, 2014 and March 31, 2013, respectively.

For the fiscal years ended March 31, 2014 and March 31, 2013, total leasing costs of KDH were T€223,516 and T€232,900, respectively. These amounts include the majority of the expenses related to the SLAs of both the DTAG and third parties.

Contingencies and Certain Lawsuits and Legal Proceedings

In the course of its business, KDH is regularly confronted with court proceedings or disputes, 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, 2014, the following material issues for which the Company accounted for potential risks according to their assessment:

An arbitration process at the arbitration board responsible for copyright is pending between KDVS GmbH and GEMA regarding the question if and at which amount copyright fees would have to be paid by KDVS GmbH for its marketed Pay-TV packages. The arbitration process is not yet closed; the parties are currently negotiating an amicable settlement of the lawsuit.

Between KDVS GmbH and VG Media, certain legal proceedings are pending regarding the question if and at which amount copyright fees would have to be paid by KDVS GmbH for the distribution of its Free-TV offer. In a judgment dated August 13, 2013 the District Court of Berlin ordered KDVS GmbH to pay accumulated copyright fees. KDVS GmbH filed an appeal against this first instance ruling.

Under applicable German copyright law, KDVS GmbH is jointly liable with foreign DVR suppliers to pay copyright fees if KDVS GmbH is deemed an importer of the devices according to Section 54b of the German Act on Copyright and Related Rights (Urheberrechtsgesetz – "UrhG"). KDVS GmbH has also agreed in this constellation with these suppliers that the suppliers will indemnify KDVS GmbH for any such copyright fees and does not expect to bear related expenses.

Pepcom Süd GmbH, the controlling shareholder of KMS GmbH and the limited partner of KMS KG, has expanded pending litigation proceedings against KDVS GmbH, which is a minority shareholder of KMS GmbH and a limited partner of KMS KG, in November 2009, claiming to exclude KDVS GmbH as shareholder and limited partner of KMS GmbH and KMS KG, respectively. By judgment dated October 15, 2012, the District Court of Munich I ruled in favor of these claims and excluded KDVS GmbH. KDVS GmbH and the plaintiff have both filed an appeal against this ruling. Since the case has not yet been closed, KDVS GmbH is currently still a shareholder of KMS GmbH and a limited partner of KMS KG.

In June 2012, the public service broadcasting authorities incorporated within ARD, ZDF, ARTE and Deutschlandradio terminated the contracts for carriage fees with the major German cable network operators, including KDVS GmbH, with effect as of December 31, 2012. KDVS GmbH has filed several lawsuits based on the termination of the contracts for carriage fees against the public broadcasters. Meanwhile, several judgments of the courts of first instance and two judgments of the court of appeals have been delivered, which dismissed the claims. KDVS GmbH has appealed the decisions of the courts of first instance and has called for a review of the appellate decisions, as it still presumes its claim for the carriage fees is legally valid.

KDVS GmbH filed a lawsuit against Telekom Deutschland GmbH ("Telekom") in the District Court of Frankfurt in April 2012. It originally claimed to obtain (i.) a reduction of the annual price payable to Telekom for the co-use of cable ducts, and (ii.) a refund of fees paid in the past plus accrued interest. The lawsuit is based upon the alleged abuse of a dominant position by Telekom by charging excessive prices. The District Court of Frankfurt dismissed the lawsuit in August 2013. KDVS GmbH believes that the reasoning behind the decision is incorrect and has appealed.

KDVS GmbH filed a lawsuit regarding fulfillment of contract against Telekom in the District Court of Munich in April 2012. Its legal position is that Telekom is contractually liable to build and operate certain regional backbones for KDVS GmbH such that an availability of 99.99% is assured and that the fixed data connections coming from or ending at each site will be integrated into two independently running fiber optic lines – i.e. in two separate and not in the same cable ducts. Based on a proposal by the presiding judge, the proceedings have been transferred into a mediation process which is currently inactive.

Lawsuits have been filed against KDVS GmbH in the District Court of Munich for alleged infringement of two patents related to the "electronic program guide". In return, KDVS GmbH filed nullity actions in respect of both patents at the Federal Patent Court. One of the two nullity actions was finally won by KDVS GmbH as the patent owner has not appealed. The corresponding action for infringement was withdrawn. With regard to the remaining patent, KDVS GmbH successfully defended the action for infringement before the court of first instance. However, the patent owner may still appeal the decision.

A supplier contractually connected via a so-called Purchase Framework Agreement with KDVS GmbH insists on acceptance of Wi-Fi eMTAs and compensation payment, and has threatened the immediate filing of a claim for compensation before the arbitration court if KDVS GmbH shows no willingness to reach an out-of-court settlement. The parties have agreed to conduct exploratory talks before the initiation of the arbitration proceedings.

General Risks

In the course of its business activities, the Group faces general economic risks which may result from relationships with customers, suppliers and employees. In addition, general risks exist regarding its legal obligations and obligations against tax authorities. Currently there are no substantial proceedings related to these risks besides those mentioned in the section above.

5.4 RELATED PARTIES

Transactions with Vodafone Group companies

The companies in the Vodafone Group have been related parties since completion of the takeover by Vodafone on October 14, 2013. A number of business relationships exist with Vodafone Group companies. Goods and services provided and received, and other income and expenses from transactions with the Vodafone Group since the takeover by Vodafone were as follows until March 31, 2014:

Goods and services provided to and received from Vodafone Group companies in T€	October 15, 2013 - March 31, 2014
Goods and services provided as well as other income	2,286
Goods and services received as well as other expenses	5,412
Interest expenses	31,103

Receivables from and payables to Vodafone Group companies were as follows until March 31, 2014:

Receivables from and payables to Vodafone Group companies in T€	March 31, 2014
Trade receivables	622
Trade payables	1,675
Financial liabilities (current and non-current)	2,160,198

Agreements for goods and services exist between KDH and Vodafone Group companies, especially Vodafone GmbH, Düsseldorf and in particular for interconnection fees (by both parties). KDH also purchases telecommunications services and incurs therefore phone and mobile phone connection fees. In addition, KDH also incurs marketing-related expenses for telephone connections.

Licences in the amount of T€359 and hardware in the amount of T€227 were purchased from Vodafone Procurement Company S.a.r.l. in the fiscal year ended March 31, 2014.

In October 2013, KDH concluded with Vodafone Investments a term loan of T€2,150,000 that was fully drawn as of March 31, 2014 as well as a revolving loan of T€300,000 that had not been drawn as of March 31, 2014. For further information on the loans and associated interest expenses, please see sections 3.12 and 4.7.

In preparation for the Vodafone takeover, KDH and Vodafone signed a business combination agreement ("BCA") on June 24, 2013 which contained, among other things, agreements and declarations of intent related to the conduct of business and future collaboration for the period between the takeover date and December 31, 2014.

On December 20, 2013, KDH and Vodafone concluded a DPLTA that entered into force after approval by the general shareholders' meetings of both parties and entry into the commercial register applicable to KDH. Vodafone's right to give instructions to the KDH AG Management Board and the profit transfer and loss compensation obligation that are provided for in the DPLTA are effective April 1, 2014 (also see section 1.2 of the Combined Management Report of March 31, 2014).

Transactions with further Related Parties

The following transactions took place in the fiscal years ended March 31, 2014 and March 31, 2013 with other related companies and persons:

KDVS GmbH provided T€3,168 and T€3,473 in deliveries and services to KMS KG in the fiscal years ended March 31, 2014 and March 31, 2013. The deliveries and services provided are related to signal delivery agreements with KMS 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 a T€30 remuneration annually for his services. This agreement will be canceled with effect from the end of May 15, 2014.

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 following sections.

Transactions with Members of the Management Board

As of March 31, 2014, the Management Board of KDH AG comprises four members who also hold positions as managing directors of KDVS GmbH. The Chief Executive Officer Dr. Adrian v. Hammerstein has resigned as Chief Executive Chairman of the Management Board of KDH AG at the end of March 31, 2014 at his own request. Dr. Manuel Cubero, former Deputy Chairman and Chief Operating Officer, was appointed as his successor effective as of April 1, 2014. Gerhard Mack, former Director of Technical Operations, was appointed to the Management Board as the new Chief Operating Officer, also effective as of April 1, 2014. The contracts of all the members of the Management Board currently run through March 2016.

Members of the Management Board received a total remuneration, including the recorded service cost of pension benefits, of T€5,197 (prior year: T€4,920) for the fiscal year ended March 31, 2014. This figure includes the fair value as of the grant date of the performance shares that were newly granted based on the Group's LTIP in the fiscal year ended March 31, 2014, which amounts to T€1,689 (prior year: T€1,693).

The total currently non-cash amount, which was calculated in accordance with IFRS and recognized through profit or loss in the fiscal year just ended, resulted from share price-induced changes in value, current vesting and new grants under the long-term LTIP and was T€24,870 for the fiscal year ended March 31, 2014 (thereof Dr. Adrian von Hammerstein T€8,457, Dr. Manuel Cubero T€6,916, Erik Adams T€6,489, Dr. Andreas Siemen T€3,008). In the prior year this figure amounted to T€25,184 (thereof Dr. Adrian von Hammerstein T€8,526, Dr. Manuel Cubero T€7,053, Erik Adams T€6,716, Dr. Andreas Siemen T€2,889).

Individualized disclosures regarding the compensation of the Management Board are presented in the combined management report and there in section 9 "Compensation Report"; further details on share-based payment can also be found in section 5.5.

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

In the fiscal year ended March 31, 2014, former members of management/ the Management Board of the Group and their surviving dependents received total compensation in the amount of T€11 (prior year: T€302). For the fiscal year ended March 31, 2014, provisions for pensions in a total amount of T€146 (prior year: T€112) for former managing directors were recognized.

Supervisory Board

Tony Ball, the Chairman of the Supervisory Board, and additional shareholder representatives Catherine Mühlemann, Martin David Stewart, Paul Stodden and Torsten Winkler have resigned from the Supervisory Board effective as of October 31, 2013.

Upon request of the Management Board, by a court ruling of October 31, 2013, Philipp Humm, Jens Schulte-Bockum, Dirk Barnard, Dr. Thomas Nowak and Karsten Pradel were appointed to the Supervisory Board of KDH AG effective as of November 1, 2013. Philipp Humm was elected Chairman by the Supervisory Board on December 19, 2013.

For members of the Supervisory Board, remuneration in the amount of T€427 (prior year: T€556) has been recognized as an expense for the fiscal year ended March 31, 2014. Details regarding the compensation system relating to the members of the Supervisory Board are set out in the combined management report in section 9 "Compensation 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, also effective April 1, 2010, KDH AG and its subsidiaries have introduced a new long-term, performance-based variable compensation component based on an 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, the respective members of the Management Board were allotted a total of 159,475 virtual performance shares in the fiscal years ended March 31, 2011, March 31, 2012 and March 31, 2013. These virtual performance shares were based on a grant price of €22.00 per share in the first annual grant, €37.77 per share in the second annual grant, and €45.12 per share in the third annual grant. As of the grant date, the total value of all virtual performance shares granted to members of the Management Board under the LTIP through March 31, 2013, inclusive, was T€5,073. In connection with the retroactive granting of virtual performance shares based on the second annual grant in the third quarter of the fiscal year ended March 31, 2012, a waiver was made on 2,284 of the virtual performance shares originally allocated in the second grant. On the basis of the fourth annual grant under LTIP I, members of the Management Board were allotted 24,560 virtual performance shares in the fiscal year ended March 31, 2014, based on a grant price of €68.75 per share. The total value as of the grant date was T€1,689. The grant date for all virtual performance shares issued under the fourth annual grant was April 1, 2013.

Based on an authorization granted by the Supervisory Board, the Management Board additionally issued a total of 273,118 virtual performance shares to members of Senior Management in the fiscal years ended March 31, 2011, March 31, 2012, and March 31, 2013. The grant prices equal those of the respective grant to Management Board members. As of the grant date, the total value of all virtual performance shares granted to members of senior management under the LTIP through March 31, 2013, inclusive, was T€9,273. The grant date for these virtual performance shares issued as one component of LTIP was April 1 of each grant year.

