Kabel Deutschland Holding AG
Unterfoehring

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

for the Fiscal Year
Ended March 31, 2015

Kabel Deutschland
Ein Vodafone Unternehmen.

Selected Key Figures	Fiscal year ended March 31, 2015	2014	Variance	Variance
Consolidated Statement of Income (in € million)				
Revenues	2,020.7	1,900.2	120.5	6.3%
Adjusted EBITDA [1)]	939.4	909.7	29.7	3.3%
Adjusted EBITDA margin (in %) [2)]	46.5	47.9	-	-
Depreciation and Amortization	436.7	407.6	29.1	7.1%
Net profit / (loss) for the period	238.9	(68.2)	307.1	-
Earnings per share (in €) [3)]	2.70	(0.77)	3.47	-
Consolidated Statement of Financial Position (in € million)				
Cash and cash equivalents	207.4	334.1	(126.7)	(37.9)%
Net debt [4)]	3,009.9	2,915.9	94.0	3.2%
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)]	(703.4)	(575.2)	(128.2)	22.3%
thereof success based investments	(385.4)	(318.8)	(66.6)	20.9%
thereof non success based investments	(318.0)	(256.4)	(61.6)	24.0%
Cash flows from operating activities	824.5	805.5	19.0	2.4%
Cash flows from financing activities	(249.3)	(504.4)	255.1	-
Changes in cash and cash equivalents	(126.7)	(275.5)	148.8	-
Operating free cash flow [6)]	236.0	334.5	(98.5)	(29.4)%
Network (in thousands)				
Homes passed	15,246	15,233	13	0.1%
Homes passed upgraded for two-way communication	14,645	14,198	447	3.1%
Homes upgraded for two-way communication being marketed [7)]	12,062	11,789	273	2.3%
Subscribers (in thousands)				
Total direct subscribers (incl. Internet and Phone "Solo" subscribers) [8)]	7,692	7,597	95	1.3%
Indirect Basic Cable subscribers	616	747	(131)	(17.5)%
Total unique subscribers (homes connected)	**8,308**	**8,344**	**(36)**	**(0.4)%**
RGUs (in thousands) [9)]				
Basic Cable	8,087	8,301	(214)	(2.6)%
Premium-TV [10)]	2,526	2,302	224	9.7%
Internet and Phone	5,175	4,309	866	20.1%
Total RGUs	**15,787**	**14,913**	**874**	**5.9%**
RGUs per subscriber (in units)	**1.90**	**1.79**	**0.11**	**6.1%**
ARPU (in € / month)				
Total blended TV ARPU per subscriber [11)]	11.07	10.77	0.30	2.8%
Total blended Internet and Phone ARPU per subscriber [12)]	26.90	27.50	(0.60)	(2.2)%
Total blended ARPU per subscriber [13)]	**18.34**	**17.11**	**1.23**	**7.2%**
Employees (average headcount)				
Employees	3,841	3,664	177	4.8%

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 share-based payment programs, expenses related to takeover and changes in norms, expenses related to restructuring and expenses / (income) related to restructuring of the network infrastructure.

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

3) There is no difference between basic and diluted earnings per share.

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

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

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

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

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

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

13) 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.

TABLE OF CONTENTS FOR THE ANNUAL REPORT

This is a translation of the German "Jahresfinanzbericht gemäß § 37v und § 37y WpHG der Kabel Deutschland Holding AG für das Geschäftsjahr zum 31. März 2015". 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 2014/2015, including the related audit reports.

Overview of the activities of the Supervisory Board

During the fiscal year 2014/2015, 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 investigative measures, such as the inspection of Company documents, were necessary.

Important topics the Supervisory Board dealt with in fiscal year 2014/2015 were integration measures after the takeover of the majority shareholding by Vodafone Vierte Verwaltungs AG ("Vodafone") and the conclusion of the domination and profit and loss transfer agreement, refinancing measures, the special audit and the extraordinary General Shareholders' Meeting.

Changes in the Supervisory Board

Philipp Humm, who became a member of the Supervisory Board and its Chairman after the takeover of the majority shareholding by Vodafone, resigned from his office with effect from the end of May 15, 2014. Jens Schulte-Bockum was then elected as the new Chairman of the Supervisory Board on May 16, 2014. Frank Krause was appointed to the Supervisory Board by court effective from May 16, 2014. After Frank Krause resigned from his office in November 2014, Dr. Robert Hackl was appointed to the Supervisory Board by court in December 2014. After Dr. Robert Hackl had resigned from office in February 2015, Anna Dimitrova was appointed to the Supervisory Board by court in February 2015.