Due to the departure of employees from the Company, a total of 2,218 (prior year: 0) of the virtual performance shares granted to members of the Management Board and of senior management were settled during the fiscal year ended March 31, 2014. In addition and due to the fact that the working relationship of members of the Management Board and of senior management has been ending, a total of 22,480 virtual performance shares was forfeited during this period (prior year: 3,993).

In the event of unusual developments, the Supervisory Board may limit the number of virtual performance shares subject to payout. Speculation in relation to the takeover by Vodafone is such an unusual development in relation to the KDH AG share price. Therefore, both the number of virtual performance shares granted to members of the Management Board in 2010 and, consequently, the number of performance shares granted to members of senior management in 2010 were limited. This was done by reducing the virtual performance shares issued under the LTIP I grants, so that their value at March 31, 2014 was equivalent to a valuation of KDH AG shares at the acquisition price of €84.50 per share. The number of virtual performance shares (2010) issued to Management Board members was thus reduced by 10,539, the number of virtual performance shares (2010) granted to members of senior management correspondingly by 15,080.

A decision on the limitation of the second, third and fourth annual grant has not yet been made, as these will be payable no earlier than April 1, 2015, April 1, 2016, and April 1, 2017, respectively. The Supervisory Board has, however, declared that currently and until further notice the limit would be value-equivalent to the acquisition price of €84.50.

Annual Grant	LTIP I Virtual Performance Shares (Management Board and Senior Management)			
	Number of Virtual Performance Shares March 31, 2014	Grant Date	Grant Price	Total Value at Grant Date
			€	T€
Virtual Performance Shares First Grant (2010)				
granted	192,500	April 1, 2010	22.00	4,235
settled	(1,000)	April 1, 2010	22.00	(22)
forfeited	(19,235)	April 1, 2010	22.00	(423)
reduction by limitation [1]	(25,619)	April 1, 2010	22.00	(564)
Total	146,646			3,226
Virtual Performance Shares Second Grant (2011)				
granted	108,251	April 1, 2011	37.77	4,089
settled	(1,218)	April 1, 2011	37.77	(46)
forfeited	(11,200)	April 1, 2011	37.77	(423)
additionally granted	24,994	April 1, 2011 [2]	48.06	1,201
Total	120,827			4,821
Virtual Performance Shares Third Grant (2012)				
granted	106,848	April 1, 2012	45.12	4,821
forfeited	(9,340)	April 1, 2012	45.12	(421)
Total	97,508			4,400
Virtual Performance Shares Fourth Grant (2013)				
granted	24,560	April 1, 2013	68.75	1,689
forfeited	(5,747)	April 1, 2013	68.75	(395)
Total	18,813			1,293
Total Virtual Performance Shares	383,794	-	-	13,740

1) In the event of unusual developments, the Supervisory Board may limit the number of virtual performance shares subject to payout. Speculations in relation to the takeover by Vodafone is such an unusual development in relation to the KDH AG share price; therefore, the Supervisory Board has made use of this possibility.

2) Of the 133,245 virtual performance shares granted in fiscal year 2011/12, 24,994 were granted in the third and fourth quarter of the fiscal year ended March 31, 2012 retroactively as of April 1, 2011. Also retroactively, the grant price was fixed at €37.77. The fair value at grant date per each virtual performance share was €48.06.

Depending on the attainment of certain performance targets, the performance shares will be due for payout four years after they are granted ("vesting period"). The performance targets are assessed based on the performance of the total shareholder return ("TSR") on KDH AG shares compared to the MDAX during the four-year vesting period. Payout is made in cash and is determined by the number of payable performance shares multiplied by the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 trading days ("average price") prior to the time of full vesting. If the performance of the total shareholder return on KDH AG shares in the vesting period is equal to the performance of the MDAX, there is 100% achievement of the performance targets and 100% of the performance shares granted are paid out. If the total shareholder return on KDH AG shares during the vesting period outperforms the MDAX, 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 granted. The 200% limit is reached if the MDAX is outperformed by 40 percentage points or more. If the total shareholder return on KDH AG shares in the vesting period underperforms the MDAX by up to 20 percentage points (inclusive), the number of payable performance shares is reduced, depending on the extent of the underperformance, to 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 full 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 full vesting) plus any dividends paid out during the vesting period falls below the exercise price of the performance shares.

The fair value of the virtual performance shares which is used as a measurement basis for the calculation of expenses under LTIP I is based, with respect to the virtual performance shares (2010) due for payout in April 2014, on observable market prices of the KDH AG share on March 31, 2014, and on the by the Supervisory Board limited number of these virtual performance shares. Pursuant to the contractual agreement, no other elements were included in the valuation of the virtual performance shares. The KDH AG share price (and any dividend payments) is the only factor determining the fair value of such virtual performance shares.

Based on the declaration of the Supervisory Board, a value-equivalent limit based on the acquisition price of €84.50 will be assumed as a basis for the calculation of expenses of the virtual performance shares payable no earlier than April 1, 2015 until further notice, and this price plus dividends paid will be used as the calculation basis.

For the fiscal year ended March 31, 2014, the Group recognized total personnel expenses of T€26,620 and T€20,129 for the fiscal year ended March 31, 2013, primarily based on the relevant vesting and the changes in the fair value taking into account the aforementioned valuation (limitation).

The total liability disclosed in the consolidated statement of financial position for virtual performance shares issued under LTIP I was T€56,764 and T€30,279 as of March 31, 2014 and March 31, 2013, respectively. As of March 31, 2014, T€34,102 of this total liability was reported under other current liabilities and T€22,662 under other non-current liabilities (prior year T€30,279 under other non-current liabilities). Other current liabilities result primarily from virtual performance shares issued under the first grant (2010) and to a much lesser extent from virtual performance shares from subsequent grants and payable within one year due to the termination of employment. The liabilities related to the first annual grant were cash settled in April 2014.

Virtual Stock Options (LTIP II)

On April 1, 2010, members of the Management Board at that time 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, also effective as of April 1, 2010. The total number of virtual stock options that could be granted to such managers was 1,125,000. The Management Board has fully allocated these virtual stock options.

Due to the departure of employees from the Company, a total of 209,667 of the virtual stock options allotted to members of the Management Board and senior management have forfeited.

In the event of unusual developments, the Supervisory Board may limit the number of virtual stock options subject to payout. Speculation in relation to the takeover by Vodafone is such an unusual development in relation to the KDH AG share price. Therefore, both the number of virtual stock options granted to members of the Management Board and, consequently, the number of stock options granted to members of senior management were limited. This was done by reducing the virtual stock options granted under LTIP II, so that their value at March 31, 2014 was equivalent to a valuation of KDH AG shares at the acquisition price of €84.50 per share. The number of virtual stock options issued to Management Board members was thus reduced by 135,392, the number of virtual stock options granted to members of senior management correspondingly by 204,472.

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

	LTIP II Virtual Stock Options (Management Board and Senior Management)	
	Number of Virtual Stock Options	Weighted Average Exercise Price €
Outstanding as of March 31, 2012	**1,733,334**	**22.00**
Granted	0	-
Forfeited	(15,000)	-
Exercised	0	-
Expired	0	-
Outstanding as of March 31, 2013	**1,718,334**	**22.00**
Granted	0	-
Forfeited	(3,000)	-
Exercised	0	-
Expired	0	-
Reduction by limitation [1]	(339,864)	
Outstanding as of March 31, 2014	**1,375,470**	**22.00**
Vested, nonforfeitable virtual stock options as of March 31, 2014	1,375,470	22.00

1) In the event of unusual developments, the Supervisory Board may limit the number of virtual stock options subject to payout. Speculations in relation to the takeover by Vodafone is such an unusual development in relation to the KDH AG share price; therefore, the Supervisory Board has made use of this possibility.

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 performance targets that were set are the target EBITDA levels 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. Upon exercise of the virtual stock options, taking into account the quantitative limitation by the Supervisory Board, 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 ("average price") prior to the exercise date will be paid out in cash.

All virtual stock options outstanding as of March 31, 2014 have an exercise price as of that date of €22.00 and are fully vested.

The measurement of the fair value of the virtual stock options at grant date and each consecutive date is based on the Black-Scholes Option Pricing Model. The main parameters are the fair value of the KDH AG share based on the market price on the Frankfurt Stock Exchange, the expected volatility of the value of the KDH AG share, 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.

All holders of virtual stock options had exercised their options as of April 1, 2014. The valuation as of March 31, 2014, therefore corresponds to the intrinsic value of the virtual stock options.

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

Grant Date	LTIP II Virtual Stock Options (Management Board and Senior Management)				
	Number of Virtual Stock Options Exercisable after Limitation	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	1,375,470	2.51	5.91	22.00	77.94 [1]

1) The determination of the fair value of the virtual stock options as of March 31, 2014 is based, due to the immediate exercise as of April 1, 2014 by all option holders as well as due to the limitation of virtual stock options, on the volume-weighted average closing price of the KDH AG share in XETRA trading during the last 30 days of €99.94 less the exercise price of €22.00.

For the fiscal year ended March 31, 2014, the Group recognized personnel expenses totaling T€35,604 in connection with the virtual stock options, based on the change in fair value and vesting, compared to T€43,922 for the fiscal year ended March 31, 2013. In addition, the limitation of virtual performance shares described above had a negative impact on the fair value and therefore on the personnel expenses recognized in the fiscal year ended March 31, 2014.

The total vested liability due to virtual stock options issued as an element of LTIP II and recognized in the consolidated statement of financial position as of March 31, 2014 amounted to T€107,208 and was recorded in other current liabilities. All holders of virtual stock options exercised these options, so that the corresponding liabilities were cash settled in April 2014. The total liability recognized the consolidated statement of financial position at March 31, 2013 totaled T€71,605 and was recorded in other non-current liabilities.

5.6 FINANCIAL INSTRUMENTS

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

Credit Risk

Credit risk is the risk of a financial loss for the company 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 consideration of securities or other credit risk reducing agreements, the carrying amount of primary financial instruments comprised of cash and cash equivalents, trade receivables and other current financial assets of T€455,175 (prior year: T€748,550) represents the maximum exposure to credit risk for those financial instruments. Impairment losses are recognized for any identifiable credit risks associated with the financial assets.

The credit risk associated with derivative financial instruments is minimized in a way that only transactions with counterparties with top credit ratings are closed. As of March 31, 2014, there is no longer any credit risk with respect to derivative financial instruments (prior year: T€9,877). For this reason, in the prior year the general credit risk relating to the derivative financial instruments used by the Group was 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€1,250,000 (prior year: T€1,352,440) of KDH's total financial liabilities of T€3,250,000 (prior year: T€3,352,440) are exposed to risks from interest rate fluctuations and the resulting 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 advantageous.

Interest rates on the term loan from Vodafone Investments of T€2,150,000 (prior year on the Senior Credit Facility: T€2,252,440) are based on the one 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 its term using the derivative financial instruments described in section 3.12.2.

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 the Group's liquidity the Group had unused credit line from Vodafone Investments in the amount of T€300,000 as of March 31, 2014 and unused credit lines under the Senior Credit Facility (Tranche B) amounting to T€324,030 as of March 31, 2013. 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 derivative financial instruments. 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, 2014 in T€	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Vodafone term loan	67,525	136,318	136,673	2,240,406	**2,580,922**
Senior Notes	1,178,000	0	0	0	**1,178,000**
Trade payables	296,477	245	0	0	**296,722**
Finance lease liabilities	2,801	5,332	5,186	6,824	**20,143**
Other financial liabilities	21,309	0	0	0	**21,309**
Derivatives	20,356	34,140	2,772	0	**57,268**
Total	**1,586,468**	**176,035**	**144,631**	**2,247,230**	**4,154,364**

Fiscal year ended March 31, 2013 in T€	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Senior Notes	71,500	143,000	530,000	718,958	**1,463,458**
Senior Credit Facility	83,941	164,751	1,296,826	1,091,203	**2,636,721**
Trade payables	312,616	713	25	0	**313,354**
Finance lease liabilities	2,709	5,336	4,998	9,052	**22,094**
Other financial liabilities	25,560	0	0	0	**25,560**
Derivatives	22,167	43,956	22,471	0	**88,593**
Total	**518,492**	**357,756**	**1,854,320**	**1,819,213**	**4,549,781**

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, the Vodafone Group 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 and the integration of the Group into the Vodafone Group. Accordingly the Group manages its capital structure and makes adjustments considering changes in economic conditions.

No changes were made in the objectives, policies or processes for managing capital during the fiscal years ended March 31, 2014 and 2013, respectively.

Financial Assets and Liabilities at Carrying Amount and Fair Value and Fair Value Hierarchy

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 2.6.

in T€	Category according to IAS 39	Fiscal year ended March 31, 2014 Carrying Amount	Fiscal year ended March 31, 2014 Fair Value	Fiscal year ended March 31, 2013 Carrying Amount	Fiscal year ended March 31, 2013 Fair Value
Financial assets measured at fair value through profit or loss					
Derivatives without a hedging relationship	FAHfT	0	0	9,877	9,877
Total financial assets measured at fair value through profit or loss		0	0	9,877	9,877
Financial assets measured at cost or amortized cost					
Cash and cash equivalents	LaR	334,068	334,068	609,547	609,547
Trade receivables	LaR	108,869	108,869	131,226	131,226
Other current financial assets	LaR	12,238	12,893	7,777	8,308
Total loans and receivables	LaR	455,175	455,830	748,550	749,081
Financial liabilities measured at cost or amortized cost					
Current financial liabilities	FLAC	1,164,454	1,164,454	14,888	14,888
Trade payables	FLAC	296,477	296,477	312,616	312,616
Other financial liabilities	FLAC	21,309	43,009	31,352	58,719
Senior Notes	FLAC	1,142,339	1,151,790	1,102,413	1,172,370
Term loan	FLAC	2,150,000	2,150,000	0	0
Senior Credit Facility	FLAC	0	0	2,309,412	2,309,412
Total financial liabilities measured at cost or amortized cost		4,774,579	4,805,730	3,770,681	3,868,005
Other current liabilities					
Finance lease liabilities	-	1,074	2,367	900	1,916
Other non-current liabilities					
Finance lease liabilities	-	10,013	15,537	10,511	16,203
Financial liabilities measured at fair value through profit or loss					
Derivatives without a hedging relationship	FLHfT	0	0	17,115	17,115
Derivatives in a hedging relationship	-	53,498	53,498	58,156	58,156
Total financial liabilities measured at fair value through profit or loss		53,498	53,498	75,271	75,271

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

The carrying amounts of the Group's cash and cash equivalents, trade receivables and payables, short-term loans, as well as other current liabilities, in view of their short terms as of March 31, 2014 and March 31, 2013, are effectively equal to their fair values as they have interest rates based on variable interest rates that change in line with the market.

The Group measured the following classes of financial instruments at fair value as of March 31, 2014 and March 31, 2013, and assigned them to the levels below in accordance with IFRS 13.

Financial instruments measured at fair value in T€	March 31, 2014	Level 1	Level 2	Level 3
Financial liabilities				
Interest Rate Swaps	53,498	0	53,498	0

Financial instruments measured at fair value in T€	March 31, 2013	Level 1	Level 2	Level 3
Financial assets				
Interest Rate Floors (purchased)	9,877	0	9,877	0
Financial liabilities				
Embedded Interest Rate Floor (sold)	17,115	0	17,115	0
Currency Swaps	(8,464)	0	(8,464)	0
Interest Rate Swaps	66,620	0	66,620	0

No transfers took place between the fair value levels in the fiscal years ended March 31, 2014 and March 31, 2013.

The interest rate swaps are measured at the net present values of the future payments and using standard discounted cash flow models and based on observable interest rates, forward yield curves and discount yield curves. The cross currency swaps are also measured at the net present values of the future payments and using standard discounted cash flow models and based on observable exchange rates, the yield curves of the respective currencies as well as the currency basis spread between the respective currencies. The interest rate floors are measured using the Black-Scholes model and based on observable interest rates, forward yield curves, discount yield curves and market volatilities.

In the case of financial assets, the counterparty credit risk and in the case of financial liabilities the Company's own credit risk have also been included.

The Group had indicated the fair value for the following classes in the Notes as of March 31, 2014 and March 31, 2013, and assigned them to the levels below in accordance with IFRS 13:

Assets and liabilities for which the fair value is disclosed in the notes in T€	March 31, 2014	Level 1	Level 2	Level 3
other current financial assets	12,893	0	0	12,893
other financial liabilities	43,009	0	0	43,009
Senior Notes	1,151,790	0	1,151,790	0

Assets and Liabilities for which the fair value is disclosed in the notes in T€	March 31, 2013	Level 1	Level 2	Level 3
other current financial assets	8,308	0	0	8,308
other financial liabilities	58,719	0	0	58,719
Senior Notes	1,172,370	0	1,172,370	0

Using a discounted cash flow analysis based on the current lending rate for an identical loan term, the fair value of the Group's Senior Notes 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 estimate procedures may therefore significantly influence the fair value estimate.

Liabilities to non-controlling interests were measured using the discounted cashflow model. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows beyond the detailed planning horizon are extrapolated using a growth rate of 1% (prior year: 1%) for the fiscal year ended March 31, 2021. The key assumptions used by management are based primarily on internal sources and in particular reflect past experience regarding, among others: development of revenue, subscriber 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 key figures would have an impact on the fair values.

The fair value of the obligations to the silent partners of KCB and KCW was calculated using observable inputs based on the repayment of part of the obligations in the fiscal year ended March 31, 2014.

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, 2014	2013
Loans and receivables	(23,963)	(20,024)
Financial assets and liabilities at fair value through profit or loss (held for trading)	13,520	(2,466)
Financial liabilities measured at amortized cost	(81,754)	(10,630)
Net gains or losses	**(92,197)**	**(33,120)**

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 or losses on financial assets and liabilities at fair value through profit or loss include the effects from the fair value measurement of derivative financial instruments that are not part of a hedge accounting relationship. For the fiscal year ended March 31, 2014, the derivative financial instruments consisted solely of interest floors that were repaid in the fiscal year ended March 31, 2014.

Net losses on financial liabilities measured at amortized cost include effects from early settlement.

Sensitivity Analysis

The Group is aware that changes in certain risk variables, such as the interest 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) on KDH's term loan from Vodafone Investments. The table below shows the negative/positive effects on the statement of income for the period and equity due to what was considered to be an adequate potential increase/decrease in the base interest rate of 10, 20, 50 or 100 basis points:

Risk Variables	Change of Risk Variables [1] bps	Change in Value March 31, 2014 T€	Impact on (Profit) or Loss April 1, 2013 - March 31, 2014 T€	Impact on Equity April 1, 2013 - March 31, 2014 T€
EURIBOR	(20)	(9,604)	(4,324)	(5,280)
EURIBOR	(10)	(4,899)	(2,180)	(2,719)
EURIBOR	10	4,834	2,125	2,708
EURIBOR	20	9,598	4,193	5,405
EURIBOR	50	23,448	10,020	13,429
EURIBOR	100	45,013	18,431	26,582

1) As of the reporting date March 31, 2014, the EURIBOR interest level was at approximately 22 basis points.

The fixed rate Senior Notes are measured at amortized cost so that changes in interest rates did not affect the statement of income for the period.

5.7 GROUP COMPANIES

Fully consolidated companies (IFRS 3)		Registered Office	Share-holding in %
1	Kabel Deutschland Holding AG	Unterfoehring	
2	Kabel Deutschland Holding Erste Beteiligungs GmbH	Unterfoehring	100.00
3	Kabel Deutschland Holding Zweite Beteiligungs GmbH	Unterfoehring	100.00
4	Kabel Deutschland Vertrieb und Service GmbH [2]	Unterfoehring	100.00
5	Kabel Deutschland Kundenbetreuung GmbH [2]	Unterfoehring	100.00
6	TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00
7	TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG [1]	Kaiserslautern	100.00
8	Kabel Deutschland Field Services GmbH [2]	Nuremberg	100.00
9	"Urbana Teleunion" Rostock GmbH & Co. KG [1]	Rostock	70.00
10	Verwaltung "Urbana Teleunion" Rostock GmbH	Rostock	50.00
11	KABELCOM Braunschweig Gesellschaft für Breitbandkabel- Kommunikation mit beschränkter Haftung	Braunschweig	100.00
12	KABELCOM Wolfsburg Gesellschaft für Breitbandkabel- Kommunikation mit beschränkter Haftung	Wolfsburg	100.00
13	Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00
14	Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00
15	Kabel Deutschland Sechste Beteiligungs GmbH	Unterfoehring	100.00
16	Kabel Deutschland Siebte Beteiligungs GmbH	Unterfoehring	100.00
17	Kabel Deutschland Achte Beteiligungs GmbH	Unterfoehring	100.00
18	Kabel Deutschland Neunte Beteiligungs GmbH	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, 2014.

[2] These companies apply Section 264 para. 3 HGB and are therefore released from the preparation, audit and publication of annual financial statements as of March 31, 2014.

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

5.8 MANAGEMENT AND SUPERVISORY BOARD

Management Board

The Management Board of the Group comprised or comprises the following members:

Name / Position	Member of Supervisory Boards or similar supervisory bodies
Dr. Adrian v. Hammerstein **Chairman of the Management Board** Chief Executive Officer (until March 31, 2014)	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 Member of the Board of Directors of Cable Television Laboratories Inc. (Cable Labs)
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer (until March 31, 2014; from April 1, 2014 Chief Executive Officer)	Vice President of Cable Europe (European Cable Communications Association)
Erik Adams Chief Marketing Officer	None
Gerhard Mack Chief Operating Officer (from April 1, 2014)	None
Dr. Andreas Siemen Chief Financial Officer	None

Supervisory Board

The Supervisory Board of the Group was composed of the following members during the fiscal year ended March 31, 2014:

Name / Position	Member of other Supervisory Boards or similar supervisory bodies
Representatives of the Shareholders:	
Philipp Humm **Chairman of the Supervisory Board** (since November 1, 2013) Chairman of the Managing Directors of the European Region of Vodafone Group Plc	Chairman of the Supervisory Board of Vodafone GmbH Chairman of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Annet Aris 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
Dirk Banard (since November 1, 2013) Member of the Management of Vodafone GmbH	Member of the Supervisory Board of Vodafone Vierte Verwaltungs AG

Name / Position	Member of other Supervisory Boards or similar supervisory bodies
Dr. Thomas Nowak (since November 1, 2013) Member of the Management of Vodafone GmbH	Member of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Karsten Pradel (since November 1, 2013) Managing Director of the European Region of Vodafone Group Plc	Member of the Supervisory Board of Vodafone GmbH
Jens Schulte-Bockum (since November 1, 2013) Chairman of the Management of Vodafone GmbH	Member of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Tony Ball **Chairman of the Supervisory Board** (until October 31, 2013) Entrepreneur	Non-executive board director of ONO SA Non-executive board director of British Telecom Group PLC Chairman of advisory counsel of Portland PR
Catherine Mühlemann (until October 31, 2013) Entrepreneur in Media	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 (until October 31, 2013) Chief Executive Officer 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. Board member of London 2017 Limited
Paul Stodden (until October 31, 2013) Managing Partner of Antevorte Performance Management GmbH & Co. KG	
Torsten Winkler (until October 31, 2013) Partner of Vitruvian Partners LLP	
Representatives of the Employees:	
Joachim Pütz **Deputy Chairman of the Supervisory Board** Secretary of the Workers Union at the ver.di-Bundesverwaltung	
Susanne Aichinger Chairman of the Workers' Council of the Group	
Petra Ganser Secretary of the Workers Union at the ver.di-Bundesverwaltung	Member of the Supervisory Board of Trenkwalder Personaldienste GmbH

Name / Position	Member of other Supervisory Boards or similar supervisory bodies
Irena Gruhne Chairman of the General Workers' Council of KDK	
Ronald Hofschläger Employee of KDVS GmbH (Project Planning Inhouse-Networks)	
Florian Landgraf Executive employee (Director Cable TV, Content & Productmanagement)	

5.9 OTHER MANDATORY DISCLOSURES ACCORDING TO GERMAN COMMERCIAL CODE

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 KDH 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).