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 had already been appointed as his successor effective April 1, 2014 during the fiscal year 2013/2014. 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.

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 2014/2015 were Susanne Aichinger on the employee side and first Jens Schulte-Bockum and then Dirk Barnard 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 2014/2015, Joachim Pütz and Susanne Aichinger were members, and initially Jens Schulte-Bockum and then Dirk Barnard.

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 and the consolidated financial statements, as well as a review of the auditor's report together with the auditor. The semi-annual 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 2014/2015 these were 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 Chairman, together with Susanne Aichinger, Petra Ganser and Dr. Thomas Nowak.

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 2014/2015, Annet Aris and Jens Schulte-Bockum were members; Jens Schulte-Bockum, as Chairman of the Supervisory Board, then also became Chairman of the Committee. Dirk Barnard was appointed as a new member of the Nomination Committee.

Meetings of the Supervisory Board and its committees

In the fiscal year 2014/2015, the Supervisory Board held four 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 four meetings and, in particular, laid the groundwork for decisions by the Supervisory Board on corporate and Management Board objectives and personnel matters of the Management Board, in particular periodic extension of the term of office of the members of the Management Board and remuneration matters. The Audit Committee held five meetings in the fiscal year 2014/2015, 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 and concerning compliance. The Nomination Committee has not convened in the fiscal year 2014/2015. To date, there has been no need to call a meeting of the Conciliation Committee.

Corporate Governance

The recommendations of the German Corporate Governance Code 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. It has approved, in conjunction with the Management Board, the current annual declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (Aktiengesetz – "AktG") in March 2015. 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. In fiscal year 2014/2015, a new long-term performance-based variable compensation component based on the Global Long-Term Retention Plan ("GLTR") of the Vodafone Group was introduced. 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 9, 2014, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft was appointed as auditor for the fiscal year ended March 31, 2015, 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 2014/2015 (balance sheet date March 31, 2015) as well as the consolidated financial statements prepared in accordance with IFRS regulations as adopted by the European Union (balance sheet date March 31, 2015) 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 annual accounting documents, the report on the relationships with affiliated companies for the fiscal year 2014/2015 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 12, 2015.

In a meeting held on May 12, 2015, the members of the Audit Committee, together with the Chief Financial Officer and the auditor, carefully reviewed and examined the financial statements cited above as well as the audit reports concerning the annual and consolidated financial statements and reported thereon to the entire Supervisory Board at the latter's 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 during its May 12, 2015 meeting. Upon request, the Management Board additionally provided an oral explanation of the financial statements during this session. The auditor participated in this meeting, reported on the material findings of its audit, and made itself available to the Supervisory Board for any questions and inquiries concerning supplemental information.

The Supervisory Board was able to conclude, as a result of this meeting and on the basis of the report resulting from the previous meeting of the Audit Committee, that the audit had been conducted in a proper manner. The Supervisory Board, following the recommendation of the Audit Committee, raised no objections to KDH AG's annual and consolidated financial statements or its Combined Management Report, 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, 2015. Thus, KDH AG's annual financial statements as of March 31, 2015 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.

In March 2015, the Management Board and the Supervisory Board filed a declaration pursuant to Section 161 AktG that Kabel Deutschland Holding AG ("KDH AG" or the "Company"), since the last declaration of compliance in March 2014, has complied and will continue to comply with the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice in the official Section of the Federal Gazette with the following exceptions:

- Deviating from the recommendation in Section 3.8 of the Code, the directors' and officers' liability insurance policy does not include a deductible for the members of the Supervisory Board. In the Company's view agreeing a deductible would not be suitable to improve the motivation and sense of responsibility of the members of the Supervisory Board to fulfill their tasks and functions.

- 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).