Unterfoehring, May 7, 2014

Kabel Deutschland Holding AG

Dr. Manuel Cubero del Castillo-Olivares
Chief Executive Officer

Erik Adams
Chief Marketing Officer

Gerhard Mack
Chief Operating Officer

Dr. Andreas Siemen
Chief Financial Officer

Analysis of Fixed Assets for the Period from April 1, 2013 to March 31, 2014													
	Acquisition and production costs						Accumulated depreciation and amortization						Net book value
in T€	April 1, 2013	Acquisitions	Additions	Disposals	Reclassifications	March 31, 2014	April 1, 2013	Additions	Disposals	Reclassifications	Change in equity investments in associates	March 31, 2014	March 31, 2014
I. Intangible assets													
1. Software and licences and other contractual and legal rights	533,761	0	100,530	8	12,920	647,202	316,111	62,466	5	0	0	378,572	268,630
2. Internally generated software	46,515	0	8,930	0	0	55,445	27,681	7,033	0	0	0	34,714	20,731
3. Customer list	271,327	3,551	0	11,103	0	263,775	169,894	35,056	11,103	0	0	193,848	69,927
4. Goodwill	287,274	0	0	0	0	287,274	0	0	0	0	0	0	287,274
5. Intangible assets under development and prepayments	16,180	0	15,852	0	(12,920)	19,113	0	0	0	0	0	0	19,113
	1,155,057	3,551	125,311	11,111	0	1,272,808	513,686	104,555	11,107	0	0	607,133	665,674
II. Property and equipment													
1. Buildings on non-owned land	43,394	0	9,665	320	5,163	57,902	19,288	5,904	219	(62)	0	24,911	32,990
2. Technical equipment	3,077,176	1,071	311,370	47,544	56,961	3,399,034	1,915,129	285,077	41,520	19	0	2,158,705	1,240,329
3. Other equipment, furniture and fixtures	102,185	0	19,558	3,596	2,756	120,903	76,574	12,066	3,544	43	0	85,139	35,764
4. Construction in progress	97,100	0	115,036	0	(64,879)	147,257	0	0	0	0	0	0	147,257
	3,319,855	1,071	455,629	51,460	0	3,725,096	2,010,991	303,047	45,283	0	0	2,268,756	1,456,340
III. Financial assets													
Equity investments in associates	1,801	0	0	0	0	1,801	(5,916)	0	0	0	(2,576)	(8,492)	10,293
	1,801	0	0	0	0	1,801	(5,916)	0	0	0	(2,576)	(8,492)	10,293
	4,476,713	**4,622**	**580,941**	**62,571**	**0**	**4,999,704**	**2,518,761**	**407,602**	**56,391**	**0**	**(2,576)**	**2,867,396**	**2,132,308**

in T€	Analysis of Fixed Assets for the Period from April 1, 2012 to March 31, 2013											
	Acquisition and production costs					Accumulated depreciation and amortization						Net book value
	April 1, 2012	Additions	Disposals	Reclassifications	March 31, 2013	April 1, 2012	Additions	Disposals	Reclassifications	Change in equity investments in associates	March 31, 2013	March 31, 2013
I. Intangible assets												
1. Software and licences and other contractual and legal rights	533,282	82,957	89,947	7,469	533,761	354,755	51,302	89,946	0	0	316,111	217,650
2. Internally generated software	37,551	8,964	0	0	46,515	22,548	5,133	0	0	0	27,681	18,834
3. Customer list	274,809	0	3,483	0	271,327	137,316	36,061	3,483	0	0	169,894	101,432
4. Goodwill	287,274	0	0	0	287,274	0	0	0	0	0	0	287,274
5. Prepayments	12,071	11,579	0	(7,469)	16,180	0	0	0	0	0	0	16,180
	1,144,987	103,499	93,429	0	1,155,057	514,619	92,496	93,429	0	0	513,686	641,371
II. Property and equipment												
1. Buildings on non-owned land	33,301	6,798	93	3,388	43,394	14,731	4,614	83	27	0	19,288	24,105
2. Technical equipment	2,854,058	291,753	95,974	27,339	3,077,176	1,754,019	253,297	92,192	6	0	1,915,129	1,162,048
3. Other equipment, furniture and fixtures	91,276	12,457	1,587	40	102,185	67,520	10,524	1,437	(33)	0	76,574	25,611
4. Construction in progress	55,653	72,217	2	(30,767)	97,100	0	0	0	0	0	0	97,100
	3,034,287	383,225	97,657	0	3,319,855	1,836,270	268,434	93,712	0	0	2,010,991	1,308,864
III. Financial assets												
Equity investments in associates	1,801	0	0	0	1,801	(6,322)	0	0	0	406	(5,916)	7,717
	1,801	0	0	0	1,801	(6,322)	0	0	0	406	(5,916)	7,717
	4,181,075	**486,724**	**191,086**	**0**	**4,476,713**	**2,344,566**	**360,930**	**187,142**	**0**	**406**	**2,518,761**	**1,957,952**

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, which is combined with the management report of Kabel Deutschland Holding AG, 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 7, 2014

Dr. Manuel Cubero del Castillo-Olivares
Chief Executive Officer

Erik Adams
Chief Marketing Officer

Gerhard Mack
Chief Operating 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, Unterföhring, comprising the consolidated statement of financial position, the consolidated statement of income, 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, which is combined with the management report of Kabel Deutschland Holding AG, for the fiscal year from April 1, 2013 to March 31, 2014. 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 7, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]	*[signed]*
Dahmen	Christ
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Kabel Deutschland Holding AG
Unterfoehring

Annual Financial Statements

for the Fiscal Year Ended March 31, 2014

Kabel Deutschland Holding AG, Unterfoehring
Balance Sheet as of March 31, 2014

Assets	€	March 31, 2014 €	March 31, 2013 T€
A. Fixed Assets			
Financial Assets			
1. Investments in Affiliates	1,515,548,000.00		1,515,498
2. Loans to Affiliates	400,000,000.00		400,000
		1,915,548,000.00	1,915,498
B. Current Assets			
I. Receivables and Other Assets			
1. Receivables from Affiliates	571,286,972.25		230,982
2. Other Assets	0.00		3
		571,286,972.25	230,984
II. Cash on Hand and Bank Balances		596,882.43	5,100
		571,883,854.68	236,085
C. Prepaid Expenses		188,969.55	158
D. Deferred Tax Assets		0.00	132,938
		2,487,620,824.23	**2,284,679**

Equity and Liabilities	€	March 31, 2014 €	March 31, 2013 T€
A. Equity			
I. Subscribed Capital		88,522,939.00	88,523
II. Capital Reserves		376,638,006.06	376,638
III. Legal and Other Reserves			
1. Legal Reserve	8,852,293.90		8,852
2. Other Reserves	7,118,091.53		7,118
		15,970,385.43	15,970
IV. Accumulated Loss / Profit		(210,958,802.44)	221,307
		270,172,528.05	702,439
B. Provisions			
1. Provisions for Pensions	2,205,883.96		1,965
2. Tax Provisions	91,191,255.00		0
3. Other Provisions	14,314,182.22		47,950
		107,711,321.18	49,915
C. Liabilities			
1. Bonds	400,000,000.00		400,000
2. Trade Payables	67,141.40		56
3. Liabilities to Affiliates	1,225,138,559.28		1,121,951
4. Other Liabilities	65,740,745.32		10,319
thereof for Taxes €7,021,183.95 (prior year: T€10,318)			
		1,690,946,446.00	1,532,325
D. Deferred Tax Liabilities		418,790,529.00	0
		2,487,620,824.23	**2,284,679**

Kabel Deutschland Holding AG, Unterfoehring
Statement of Income
for the Period from April 1, 2013 to March 31, 2014

		April 1, 2013 - March 31, 2014	April 1, 2012 - March 31, 2013
	€	€	T€
1. Revenues	3,117,000.00		14,448
2. Other Operating Income	209,442.56		25
		3,326,442.56	14,473
3. Personnel Expenses			
a) Wages and Salaries	(29,335,557.31)		(29,305)
b) Social Security and Pension Costs thereof for old-age pensions €203,996.65 (prior year: T€216)	(290,111.96)		(304)
4. Other Operating Expenses	(31,864,564.64)		(5,351)
		(61,490,233.91)	(34,960)
5. Income from Equity Investments thereof from affiliates €0.00 (prior year: T€200,000)	0.00		200,000
6. Income from Loans classified as Financial Assets thereof from affiliates €26,000,000.00 (prior year: T€0)	26,000,000.00		0
7. Income from Profit and Loss Transfer Agreements	543,875,119.65		0
8. Interest and Similar Income thereof from affiliates €0.00 (prior year: T€20,222)	139,394.38		20,222
9. Expenses from Loss Absorption	(4,388.60)		0
10. Interest and Similar Expenses thereof to affiliates €53,733,894.19 (prior year: T€64,961) thereof to accumulation €124,530.96 (prior year: T€104)	(79,865,929.15)		(97,613)
		490,144,196.28	122,609
11. Result from Ordinary Business Activities		431,980,404.93	102,122
12. Income Taxes thereof expenses from changes in recognized deferred taxes €551,728,256.72 (prior year: T€132,940)	(642,938,893.48)		132,940
13. Other Taxes	(313.89)		0
		(642,939,207.37)	132,940
14. Net Loss / Profit for the Year		(210,958,802.44)	235,062
15. Accumulated Profit of the Prior Year Dividend Distribution to Shareholders	221,307,347.50 (221,307,347.50)		135,000 (132,784)
Accumulated Profit Brought Forward		0.00	2,216
16. Contribution to Legal Reserve		0.00	(8,852)
17. Contribution to Other Reserves		0.00	(7,118)
18. Accumulated Loss / Profit		(210,958,802.44)	221,307

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR KABEL DEUTSCHLAND HOLDING AG AS OF MARCH 31, 2014

1. GENERAL

1.1 TAKEOVER BY VODAFONE

Kabel Deutschland Holding AG ("KDH AG" or the "Company"; together with its subsidiaries "KDH" or the "Group"), is the ultimate management and holding company of the Group and has its registered office in Unterfoehring, Betastrasse 6 - 8. KDH AG is listed in the regulated market (Prime Standard) of the Frankfurt Stock Exchange under ISIN DE000KD88880. The share capital totals €88,522,939 and is divided into 88,522,939 shares. Of these shares, on March 31, 2014 Vodafone Vierte Verwaltungs AG ("Vodafone") held 67,780,374 shares, which corresponded to 76.57% of the share capital and the voting rights. The takeover of the majority shareholding by Vodafone was completed on October 14, 2013. Since then, the Group has been part of the Vodafone Group Plc Group.

On December 20, 2013, Vodafone and KDH AG entered into a domination and profit and loss transfer agreement ("DPLTA"). The extraordinary General Shareholders' Meeting of KDH AG approved the DPLTA on February 13, 2014. Because of its entry in the commercial register responsible for KDH AG on March 13, 2014, the DPLTA became effective on April 1, 2014. Since then, KDH AG has been controlled by Vodafone. In the DPLTA, the outstanding shareholders were guaranteed annual cash compensation ("Barausgleich") and a cash settlement ("Barabfindung"). For more information about the takeover by Vodafone and the DPLTA, please see section 1.2 of the Combined Management Report as of March 31, 2014.

1.2 BASIS OF PREPARATION

These annual financial statements of KDH AG 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 unchanged 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 are stated at acquisition cost. Loans to affiliates are also stated at acquisition cost, which is the amount paid (nominal value). 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 expenses for a certain period after this reporting date.

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, as well as the tax loss carryforwards usable within the next five years, using the tax rates that are specific to the Company.

Deferred tax assets and liabilities are in general disclosed net. Exercising the option provided for by Section 274 para. 1 sentence 2 HGB, any surplus of deferred tax assets over deferred tax liabilities is recognized as a deferred tax asset. In this case, distribution is restricted in accordance with Section 268 para. 8 HGB.

Since April 1, 2013, there is a consolidated tax group for both corporate and trade tax purposes in place between subsidiary Kabel Deutschland Vertrieb und Service GmbH ("KDVS GmbH") and controlling company KDH AG. Therefore, deferred tax assets and liabilities assessed at KDVS GmbH level are recognized at KDH AG as of March 31, 2014.

Since April 1, 2014, there is a consolidated tax group for both corporate and trade tax purposes in place between subsidiary KDH AG and controlling company Vodafone. Due to a tax sharing agreement, the tax charge or credit is apportioned in full to the subsidiary company. Therefore, the option is taken to recognize the deferred taxes in the financial statements of KDH AG.

In addition, consolidated tax groups for both corporate and trade tax purposes are in place between subsidiaries Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH and controlling company KDH AG. As of March 31, 2014, no deferred tax assets or liabilities had to be recognized from those.

2.5 PROVISIONS FOR PENSIONS

Provisions for pensions are recognized according to actuarial principles, based on the use of the projected unit credit method ("PUC method"). Salary and pension increases expected in the future are taken into account when determining the present value of direct benefits. The average market interest rate for a remaining term of 15 years, published by Deutsche Bundesbank at the time, is used as a flat rate for discounting purposes. Pensions are calculated using the Heubeck 2005 G guidelines.

2.6 OTHER PROVISIONS

Other provisions are recognized at the required amount repayable 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 fiscal years, as set and published by Deutsche Bundesbank.

2.7 SHARE-BASED PAYMENTS

During the fiscal year ended March 31, 2014, KDH AG 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"). 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 issued in the context of LTIP II, 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 based on 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.

In the event of unusual developments that impact the KDH AG share price, the Supervisory Board of KDH AG may limit the number of virtual performance shares and of virtual stock options subject to payout. The share price increase in connection with the takeover by Vodafone was such an unusual development in relation to the KDH AG share price. Therefore, the number of virtual performance shares and of virtual stock options that are subject to payout or can be exercised for the first time as of April 1, 2014 granted to members of the Management Board were limited such that, as of March 31, 2014, they were value-equivalent to the KDH AG shares valued at the acquisition price of €84.50 per share (as fixed in the takeover offer). The basis for the valuation of the virtual performance shares subject to payout at the earliest on April 1, 2015 is limited until further notice, based on a declaration of the Supervisory Board, value-equivalent to the acquisition price of €84.50.

2.8 LIABILITIES

Liabilities are recognized at their amount repayable. All financing costs relating to the issuing of bonds are expensed in the statement of income as incurred.

3. NOTES TO THE BALANCE SHEET

3.1 FINANCIAL ASSETS

As of March 31, 2014, the financial assets of KDH AG amounting to T€1,915,548 (prior year: T€1,915,498) comprise unchanged its 100% equity investment in KDVS GmbH in the amount of T€1,515,498 as well as the loan granted to KDVS GmbH in the amount of T€400,000. The proceeds from the 2017 Senior Notes, which have been issued by the Company in June 2012 (see section 3.6.1), were passed on to KDVS GmbH in equal amount by this loan.

The addition in the amount of T€50 is due to the 100% equity investments in the newly established companies Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH.

The shareholdings of KDH AG are presented in the following table:

	A. Direct holdings Name of company	Registered Office	Share-holding in %	Equity T€	Net profit / net loss for the year T€
1.	Kabel Deutschland Vertrieb und Service GmbH [2]	Unterfoehring	100.00	43,081	0
2.	Kabel Deutschland Holding Erste Beteiligungs GmbH [2]	Unterfoehring	100.00	25	0
3.	Kabel Deutschland Holding Zweite Beteiligungs GmbH [2]	Unterfoehring	100.00	25	0
	B. Indirect holdings Name of company	**Registered Office**	**Indirect holdings in %**	**Equity T€**	**Net profit / net loss for the year T€**
1.	TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG	Kaiserslautern	100.00	40,965	(167)
2.	TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00	123	10
3.	Kabel Deutschland Field Services GmbH [2]	Nuremberg	100.00	958	0
4.	Kabel Deutschland Kundenbetreuung GmbH [2]	Unterfoehring	100.00	532	0
5.	"Urbana Teleunion" Rostock GmbH & Co. KG	Rostock	70.00	8,508	5,951
6.	Verwaltung "Urbana Teleunion" Rostock GmbH	Rostock	50.00	47	2
7.	KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Braunschweig	100.00	2,405	445
8.	KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Wolfsburg	100.00	1,532	359
9.	Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	310	2
10.	Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	20	1
11.	Kabel Deutschland Sechste Beteiligungs GmbH [2]	Unterfoehring	100.00	13	0
12.	Kabel Deutschland Siebte Beteiligungs GmbH [2]	Unterfoehring	100.00	13	0
13.	Kabel Deutschland Achte Beteiligungs GmbH	Unterfoehring	100.00	11	0
14.	Kabel Deutschland Neunte Beteiligungs GmbH	Unterfoehring	100.00	11	0
15.	Kabelfernsehen München Servicenter GmbH & Co. KG [1]	Munich	30.22	24,754	9,931
16.	Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung – Beteiligungsgesellschaft [1]	Munich	24.00	4,585	1,192

Unless otherwise stated the fiscal year is from April 1, 2013 to March 31, 2014.

1) Fiscal year from January 1, 2012 to December 31, 2012

2) This companies transferred their profit or loss due to a DPLTA or a profit and loss transfer agreement.

As of March 31, 2014, the equity of KDVS GmbH amounted to T€43,081 (prior year: T€43,081) and the net profit for the year to T€0 (prior year: T€1,139). Due to the profit and loss transfer agreement effective since April 1, 2013 between KDH AG and KDVS GmbH, KDVS GmbH must transfer its net profit in full to KDH AG. Therefore, there were no changes in the equity of KDVS GmbH.

Furthermore, during the fiscal year ended March 31, 2014, DPLTAs have been concluded between KDH AG as the controlling company and Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH, effective as of April 1, 2013 respectively. As a result of the loss compensation obligation, the losses of the two companies are offset by KDH AG.

In order to verify 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 "Principles for the Performance of 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, according to the business plan used for the valuation report which was a basis to the DPLTA, a detailed planning phase covering a period of a total of five years based on the budget for fiscal year 2014/2015 and another five-year calculation period and a subsequent calculation with a perpetual annuity.

Based on the calculation of equity described above, the recoverability of the equity value in the balance sheet of KDH AG, recognized at T€1,515,498 as of March 31, 2014, was confirmed. In addition, the stock market valuation of KDH AG indirectly provided a fair value indicator for the equity investment in KDVS GmbH.

3.2 RECEIVABLES FROM AFFILIATES

Receivables from affiliates comprised the following:

in T€	Fiscal year ended March 31, 2014	March 31,2013
Receivables from KDVS GmbH	570,976	230,477
Receivables from other affiliated companies	311	504
Receivables from affiliates	**571,287**	**230,982**

Receivables from KDVS GmbH resulted from the profit transfer in the amount of T€543,875 (prior year: advance distribution of T€200,000), from VAT consolidation in the amount of T€9,961 (prior year: T€13,940), from receivables for strategic development, consulting and services, among others in connection with financing activities, totaling T€12,807 (prior year: T€12,204) as well as interest receivables related to the loan to KDVS GmbH (see section 3.1) amounting to T€4,333 (prior year: T€4,333).

Receivables from other affiliated companies amounted to T€311 (prior year: T€504) and consisted of VAT in connection with VAT consolidations with KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung and KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung, and of Group services provided for Kabel Deutschland Kundenbetreuung GmbH.

All receivables from affiliated companies have a remaining term of less than one year.

3.3 DEFERRED TAX ASSETS AND LIABILITIES

As of March 31, 2014, deferred tax liabilities of T€418,791 had been recognized. These resulted mainly from divergences between the commercial balance sheet and the tax balance sheet for the fiscal year ended March 31, 2014 in relation to intangible assets of KDVS GmbH. These deferred tax liabilities were recognized at KDH AG level on the basis of the income tax consolidation with KDVS GmbH effective since April 1, 2013.

In the previous year, deferred tax assets of T€132,938 were mainly attributable to the capitalization of deferred taxes from existing corporate income tax and trade tax loss carryforwards and interest carryforwards of KDH AG. Due to the takeover by Vodafone, the deferred tax assets were amortized as these tax loss carryforwards can presumably no longer be used for tax reduction.

Deferred taxes were valued at a combined tax rate of 29.6% (prior year: 27.4%).

3.4 SHAREHOLDERS' EQUITY

In the past fiscal year, changes in equity were as follows:

	Subscribed Capital		Capital reserves	Legal and other reserves	Accumulated profit / (loss)	Total Equity
	thousand shares	in T€	in T€	in T€	in T€	in T€
Balance as of March 31, 2013	88,523	88,523	376,638	15,970	221,307	702,439
Dividend distribution to shareholders					(221,307)	(221,307)
Net loss for the year					(210,959)	(210,959)
Balance as of March 31, 2014	**88,523**	**88,523**	**376,638**	**15,970**	**(210,959)**	**270,173**

3.4.1 Subscribed Capital

The subscribed capital of KDH AG remained unchanged at T€88,523 as of March 31, 2014 and 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 General Shareholders' Meeting.

Authorized Capital and Contingent Capital

As of March 31, 2014 KDH AG had 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 a shareholders' 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 General 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 General 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 General 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.

3.4.2 Capital, Legal and Other Reserves

The capital reserve remains unchanged from the previous year at T€376,638 and consists of an unrestricted capital reserve pursuant to Section 272 para. 2 no. 4 HGB of T€375,161 and a restricted capital reserve pursuant to Section 237 para. 5 AktG of T€1,477.

The legal reserve of T€8,852 corresponds to 10% of the share capital and is unchanged from the prior year, same as the other reserves in the amount of T€7,118.

3.4.3 Accumulated Profit/Loss

As of March 31, 2014, the accumulated loss amounted to T€210,959 (prior year: accumulated profit of T€221,307) and resulted from the net loss of T€210,959.

On October 11, 2013, there was a dividend distribution of T€221,307, as the Company's shareholders approved the proposed dividend of €2.50 per share for the fiscal year ended March 31, 2013 at the General Shareholders' Meeting on October 10, 2013.

3.5 PROVISIONS

In the fiscal year ended March 31, 2014, provisions developed as follows:

in T€	Balance as of April 1, 2013	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2014
Provisions for pensions	**1,965**	**0**	**0**	**117**	**125**	**2,206**
Trade tax	0	0	0	46,309	0	46,309
Corporate income tax	0	0	0	44,882	0	44,882
Tax provisions	**0**	**0**	**0**	**91,191**	**0**	**91,191**
Personnel expenses	42,054	35,212	0	2,095	0	8,936
Interest expenses	4,333	4,333	0	4,333	0	4,333
Consulting fees	914	714	144	634	0	690
Supervisory Board compensation	370	304	60	226	0	232
Annual financial statement fees	279	279	0	122	0	122
Other provisions	**47,950**	**40,843**	**204**	**7,411**	**0**	**14,314**
Provisions	**49,915**	**40,843**	**204**	**98,719**	**125**	**107,711**

3.5.1 Provisions for Pensions

Provisions for pensions include pension obligations of the Company toward its employees. These obligations were calculated according to the principles described in section 2.5 and on the basis of the parameters listed below:

- Average market interest rate of 4.85% p.a. (prior year: 5.02% p.a.) for a term of 15 years, published by Deutsche Bundesbank;
- Increases in salaries (income dynamics) of 2.80% p.a. for pay-scale and non-pay-scale employees (prior year: 3.25% p.a.);
- Pension increase of 1.80% p.a. (prior year: 1.50% p.a.);
- Mortality tables according to Dr. Klaus Heubeck "Guidelines 2005 G" (unchanged from prior year).