- Since mid-2013, the Code in Sections 4.2.2 et seq. provides for new recommendations on the remuneration of the Management Board, in particular consideration of the relationship between the remuneration of senior management and the staff overall, definition of caps amounts and of the level of of provision aimed for, as well as a specific presentation of the remuneration of the Management Board in the Compensation Report (Sections 4.2.2 sentence 5, 4.2.3 sentence 6 and 4.2.5 sentence 5 et seq. plus the model tables provided in the appendix of the Code). The Company adheres to the statutory requirements for Management Board compensation pursuant to Section 87 AktG and the disclosures required in the financial reporting. We consider these requirements as sufficient and do not see a corresponding benefit of the increased effort related to the adherence to the new recommendations of the 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 election 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, applications for the judicial appointment of Supervisory Board members are not limited in time up to the next Shareholders' Meeting. The reason is that, pursuant to corporate law regulations, the Shareholders' Meeting can always appoint other Supervisory Board members at any time whereby the judicial 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. Pursuant to Section 5.5.3 sentence 1 of the Code the Supervisory Board shall, in its report to the Shareholders' Meeting, inform of any conflicts of interest which have occurred together with their treatment. Pursuant to Section 5.5.3 sentence 2 of the Code, material conflicts of interest and those which are not merely temporary in respect of the person of a Supervisory Board member shall result in the termination of the mandate. The Code does not rule whether majority shareholders are third parties within the meaning of these recommendations and how detailed the information to the Supervisory Board and the information in its report shall be so that there is legal uncertainty with this respect. Therefore, as a matter of precaution, Management Board and Supervisory Board of the Company decided to declare a deviation from the recommendations in sections 5.5.2 and 5.5.3 sentences 1 and 2 of the Code.

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. The objective is 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 2014/2015, the focus was on the further development of compliance risk management meaning the further recording and evaluation of compliance risks as well as the development of countermeasures. Compliance management is also responsible for establishing and investigating 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 ombudswoman has been retained for this program. Former German Federal Minister for Family Affairs Renate Schmidt was entrusted with this function as of January 1, 2015. The ombudswoman 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.

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 2014/2015 these were Chairman Dr. Manuel Cubero del Castillo-Olivares, Erik Adams, Gerhard Mack 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 Chairman of the Management Board. Resolutions by the Management Board may also be adopted outside of meetings, in particular in writing, by fax or e-mail.

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

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

In fiscal year 2014/2015, the shareholder representatives in the Supervisory Board were Philipp Humm and 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), together with Dirk Barnard, Dr. Thomas Nowak, Karsten Pradel and Jens-Schulte-Bockum. After Philipp Humm, who was Chairman of the Supervisory Board, resigned his office with effect from the end of May 15, 2014, Jens Schulte-Bockum was elected as the new Chairman of the Supervisory Board on May 16, 2014. Frank Krause was appointed to the Supervisory Board by the court effective from May 16, 2014. After Mr. Krause resigned from office in November 2014, Dr. Robert Hackl was appointed to the Supervisory Board by the court in December 2014. After Dr. Robert Hackl resigned from office in February 2015, Anna Dimitrova was appointed to the Supervisory Board by the court in February 2015.

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 the compensation of the Management Board. The principles governing the work of the Supervisory Board and its cooperation with the Management Board are set forth in the 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, 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 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).

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, investors, journalists and interested members of the public of the development of the Company's business and any special events or affairs on a regular basis. In particular the Company's website, www.kabeldeutschland.com, provides a variety of information about the Company, the development of the Company's business. The Company's key dates are published in a financial calendar on its website. All economic and financial press releases, investor relations releases, presentations 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. Once a year we hold a telephone conference call 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: Company / General Meeting. 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 and the supplementary provisions contained in the Articles of Association.

At KDH AG's Shareholders' Meeting held on October 9, 2014, PricewaterhouseCoopers AG Wirtschaftsprüfungsgesellschaft 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 2014/2015 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, 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 KDH AG, as well as any close associates of such individuals, are required to report within five business days any transactions involving shares of KDH AG or any related derivative financial instruments.

In the fiscal year 2014/2015, no such transactions were reported to the Company.

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, 2015.

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 and selected employees of senior management 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. In fiscal year 2014/2015, a new long-term performance-based variable compensation component based on the Vodafone Group Global Long-Term Retention Plan ("GLTR") was introduced. For further details, see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015.

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KABEL DEUTSCHLAND HOLDING AG, UNTERFOEHRING, COMBINED CONSOLIDATED MANAGEMENT REPORT AND MANAGEMENT REPORT FOR THE FISCAL YEAR ENDED MARCH 31, 2015

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 the ultimate management and holding company of our Group as of March 31, 2015 and has its registered office in Unterfoehring, Betastraße 6 - 8, Germany (commercial register of Munich HRB 184452). 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.