In addition, age- and gender-dependent turnover probabilities have been applied, whose average is 6.0% (prior year: average turnover rate in the amount of 6.10%).

3.5.2 Tax Provisions

Tax provisions amounted to T€91,191 (previous year: €0) and included income tax for the fiscal year ended March 31, 2014 that have not yet been assessed. Tax provisions were recognized as the tax loss carryforwards can presumably no longer be used for tax reduction due to the takeover by Vodafone.

3.5.3 Other Provisions

The provision for personnel expenses in the total amount of T€8,936 (prior year: T€42,054) primarily included long-term provisions for share-based payment expenses related to the LTIP in the amount of T€6,778 (prior year: T€40,253). The decrease of the provision for personnel expenses was mainly due to the disclosure of the short-term obligations for LTIP, which became cash effective in April 2014, as other liabilities (see also section 3.6.3).

Provisions for interest expenses relate to interest payments for the 2017 Senior Notes (see also section 3.6.1).

3.6 LIABILITIES

Liabilities comprise the following:

in T€	Fiscal year ended March 31, 2014				Fiscal year ended March 31, 2013			
	Due			Total	Due			Total
	within 1 year	in 1-5 years	after 5 years		within 1 year	in 1-5 years	after 5 years	
Bonds	400,000	0	0	400,000	0	400,000	0	400,000
Trade payables	67	0	0	67	56	0	0	56
Liabilities to affiliates	3,302	0	1,221,836	1,225,139	3,594	194,368	923,988	1,121,951
Other liabilities	65,741	0	0	65,741	10,319	0	0	10,319
thereof for taxes	7,021	0	0	7,021	10,318	0	0	10,318
Liabilities	**469,110**	**0**	**1,221,836**	**1,690,946**	**13,969**	**594,368**	**923,988**	**1,532,325**

3.6.1 Bonds

On June 21, 2012, KDH AG issued T€400,000 of 6.5% 2017 Senior Notes due on July 31, 2017 at par. Their interest is payable on January 31 and July 31 of each year, beginning on January 31, 2013. The 2017 Senior Notes are unsecured. The proceeds from the 2017 Senior Notes were passed on to KDVS GmbH in the form of a loan.

KDH AG intends to fully settle the 2017 Senior Notes on the first possible termination date June 30, 2014. Thus, the nominal amount of T€400,000 was disclosed as "within 1 year" in the payables aging report.

3.6.2 Liabilities to Affiliates

Liabilities to affiliated companies comprise the following:

in T€	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2013
Liabilities from loans and interests to KDVS GmbH	1,221,836	1,118,357
Other liabilities to KDVS GmbH	1,396	642
Liabilities to other affiliated companies	1,906	2,952
Liabilities to affiliates	**1,225,139**	**1,121,951**

The liabilities from loans to KDVS GmbH consisted of several PIK Loans with a total volume of T€1,221,836 (prior year: T€1,118,357). This included interest of T€150,175 (prior year: T€105,743). The additional borrowing was and is used by KDH AG for the satisfaction of shareholders' dividend entitlements as well as to cover the ongoing liquidity requirements including higher consulting expenses in connection with the takeover by Vodafone.

Other liabilities to KDVS GmbH amounted to T€1,396 (prior year: T€642) as of March 31, 2014 and primarily included liabilities resulting from services provided by KDVS GmbH.

Liabilities to other affiliated companies totaling T€1,906 (prior year: T€2,952) consisted of liabilities relating to the VAT consolidations with Kabel Deutschland Kundenbetreuung GmbH as well as with Kabel Deutschland Field Services GmbH and the net losses assumed from Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH.

3.6.3 Other Liabilities

Other liabilities of T€65,741 (prior year: T€10,319) consisted in the amount of T€58,694 (prior year: T€0) of short-term obligations for share-based payment expenses related to the LTIP, which had been disclosed as other provisions before but have been reclassified due to their payment in April 2014 (see also section 3.5.3), and of VAT in the amount of T€6,936 (prior year: T€10,225).

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 STATEMENT OF INCOME

4.1 REVENUES

Revenues in the fiscal year ended March 31, 2014 amounting to T€3,117 (prior year: T€14,448) primarily resulted from consulting and services invoiced to KDVS GmbH, including strategic development and financing. The revenues were generated entirely within Germany.

The decrease in revenues of T€11,331 is due to transaction costs passed on to KDVS GmbH in the prior year, which were primarily related to the issue of the 2017 Senior Notes in June 2012 by KDH AG (also see section 3.6.1).

4.2 PERSONNEL EXPENSES

Personnel expenses amounting to T€29,626 (prior year: T€29,609) included salaries, social security costs and pension costs. In particular, share-based payment expenses based on the LTIP amounting to T€25,218 (prior year: T€25,365) were included in personnel expenses.

4.3 OTHER OPERATING EXPENSES

Other operating expenses of T€31,865 (prior year: T€5,351) primarily included consulting fees amounting to T€27,671 (prior year: T€1,074), and management fees related to the headquarter functions of KDVS GmbH amounting to T€2,697 (prior year: T€2,833).

In addition, expenses which do not relate to the accounting period amounting to T€14 (prior year: T€40) were included.

The increase in other operating expenses primarily resulted from higher expenses in connection with the takeover by Vodafone for legal advice and investment banks.

4.4 FINANCIAL RESULT

The financial result of KDH AG in the fiscal year ended March 31, 2014 was income in the amount of T€490,144 (prior year: income of T€122,609). This income was significantly influenced by income from profit transfer by KDVS GmbH amounting to T€543,875. In the prior year, there was income from equity investments resulting from the advance distribution of T€200,000 by KDVS GmbH.

In the fiscal year ended March 31, 2014, income from loans granted to KDVS GmbH has been disclosed as income from loans classified as financial assets due to their long-term nature. In the prior year, such income had been disclosed as interest and similar income. Consequently, income from loans classified as financial assets increased to T€26,000 (prior year period: T€0), while interest and similar income fell to T€139 (prior year: T€20,222).

Income mentioned above was partly offset by interest and similar expenses totaling T€79,866 (prior year: T€97,613). These consisted primarily in the amount of T€53,734 (prior year: T€64,961) of the interest on the loans granted by KDVS GmbH, and in the amount of T€26,000 (prior year: T€20,222) of interest on the 2017 Senior Notes as well as in the amount of T€0 (prior year: T€12,263) of financing and transaction costs mainly on the 2017 Senior Notes.

In addition, expenses from loss absorption amounted to T€4 (prior year: T€0).

4.5 INCOME TAXES AND DEFERRED TAXES

Income taxes consisted of current tax expenses in the amount of T€91,211 (prior year: T€0) and a deferred tax expense of T€551,728 (prior year: deferred tax benefits of T€132,940).

The tax rate of 29.6% (prior year: 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 13.8% (prior year: 11.6%).

Income taxes for the fiscal years ended March 31, 2014 and March 31, 2013 using a combined statutory tax rate of 29.6% (prior year: 27.4%) are reconciled to the income taxes recorded in the statement of income as follows:

	Fiscal year ended	
in T€	March 31, 2014	March 31, 2013
Profit before income tax	(431,980)	(102,122)
Notional tax expense at KDH AG's statutory tax rate of 29.6% (prior year: 27.4%)	127,866	27,981
Untaxed income	0	(53,979)
Recognized tax loss carryforwards from income tax consolidation	0	(109,505)
Amortization of deferred taxes on capitalized loss carryforwards due to takeover by Vodafone	153,232	0
Non-deductible expenses	5,382	2,566
Tax effects from subsidiaries	354,551	0
Other	1,908	(3)
Income tax expense / (income) according to the statement of income	**642,939**	**(132,940)**

4.6 NET LOSS / PROFIT FOR THE YEAR

In the fiscal year ended March 31, 2014, the net loss for the year was T€210,959, the net profit of the prior year was T€235,062. The change resulted primarily from current and deferred tax expenses in connection with the possible elimination of tax loss carryforwards described above and could even not be compensated by the income from the profit transfer of KDVS GmbH.

5. OTHER NOTES

5.1 AUDITOR'S REMUNERATION

The information concerning the overall auditor's remuneration is omitted in KDH AG, since KDH AG prepares consolidated financial statements and the information on the overall remuneration is included in these consolidated financial statements.

5.2 MANAGEMENT BOARD

The Management Board of the Company consists and consisted of the following members:

Name / Position	Member of Supervisory Boards or similar supervisory bodies
Dr. Adrian v. Hammerstein **Chairman of the Management Board** Chief Executive Officer (until March 31, 2014)	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 Member of the Board of Directors of Cable Television Laboratories Inc. (Cable Labs)
Dr. Manuel Cubero del Castillo-Olivares Chief Operating Officer (until March 31, 2014; since April 1, 2014 Chief Executive Officer)	Vice President of Cable Europe (European Cable Communications Association)
Erik Adams Chief Marketing Officer	None
Gerhard Mack Chief Operating Officer (since April 1, 2014)	None
Dr. Andreas Siemen Chief Financial Officer	None

The Chief Executive Officer Dr. Adrian v. Hammerstein has resigned as Chief Executive Chairman of the Management Board of KDH AG at the end of March 31, 2014 at his own request. Dr. Manuel Cubero, former Deputy Chairman and Chief Operating Officer, was appointed as his successor effective as of April 1, 2014. Gerhard Mack, former Director of Technical Operations, was appointed to the Management Board as the new Chief Operating Officer, also effective as of April 1, 2014.

5.3 SUPERVISORY BOARD

The Supervisory Board consisted of the following members during the fiscal year ended March 31, 2014:

Name / Position	Member of other Supervisory Boards or similar supervisory bodies
Representatives of the Shareholders:	
Philipp Humm **Chairman of the Supervisory Board** (since November 1, 2013) Chairman of the Managing Directors of the European Region of Vodafone Group Plc	Chairman of the Supervisory Board of Vodafone GmbH Chairman of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Annet Aris 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
Dirk Banard (since November 1, 2013) Member of the Management of Vodafone GmbH	Member of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Dr. Thomas Nowak (since November 1, 2013) Member of the Management of Vodafone GmbH	Member of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Karsten Pradel (since November 1, 2013) Managing Director of the European Region of Vodafone Group Plc	Member of the Supervisory Board of Vodafone GmbH
Jens Schulte-Bockum (since November 1, 2013) Chairman of the Management of Vodafone GmbH	Member of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Tony Ball **Chairman of the Supervisory Board** (until October 31, 2013) Entrepreneur	Non-executive board director of ONO SA Non-executive board director of British Telecom Group PLC Chairman of advisory counsel of Portland PR
Catherine Mühlemann (until October 31, 2013) Entrepreneur in Media	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 (until October 31, 2013) Chief Executive Officer 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. Board member of London 2017 Limited

Name / Position	Member of other Supervisory Boards or similar supervisory bodies
Paul Stodden (until October 31, 2013) Managing Partner of Antevorte Performance Management GmbH & Co. KG	
Torsten Winkler (until October 31, 2013) Partner of Vitruvian Partners LLP	
Representatives of the Employees:	
Joachim Pütz **Deputy Chairman of the Supervisory Board** Secretary of the Workers Union at the ver.di-Bundesverwaltung	
Susanne Aichinger Chairman of the Workers' Council of the Group	
Petra Ganser Secretary of the Workers Union at the ver.di-Bundesverwaltung	Member of the Supervisory Board of Trenkwalder Personaldienste GmbH
Irena Gruhne Chairman of the General Workers' Council of KDK	
Ronald Hofschläger Employee of KDVS GmbH (Project Planning Inhouse-Networks)	
Florian Landgraf Executive employee (Director Cable TV, Content & Productmanagement)	

Tony Ball, the Chairman of the Supervisory Board, and additional shareholder representatives Catherine Mühlemann, Martin David Stewart, Paul Stodden and Torsten Winkler have resigned from the Supervisory Board effective as of October 31, 2013.