On October 14, 2013, Vodafone Vierte Verwaltungs AG ("Vodafone") acquired the majority of shares of KDH AG and since then has held more than 75% of the share capital and voting rights. Thus Vodafone assumed control of the Group. Since October 14, 2013, the Group has been part of the Vodafone Group Plc Group ("Vodafone Group").

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"). KDH AG performs the typical tasks of a holding company, such as the strategic development of the Group and the provision of services and, until June 30, 2014, performed the provision of financing for its affiliated companies.

1.2 VODAFONE

On December 20, 2013, Vodafone and KDH AG entered into a domination and profit and loss transfer agreement ("DPLTA"), which became effective on April 1, 2014 subsequent to its entry in the commercial register responsible for KDH AG on March 13, 2014. From this date on, KDH AG has been controlled by Vodafone. Vodafone Group issued a comfort letter to Vodafone with respect to the DPLTA in December 2013. Furthermore, income tax consolidation has existed since April 1, 2014 and, on this basis, a tax sharing agreement between Vodafone and KDH AG.

As the DPLTA became effective following the takeover by Vodafone, the integration process started with the objective of creating a convergent telecommunications group in order to offer mobile phone, fixed-line, broadband Internet and TV services from a single source. With regard to the joint marketing activities initiated with Vodafone, various business relations exist with companies of the Vodafone Group (see also our comments in section 5.4 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015).

Furthermore, beginning with the fiscal year ending March 31, 2016, KDH will launch the Vodafone brand step-by-step. Therefore, a license agreement between Vodafone Sales & Services Limited and KDH has been concluded, effective April 1, 2015, governing the use of the Vodafone brand and all materials related to the brand. Beginning April 1, 2015, KDH will pay a sales-dependent royalty fee to Vodafone Sales & Services Limited.

With the acquisition of the majority shareholding by Vodafone on October 14, 2013, the Senior Credit Facility became due and was repaid prematurely. In addition, the 2018 Senior Secured Notes and the 2017 Senior Notes were fully repaid on June 30, 2014. The corresponding refinancing was effected by loans from Vodafone Investments Luxembourg S.à r.l. ("Vodafone Investments"). Since the redemption of the Notes on June 30, 2014, the financing of the Group is fully effected by Vodafone Investments (see also our comments in section 2.5.7).

In the DPLTA, the outstanding shareholders were granted a guaranteed dividend in the form of a recurring compensation payment ("Barausgleich") by Vodafone. 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. The recurring compensation payment is payable for the first time after the General Shareholders' Meeting in October 2015.

1.3 BUSINESS SEGMENTS

The Group reports two business segments: TV Business, and 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 and digital TV and radio services. Our analog cable services currently offer up to 32 free-to-air television and up to 35 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 the "Basis HD" broadcaster package. "Basis HD" offers access to up to 21 free-to-air channels with basic encryption and up to 16 free-to-air unencrypted channels, both in high definition ("HD"), as well as a range of programs with basic encryption in standard definition ("SD").

Our Pay-TV product branded "TV Vielfalt HD" includes 19 HD channels. The additional optional package "Vielfalt HD Extra" includes a further 18 channels, of which six are in HD. For our subscribers speaking foreign languages we offer "TV International", which includes 33 channels grouped into eight different foreign languages.

Our DVR product "TV 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 Video-on-Demand ("VoD") offering "SELECT VIDEO" is available in numerous cities and regions, including Berlin, Dresden, Hamburg, Mainz and Munich, to approximately 5.7 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, 2015.

Our TV Business generated revenues of T€1,172,959 or 58.0% of our total revenues in the fiscal year ended March 31, 2015, compared to T€1,165,000 or 61.3% of our total revenues in the fiscal year ended March 31, 2014.

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, 2015, 96.4% 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 92.2% in the fiscal year ended March 31, 2015, compared with 90.2% in the fiscal year ended March 31, 2014.

Our regular offering for broadband Internet access includes download speeds between 10 Mbit/s and up to 200 Mbit/s. Since November 2014 we have been offering speeds of up to 200 Mbit/s in more than ten cities where the network is fully DOCSIS 3.0 capable. As of March 31, 2015 we had capacity to serve approximately 99.4% 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 in cooperation with Vodafone GmbH. The service provider agreement with another mobile network provider ended on April 30, 2015.

Our Internet and Phone Business generated revenues of T€847,741 or 42.0% of our total revenues in the fiscal year ended March 31, 2015, compared to T€735,193 or 38.7% of our total revenues in the fiscal year ended March 31, 2014.

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

The integration process began when the DPLTA became effective in the context of the takeover by Vodafone. Since May 2014, we have been offering our customers the common brand "Zuhause Plus" and have been marketing this brand for each other in our various distribution channels. Since the end of November 2014, our customers have been able to purchase "Vodafone All-in-One", the first special offer that combines products from both companies, so that Internet, Phone, TV and mobile phone can be purchased in one package.

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, 2015 by KDH to manage the Group are explained below.

Since the control by Vodafone, KDH has been in an integration phase in order to build a convergent telecommunications group together with the German Vodafone companies and to promote the further integration into the Vodafone 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, company-wide uniformly defined key figures used are, in particular, adjusted EBITDA and operating free cash flow (adjusted EBITDA minus capital expenditure). Furthermore, additional ratios connected to the above mentioned performance measures are used as indicators, such as capital expenditure ("CapEx"), ARPU and subscriber acquisition costs.

EBITDA consists of profit from ordinary activities before depreciation and amortization. We calculate "Adjusted EBITDA" as profit from ordinary activities before depreciation and amortization and non-operating costs and expenses, such as expenses for share-based payment programs, expenses related to takeover and changes in norms, expenses related to restructuring as well as expenses / income related to restructuring of the network infrastructure. The adjusted EBITDA margin in % is calculated as the ratio of the adjusted EBITDA to our revenues.

The ARPU indicates how far we are realizing potential revenues 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: development of subscribers and RGUs (revenue generating unit) as well as customer satisfaction. In addition, we use further indicators related to the network, such as homes upgraded for two-way communication.

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 a score of "very good" in the hotline test by the trade magazine Chip (12/2014) are confirmations of our good service.

1.5 RESEARCH AND DEVELOPMENT

The Group develops firm-specific software applications for its administrative databases to a minor degree. In contrast, KDH does not carry out any research activities.

2 BUSINESS DEVELOPMENT

2.1 MACROECONOMIC AND SECTOR DEVELOPMENT

The German economy proved resilient in a difficult global macroeconomic environment. Thus, the price-adjusted gross domestic product ("GDP") increased by 1.6% in 2014 compared to the prior year (Source: Federal Statistical Office) and therefore grew stronger than in most European countries.

According to the current expectations of the digital association BITKOM and the European Information Technology Observatory (EITO), the German telecommunications market should grow in 2015, after two years with slight revenue decreases of 0.5% and 0.4%, by 0.1% compared to 2014 to revenues of €65.4 billion. Revenues in the segment of fixed line and mobile services should hereby decline by 0.5% to €49.3 billion in 2015 (2014: -1.3%). In contrast, for premise equipment, following an increase of 1.8% in 2014, growth of 1.0% is expected in 2015 to revenues of €9.5 billion and for infrastructure an increase of 3.6% to €6.5 billion (2014: +3.8%).

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 72% (Source: Federal Network Agency, 2013 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 38.6 million TV households in Germany in 2014, 17.9 million or 46.3% of TV households used a cable connection (Source: Digitalisierungsbericht, die medienanstalten – ALM GbR of August 2014). Following the trend of recent years, satellite reception has almost closed the gap, with 17.8 million or 46.1% 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 2014 Digitisation Report, 83.8% 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 2014, however, the proportion of digital cable households has already risen to 62.9%.

In the future, the number of cable households is expected to remain stable in a flat overall market of TV households, as the cable industry remains in competition with other transmission paths.

Internet and Phone Market

The percentage of internet users within the German speaking population from the age of 14 increased in Germany to 79.1% in 2014 from 77.2 % in the prior year (Source: ARD/ZDF online study 2014). This corresponds to 55.6 million individuals in total.

At the end of 2013, a total of approximately 28.7 million broadband connections were in operation, representing total household market penetration of 71.8% (Source: Federal Network Agency, 2013 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 23.2 million connections and a share of 80.8% in 2013, DSL was the dominant access technology (Source: Federal Network Agency, 2013 Annual Report). With 5.2 million and a share of 18.1%, 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 200 Mbit/s or more download speed.