Upon request of the Management Board and by virtue of a court ruling on October 31, 2013, Philipp Humm, Jens Schulte-Bockum, Dirk Barnard, Dr. Thomas Nowak and Karsten Pradel were appointed to the Supervisory Board of KDH AG effective as of November 1, 2013. On December 19, 2013, Philipp Humm was elected as Chairman of the Supervisory Board.

5.4 OVERALL COMPENSATION OF BOARD MEMBERS

Management Board

In the fiscal year ended March 31, 2014, the members of the Management Board received total compensation in the amount of T€5,197 (prior year: T€4,920). This figure includes the fair value as of the grant date of the performance shares that were newly granted based on the Group's LTIP in the fiscal year ended March 31, 2014, which amounts to T€1,689 (prior year: T€1,693).

Individualized disclosures on the compensation of the Management Board can be found in the combined management report in section 9 "Compensation Report".

Former Members of the Management Board

In the fiscal year ended March 31, 2014, former members of the Management Board received no compensation (prior year: T€291).

Supervisory Board

For the fiscal year ended March 31, 2014, the total compensation to members of the Supervisory Board amounted to T€427 (prior year: T€556) and included Supervisory Board remuneration, attendance fees and associated benefits.

Additional information on the compensation system for the members of the Supervisory Board is presented in the combined management report in section 9 "Compensation Report".

5.5 EMPLOYEES

The Company had, in addition to the 4 members of the Management Board, an average of 3 employees in the period from April 1, 2013 to March 31, 2014 (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 KDH 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 Vodafone Group Plc, Newbury, Berkshire, UK, is the top-level parent, it prepares the consolidated financial statements for the largest group of companies. These consolidated financial statements are published in German in the Federal Gazette (Bundesanzeiger) and can be downloaded in English on the website www.vodafone.com.

KDH AG prepares the consolidated financial statements for the Group. The consolidated financial statements are published in the Federal Gazette and can be downloaded on the website www.kabeldeutschland.com.

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 that were reported pursuant to Section 21 para. 1 or para. 1a of the German Securities Trading Act (Wertpapierhandelsgesetz – "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 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 Section 21 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:

Vodafone

Vodafone Vierte Verwaltungs AG, Düsseldorf, Germany, reported that on November 15, 2013 its share of voting rights in KDH AG exceeded the threshold of 75% and on this date amounted to 76.57% (this corresponds to 67,780,374 voting rights). Vodafone Group Plc, Newbury, Berkshire, UK, reported that on October 14, 2013 its share of voting rights exceeded the threshold of 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% and on this date amounted to 76.57% (this corresponds to 67,780,374 voting rights). 72.30% (this corresponds to 63,998,195 voting rights) were attributable to Vodafone Group Plc in accordance with Section 22 para. 1 no. 1 WpHG via Vodafone Vierte Verwaltungs AG and the companies listed below.

The following companies each reported that on November 15, 2013 their respective share of voting rights directly and indirectly attributable to them pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG exceeded the threshold of 75% and on this date amounted to 76.57% (this corresponds to 67,780,374 voting rights):

- Vodafone Holding GmbH (now renamed Vodafone GmbH), Düsseldorf, Germany;
- Vodafone Investments Luxembourg S.à r.l., Luxembourg, Luxembourg;
- Vodafone Consolidated Holdings Limited, Newbury, Berkshire, UK;
- Vodafone Benelux Limited, Newbury, Berkshire, UK;
- Vodafone Holdings Luxembourg Limited, Newbury, Berkshire, UK;
- Vodafone 2., Newbury, Berkshire, UK;
- Vodaphone Limited, Newbury, Berkshire, UK;
- Vodafone Intermediate Enterprises Limited, Newbury, Berkshire, UK;
- Vodafone International Holdings Limited, Newbury, Berkshire, UK;
- Vodafone International Operations Limited, Newbury, Berkshire, UK; and
- Vodafone European Investments, Newbury, Berkshire, UK

Cornwall/Elliott

Cornwall (Luxembourg) S.à r.l., Luxembourg, Luxembourg, reported that on September 11, 2013 its share of voting rights in KDH AG exceeded the threshold of 10% and on this date amounted to 11.09% (this corresponds to 9,818,086 voting rights). Wolverton (Luxembourg) S.à r.l., Luxembourg, Luxembourg, reported that on September 11, 2013 its share of voting rights exceeded the threshold of 10% and on this date amounted to 11.09% (this corresponds to 9,819,086 voting rights). 11.09% (this corresponds to 9,818,086 voting rights) of these are attributable to it according to Section 22 para. 1 sentence 1 no. 1 WpHG. Maidenhead LLC, Wilmington, Delaware, USA, reported that on September 11, 2013 its share of voting rights exceeded the threshold of 10% and on this date amounted to 11.09% (this corresponds to 9,819,736 voting rights). 11.09% (this corresponds to 9,819,086 voting rights) of these are attributable to it according to Section 22 para. 1 sentence 1 no. 1 WpHG. Elliott International Limited, Grand Cayman, Cayman Islands, reported that on September 11, 2013 its share of voting rights attributable to it pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG exceeded the threshold of 10% and on this date amounted to 11.09% (this corresponds to 9,819,736 voting rights).

The following companies and persons each reported that on September 6, 2013, their share of voting rights exceeded the threshold of 10% and on this date amounted to 10.91% (this corresponds to 9,660,086 voting rights), whereby 9.61% of the voting rights (this corresponds to 8,510,086 voting rights) are attributable to them pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG and 1.30% of the voting rights (this corresponds to 1,150,000 voting rights) are attributable to them pursuant to Section 22 para. 1 sentence 1 no. 2 in conjunction with sentence 2 WpHG.

- Elliott Capital Advisors, L.P., Wilmington, Delaware, USA;
- Braxton Associates, Inc., Wilmington, Delaware, USA;
- Elliott Asset Management LLC, Wilmington, Delaware, USA; and
- Paul E. Singer, USA, to whom 10.46% of the voting rights (this corresponds to 9,257,236 voting rights) are to be attributed also pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG.

The following companies each reported that on September 6, 2013 their share of voting rights exceeded the threshold of 10% and on this date amounted to 10.46% (this corresponds to 9,257,236 voting rights).

- Elliott International Capital Advisors Inc., Wilmington, Delaware, USA, to which the voting rights are attributable pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG;
- Hambledon, Inc., Grand Cayman, Cayman Islands, to which 9.61% (this corresponds to 8,509,736 voting rights) are attributable pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG and 0.84% of the voting rights (this corresponds to 747,500 voting rights) are attributable pursuant to Section 22 para. 1 sentence 1 no. 2 in conjunction with sentence 2 WpHG; and
- Elliott International L.P., Grand Cayman, Cayman Islands, to which 9.61% (this corresponds to 8,509,736 voting rights) are attributable pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG and 0.84% of the voting rights (this corresponds to 747,500 voting rights) are attributable pursuant to Section 22 para. 1 sentence 1 no. 2 in conjunction with sentence 2 WpHG.

After the balance sheet date, Cornwall GmbH & Co. KG and Cornwall Verwaltungs GmbH, both Berlin, Germany reported that on April 16, 2014 their share of voting rights in KDH AG exceeded the thresholds of 5% and 10% and on this date amounted to 13.37% (this corresponds to 11,834,305 voting rights). The voting rights are hold by Cornwall GmbH & Co. KG and are attributable via this company to Cornwall Verwaltungs GmbH according to Section 22 para. 1 sentence 1 no. 1 WpHG.

Barclays

Barclays Plc and Barclays Bank Plc, both London, United Kingdom, reported that on August 30, 2013 their share of voting rights in KDH AG exceeded the thresholds of 3% and 5% and amounted to 5.04% (this corresponds to 4,458,817 voting rights) on that date. All voting rights are attributable to Barclays Plc pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG. 4.43% of the voting rights (this corresponds to 3,922,849 voting rights) are attributable to Barclays Bank Plc according to Section 22 para. 1 sentence 1 no. 1 WpHG.

Barclays Capital Securities Ltd, London, United Kingdom, reported that on August 30, 2013 its share of voting rights exceeded the threshold of 3% and on this date amounted to 4.43% (this corresponds to 3,922,849 voting rights).

BlackRock

BlackRock, Inc., New York, New York, USA, reported that on September 20, 2013 its share of voting rights in KDH AG fell below the threshold of 5% and on this date the voting rights that are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 4.30% (this corresponds to 3,802,477 voting rights).

BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, and BlackRock Financial Management, Inc., New York, New York, USA, reported that on September 20, 2013 their share of voting rights in KDH AG fell below the threshold of 5% and on this date the voting rights that are attributable to the two companies pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 4.21% (this corresponds to 3,725,135 voting rights), respectively.

BlackRock Advisors Holdings, Inc., New York, New York, USA, reported that on July 10, 2013 its share of voting rights fell below the threshold of 5% and on this date the voting rights that are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 4.77% (this corresponds to 4,218,229 voting rights).

BlackRock International Holdings Inc., New York, New York, USA, and BR Jersey International Holdings L.P., St. Helier, Jersey, United Kingdom, reported that on July 12, 2013 their share of voting rights in KDH AG fell below the threshold of 3% and on this date the voting rights that are attributable to each of the two companies pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 2.86% (this corresponds to 2,531,672 voting rights), respectively.

BlackRock Group Limited, London, United Kingdom, reported that on July 11, 2013 its share of voting rights fell below the threshold of 3% and on this date the voting rights that are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 2.83% (this corresponds to 2,500,786 voting rights).

BlackRock Luxembourg Holdco S.à r.l., Senningerberg, Luxembourg and BLACKROCK (Luxembourg) S.A., Senningerberg, Luxembourg, each reported that on July 2, 2013 their share of voting rights fell below the threshold of 3% and on this date the voting rights of BlackRock Luxembourg Holdco S.à r.l that are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 2.72% (this corresponds to 2,407,779 voting rights), and the voting rights of BLACKROCK (Luxembourg) S.A. that are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG amounted to 2.51% (this corresponds to 2,217,780 voting rights).

Davidson Kempner

Davidson Kempner Capital Management LLC, New York, New York, USA, and Davidson Kempner European Partners, LLP, London, United Kingdom, each reported that their share of voting rights in KDH AG fell below the threshold of 3% on October 14, 2013 and on this date amounted to 0.89% (this corresponds to 786,300 voting rights). The voting rights are attributable to Davidson Kempner Capital Management LLC pursuant to Section 22 para. 1 sentence 1 no. 6 and also pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG, and to Davidson Kempner European Partners, LLP, pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

Credit Suisse

Credit Suisse Group AG and Credit Suisse AG, both Zurich, Switzerland, each reported that on September 12, 2013 their share of voting rights in KDH AG fell below the threshold of 3% and on this date amounted to 0.36% (this corresponds to 316,874 voting rights). 0.31% of the voting rights (this corresponds to 270,139 voting rights) are attributable to the companies, respectively, pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG and 0.05% of the voting rights (this corresponds to 46,735 voting rights) of these are respectively attributable pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG.

Credit Suisse Investments (UK), Credit Suisse Investment Holdings (UK) and Credit Suisse Securities (Europe) Limited, all London, UK, each reported that their share of voting rights fell below the threshold of 3% of the voting rights on September 12, 2013 and on this date amounted to 0.31% (this corresponds to 270,139 voting rights). These are attributable to Credit Suisse Investments (UK) and Credit Suisse Investment Holdings (UK) pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG, respectively.

J.P. Morgan

J.P. Morgan Clearing Corp., Brooklyn, New York, New York, USA, reported that its share of voting rights in KDH AG fell below the threshold of 3% on September 9, 2013 and on this date amounted to 1.88% (this corresponds to 1,663,898 voting rights); they are attributable to that company pursuant to Section 22 para. 1 sentence 1 no. 5 WpHG.

J.P. Morgan Securities LLC and J.P. Morgan Broker-Dealer Holdings Inc., both New York, New York, USA, each reported that their share of voting rights fell below the threshold of 3% on September 9, 2013 and on this date amounted to 1.88% (this corresponds to 1,663,898 voting rights); they are attributable to the companies pursuant to Section 22 para. 1 sentence 1 no. 5 in conjunction with sentence 2 WpHG.