2.2 OVERVIEW GROUP BUSINESS PERFORMANCE AND COMPARISON WITH OUTLOOK

We achieved the targets that we set for the fiscal year ended March 31, 2015 and that were published in our annual financial report as of March 31, 2014, meeting our expectations. As forecasted, the Internet and Phone Business continued to be the main driver of revenue growth for our Group. Overall, Group revenues increased significantly by 6.3% in the past fiscal year. Strong growth in the broadband and Premium-TV business further increased the number of subscriptions to the services of our growth business, that is Internet, Phone and Premium-TV, with corresponding positive impact on recurring revenues. Adjusted EBITDA also increased in the prior year comparison (+3.3%), but among others due to certain operating expenses as a result of the mutual charging of services related to the integration with Vodafone GmbH, as well as due to higher customer related expenses, slightly below our expectations. Our multi-year investment program Alpha was continued in the fiscal year ended March 31, 2015, expanding the availability of our products and services. Largely within our expectations, the operating free cash flow declined, despite an improved operating result, in the fiscal year 2015 (-29.4%), primarily as a result of significantly increased investments into our networks. Thanks to our successful refinancing, interest expense decreased significantly and, together with the lower tax expense, led to a strong improvement in the net result.

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, 2015, 96.1% 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 largely complete the network expansion for interactive services in the next few years so that we can use DOCSIS 3.0 to offer high Internet bandwidths.

In April 2013, we started the multi-year investment program Alpha with a volume of €300 million, which should be completed in the fiscal year ending March 31, 2016. 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, more than 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, 2015 allowed additional TV services and HD channels to be offered to about 86.3% of homes connected. Growth is also promoted by the expansion of our VoD offering, which is being 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 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 high bandwidth services and products.

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 subscribers are more and more able to self-install the product. In the fiscal year ended March 31, 2015 the average installation cost per Internet and Phone Business subscriber declined to approximately €98 compared to approximately €104 in the fiscal year ended March 31, 2014. Regarding our Basic Cable and our Premium-TV products, typically no installation costs are incurred 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. In addition, we have been initiating the joint marketing with Vodafone.

We strive to offer our customers high quality products at the best possible price. Awards such as the top five-star rating for our product offering in the broadband test of the well-respected trade magazine Connect (Issue 09/2014), and competition winner as the best Internet service provider of the Stiftung Warentest (Issue 01/2015) confirm this.

The customer need for high bandwidths is further increasing, as shown, for example, by the fact that our 100 Mbit/s tariff 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. In the fiscal year ended March 31, 2015, new fixed-mobile bundle offers were added in cooperation with Vodafone GmbH, granting benefits, such as price discounts, to customers.

As of March 31, 2015, approximately 770 thousand of our broadband Internet and Phone subscribers were in a promotional period, compared to 489 thousand as of March 31, 2014. 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 Provisions for Restructuring

In the framework of the increasing integration into Vodafone GmbH, Düsseldorf, many measures were planned that will be implemented in the fiscal year ending March 31, 2016. This includes the creation of a new, integrated organization in the area of central functions to improve efficiency and avoid the duplication of functions. In the fourth quarter of the fiscal year ended March 31, 2015, KDH established a restructuring provision of T€10,543 to this end.

The Group had originally planned to restructure its network infrastructure for FM radio signals because of new technological options in the fiscal year ended March 31, 2015. 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 provision was fully reversed through profit or loss in November 2014, as implementation of the project is not being pursued due to changed conditions.

In addition, in the fiscal year ended March 31, 2014, T€374 was recognized as an expense through profit or loss for the implementation of additional measures in connection with the strategic realignment of a specific subsection of the sales organization providing basic services to American military bases and military personnel.

2.3.4 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.

2.3.5 Impact of Exchange Rate Fluctuations

Our functional and reporting currency is the Euro. As of March 31, 2015 we recorded nearly no revenues, expenses, liabilities or receivables denominated in currencies other than the Euro.

2.3.6 Impact of Interest Rate Changes

Our exposure to market risk for changes in interest rates relates primarily to our floating rate debt (term loans from Vodafone Investments), which has not been hedged against interest rate changes since May 20, 2014. For further details, see also section 4 "Opportunity and Risk Report" and section 5.6 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015.

2.3.7 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, 2015 and March 31, 2014, the Group billed approximately 25.1% and 25.9%, respectively, of its total revenues for the fiscal year in the months of January and February.

2.3.8 Employees

In the fiscal year ended March 31, 2015, the Group had an average of 3,841 employees (thereof 4 in KDH AG). This meant that the average number of employees rose by 177 or 4.8% from 3,664 employees (thereof 7 in KDH AG) in the prior year.