J.P. Morgan Chase & Co., New York, New York, USA, reported on March 25, 2014, that its share of voting rights in KDH AG fell below the threshold of 3% on September 9, 2013 and on this date amounted to 2.39% (this corresponds to 2,113,898 voting rights). 0.51% of the voting rights (this corresponds to 450,000 voting rights) are attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG and 1.88% of the voting rights (this corresponds to 1,663,898 voting rights) of these are attributable pursuant to Section 22 para.1 sentence 1 no. 5 in conjunction with sentence 2 WpHG.

Merrill Lynch

Merrill Lynch International, ML UK Capital Holdings, Merrill Lynch Holdings Ltd, Merrill Lynch Europe Intermediate Holdings and Merrill Lynch Europe Plc, all London, United Kingdom, and Merrill Lynch International Holdings Inc and Merrill Lynch International Incorporated, both Wilmington, Delaware, United States, each reported that their share of voting rights in KDH AG fell below the thresholds of 5% and 3% on September 5, 2013 and amounted on that date to 0% (this corresponds to 0 voting rights).

Merrill Lynch & Co., Wilmington, Delaware, United States, and the Bank of America Corporation, Charlotte, NC, United States, each reported that on September 5, 2013 their share of voting rights fell below the thresholds of 5% and 3% and on this date amounted to 0% of the voting rights (this corresponds to 1,860 voting rights) that are attributable to the two companies pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG, respectively.

Norges Bank, Norway

Norges Bank, Oslo, Norway, reported that on August 28, 2013 its share of voting rights in KDH AG fell below the threshold of 3% and on this date amounted to 2.64% (this corresponds to 2,332,846 voting rights).

In the name and on behalf of the State of Norway, the Royal Ministry of Finance of the State of Norway, Oslo, Norway, reported that the share of voting rights of the State of Norway in KDH AG fell below the threshold of 3% on August 28, 2013 and on this date amounted to 2.64% (this corresponds to 2,332,846 voting rights). The voting rights are held by Norges Bank (Central Bank of Norway). Norges Bank (Central Bank of Norway), which holds this share of voting rights, is controlled by the State of Norway, and the 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.

Artisan

On August 19, 2013, Artisan Partners Limited Partnership, Milwaukee, Wisconsin, USA, reported that on August 15, 2013 its share of voting rights in KDH AG fell below the threshold of 3% and on this date amounted to 2.99% (this corresponds to 2,647,315 voting rights). The voting rights are attributable to that company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

On August 19, 2013, the companies and persons listed below, all Milwaukee, Wisconsin, USA, notified KDH AG that their share of voting rights fell below the threshold of 3% on August 15, 2013. On this date the voting rights to be attributed to each of the following companies and persons pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentences 2 and 3 WpHG amounted to 2.99% (this corresponds to 2,647,315 voting rights), respectively:

- Artisan Investments GP LLC
- Artisan Partners Holdings LP
- Artisan Partners Asset Management Inc.
- Artisan Investment Corporation
- ZFIC, Inc.
- Andrew A. Ziegler
- Carlene M. Ziegler

On August 6, 2013, Artisan Partners Funds, Inc., Milwaukee, Wisconsin, USA, reported that on August 2, 2013 its share of voting rights in KDH AG fell below the threshold of 3% and on this date amounted to 2.98% (this corresponds to 2,636,909 voting rights).

Ameriprise, Threadneedle

The following companies each reported that on August 5, 2013, their share of voting rights in KDH AG fell below the threshold of 3%. On that date, the voting rights of Ameriprise Financial, Inc., Minneapolis, Minnesota, USA, attributable to the company pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with 2 WpHG, amounted to 0.04% (this corresponds to 33,379 voting rights) and the voting rights of Threadneedle Asset Management Limited, London, United Kingdom, Threadneedle Asset Management Holdings Limited, London, United Kingdom and Threadneedle Asset Management Holdings SARL, Luxembourg, Luxembourg each amounted to 0% (this corresponds to 0 voting rights).

Scout Capital Management, L.L.C.

On June 20, 2013, Scout Capital Management, L.L.C., New York, New York, USA, reported that its share of voting rights in KDH AG fell below the threshold of 3% on June 17, 2013 and on this date amounted to 2.69% (this corresponds to 2,385,000 voting rights). The voting rights are attributable to that company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG.

Standard Life Investments Limited

On June 19, 2013, Standard Life Investments Limited, Edinburgh, United Kingdom, reported that on June 18, 2013 its share of voting rights in KDH AG fell below the threshold of 3% and on this date amounted to 2.752799% (this corresponds to 2,436,859 voting rights). 2.11229% of the voting rights (this corresponds to 1,869,861 voting rights) are attributable to that 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 General Shareholders' Meeting to carry the accumulated loss of T€210,959 forward to new account.

Unterfoehring, May 7, 2014

Dr. Manuel Cubero del Castillo-Olivares
Chief Executive Officer

Erik Adams
Chief Marketing Officer

Gerhard Mack
Chief Operating Officer

Dr. Andreas Siemen
Chief Financial Officer

	Analysis of Fixed Assets for the Period from April 1, 2013 to March 31, 2014									
	Acquisition and production costs				Accumulated depreciation and amortization				Net book values	
in T€	April 1, 2013	Additions	Disposals	March 31, 2014	April 1, 2013	Additions	Disposals	March 31, 2014	March 31, 2014	March 31, 2013
Financial Assets										
1. Investments in Affiliates	1,515,498	50	0	1,515,548	0	0	0	0	1,515,548	1,515,498
2. Loans to Affiliates	400,000	0	0	400,000	0	0	0	0	400,000	400,000
	1,915,498	50	0	1,915,548	0	0	0	0	1,915,548	1,915,498

RESPONSIBILITY STATEMENT

Kabel Deutschland Holding AG, Unterfoehring

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, which is combined with the Group 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 7, 2014

Dr. Manuel Cubero del Castillo-Olivares
Chief Executive Officer

Erik Adams
Chief Marketing Officer

Gerhard Mack
Chief Operating 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, which is combined with the group management report of Kabel Deutschland Holding AG, Unterfoehring, Germany, for the fiscal year from April 1, 2013 to March 31, 2014. 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 7, 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

[signed]	*[signed]*
Dahmen	Christ
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

LIST OF ABBREVIATIONS

A	
AG	Aktiengesellschaft (German stock corporation)
AktG	Aktiengesetz (German Stock Corporation Act)
ANGA	Verband Deutscher Kabelnetzbetreiber e.V. (Arbeitsgemeinschaft für Betrieb und Nutzung von Gemeinschaftsantennen- und -verteilanlagen)
ARD	Arbeitsgemeinschaft der öffentlich-rechtlichen Rundfunkanstalten der Bundesrepublik Deutschland (German public service broadcasting cooperation)
ARPU	Average Revenue Per Unit
ARTE	Association Relative à la Télévision Européenne (European broadcaster)
B	
BCA	Business Combination Agreement
BITKOM	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.
C	
CA	Collective Agreement
CapEx	Capital Expenditure
CGU	Cash Generating Unit
COBIT	Control Objectives for Information and Related Technology
Code	German Corporate Governance Code
Corp.	Corporation
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPE	Customer Premise Equipment

D

D&O	Directors and Officers
DBO	Defined Benefit Obligation
DISQ	Deutsches Institut für Service-Qualität
DOCSIS	Data Over Cable Service Interface Specification
DPLTA	Domination and Profit and Loss Transfer Agreement
DRS	Deutscher Rechnungslegungsstandard (German Accounting Standard)
DSL	Digital Subscriber Line
DTAG	Deutsche Telekom AG
DVB-T	Digital Video Broadcasting – Terrestrial
DVR	Digital Video Recorder

E

€	Euro
e.g.	for example
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
eMTA	embedded Multimedia Terminal Adapter
et seq.	et sequens
EU	European Union
EURIBOR	Euro Interbank Offered Rate
e.V.	eingetragener Verein (registered association)

F

FCO	Federal Cartel Office (Bundeskartellamt)
FAHfT	Financial Assets Held for Trading
FLAC	Financial Liabilities measured at Amortized Cost
FLHfT	Financial Liabilities Held for Trading
FM	Frequency Modulation

G

GbR	Gesellschaft bürgerlichen Rechts (German form of nontrading partnership)
GDP	Gross Domestic Product
GEMA	Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte (German performing rights society)
GewStG	Gewerbesteuergesetz (German Trade Tax Act)
GmbH	Gesellschaft mit beschränkter Haftung (German limited liability corporation)

H

HD	High Definition
HDTV	High Definition Television
HFC	Hybrid Fiber Coax
HGB	Handelsgesetzbuch (German Commercial Code)
HRB	Handelsregister Abteilung B (German commercial register department B)

I

IAS	International Accounting Standard
IASB	International Accounting Standards Board
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V. (Institute of Public Auditors in Germany)
IDW AcP HFA	IDW – Accounting Principle of its Accounting and Auditing Board
IDW S	IDW – Standard
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
Inc.	Incorporated
incl.	including
IP	Internet Protocol
ISIN	International Securities Identification Number
IT	Information Technology

K

KCB	KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung
KCW	KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung
KDH	Kabel Deutschland Holding (abbreviation for the Group as a whole)
KDH AG	Kabel Deutschland Holding AG
KDK	Kabel Deutschland Kundenbetreuung GmbH
KDVS	Kabel Deutschland Vertrieb und Service GmbH & Co. KG
KDVS GmbH	Kabel Deutschland Vertrieb und Service GmbH
KG	Kommanditgesellschaft (German form of limited partnership)
KMS GmbH	Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung – Beteiligungsgesellschaft –
KMS KG	Kabelfernsehen München Servicenter GmbH & Co. KG

L

L.P.	Limited Partnership
LaR	Loans and Receivables
LIBOR	London Interbank Offered Rate
LLC	Limited Liability Company
LLP	Limited Liability Partnership
Ltd.	Limited
LTIP	Long-Term Incentive Plan

M

mabb	Medienanstalt Berlin-Brandenburg
Mbit/s	Megabit per second
MDAX	Mid-Cap-DAX (German stock market index for mid caps)
MHz	Megahertz
MitbestG	Mitbestimmungsgesetz (German Co-Determination Act)

N

NCA	Non-Collective Agreement
No.	Number

O

OCI	Other Comprehensive Income
OECD	Organisation for Economic Co-operation and Development

P

p.a.	per annum
para.	paragraph
PLC / Plc	Public Limited Company
PUC method	Projected unit credit method

R

Recon.	Reconciliation
RGU	Revenue Generating Unit

S

S.A.	Société Anonyme (stock corporation in French speaking countries)
SARL / S.à. r.l.	Société à responsabilité limitée (limited liability company in French speaking countries)
SD	Standard Definition
SEPA	Single Euro Payments Area
SIC	Standing Interpretations Committee
SLA	Service Level Agreement

T

Takeover Offer	Voluntary public takeover offer by Vodafone to the shareholders of KDH AG
T€	Thousand euros
Tele Columbus	Tele Columbus GmbH
Telekom	Telekom Deutschland GmbH
TKS	Telepost Kabel-Service
TSR	Total Shareholder Return
TUS$	Thousand US dollars

U

UIG	Urgent Issues Group (Group of the Australian Accounting Standards Board)
UrhG	Urheberrechtsgesetz (German Act on Copyright and Related Rights)
US$	US dollar

V	
VAT	Value Added Tax
ver.di	Vereinte Dienstleistungsgewerkschaft (German union)
VG Media	Gesellschaft zur Verwertung der Urheber- und Leistungsschutzrechte von Medienunternehmen mbH
VoD	Video-on-Demand
Vodafone	Vodafone Vierte Verwaltungs AG
Vodafone Group	Vodafone Group Plc
Vodafone Investments	Vodafone Investments Luxembourg S.à. r.l.
W	
WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)
X	
XETRA	Exchange Electronic Trading (Electronic trading system of Deutsche Börse AG)
Z	
ZDF	Zweites Deutsches Fernsehen (German public service broadcaster)

Kabel Deutschland