The increase in the average number of employees was primarily due to the increased number of employees in the technical area. However, staff increase also took place in other essential functions in order to support growth of the Group.

As of March 31, 2015, the employees had been with the Group for an average of 10.2 years (prior year: 9.9 years). The staff turnover rate increased slightly compared to the prior year but still remained on a very low level. Reasons for the slight increase lie among others in the very positive development of the labor market, especially in the Munich region.

With regard to planned restructuring measures related to the integration into the Vodafone Group see our explanations in section 2.3.3.

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 personal, professional and job-related development of our employees, among others through our training opportunities in the form of open and in-house trainings as well as in-house seminars. Within management development we offer various leadership trainings and workshops as well as development programs. Furthermore, instruments regarding personnel development, as e.g. the annual employee performance review, support targeted employee and management development. In the course of the integration into the Vodafone Group we expanded our portfolio of personnel development activities, enabling us by means of a targeted talent management process to offer even better career development opportunities. In addition, our employees benefit from the established employee survey and the comprehensive advanced training program of Vodafone GmbH, Düsseldorf.

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 areas of Premium-TV, broadband Internet and Phone.

Our results reflect successive year-on-year RGU and revenue growth.

in thousands, except as noted	March 31, 2015	March 31, 2014
Operational data		
Network		
Homes passed	15,246	15,233
Homes passed upgraded for two-way communication	14,645	14,198
Upgraded homes as % of homes passed	*96.1%*	*93.2%*
DOCSIS 3.0 availability as % of homes passed upgraded for two-way communication	*99.4%*	*95.7%*
Homes upgraded for two-way communication being marketed [1)]	12,062	11,789
Subscribers		
Direct Basic Cable subscribers	7,115	7,134
Internet and Phone "Solo" subscribers [2)]	576	463
Total direct subscribers	**7,692**	**7,597**
Indirect Basic Cable subscribers	616	747
Total unique subscribers (homes connected)	**8,308**	**8,344**
Thereof Internet and Phone subscribers	2,697	2,271
RGUs		
Base Business Basic Cable [3)]	8,087	8,301
Premium-TV [4)]	2,526	2,302
Internet	2,628	2,178
Phone	2,547	2,131
Total Growth Business	**7,701**	**6,611**
Total RGUs	**15,787**	**14,913**
RGUs per subscriber (in units)	**1.90**	**1.79**
Penetration		
Premium-TV RGUs as % of Basic Cable subscribers	*32.7%*	*29.2%*
Internet RGUs as % of total subscribers	*31.6%*	*26.1%*
Phone RGUs as % of total subscribers	*30.7%*	*25.5%*

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

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

3) The difference between the number of Basic Cable subscribers and Basic Cable RGUs is due to one 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).

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

The number of homes upgraded for two-way communication being marketed increased as expected as of March 31, 2015 by 273 thousand or 2.3% to 12,062 thousand compared to the prior year number of 11,789 thousand.

The number of direct subscribers increased by 95 thousand to 7,692 thousand as of March 31, 2015 compared to the prior year.

Our total unique subscribers decreased by 36 thousand or 0.4% to 8,308 thousand as of March 31, 2015 compared with 8,344 thousand as of March 31, 2014. This decline is primarily due to the net loss of 131 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, 2015 we had 8,087 thousand Basic Cable RGUs, compared with 8,301 thousand as of March 31, 2014. The primary reason for the decrease was the above-mentioned net loss of 131 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, 2015 we had 1,595 thousand Premium-TV subscribers and accordingly 2,526 thousand Premium-TV RGUs. Compared to the 2,302 thousand Premium-TV RGUs as of March 31, 2014, this represents an increase of 224 thousand or 9.7%. 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 increased by 450 thousand or 20.7% to 2,628 thousand as of March 31, 2015 from 2,178 thousand as of March 31, 2014. The number of Phone RGUs increased by 416 thousand or 19.5% to 2,547 thousand as of March 31, 2015 from 2,131 thousand as of March 31, 2014.

A growing number of our subscribers purchases more than one of our service offerings, such as Basic Cable, Premium-TV as well as Internet and Phone products. As of March 31, 2015, as expected we recorded 1.90 RGUs per subscriber compared to 1.79 RGUs per subscriber as of March 31, 2014.

2.4.2 ARPU

The ARPU indicates how far we are realizing potential revenues from subscribers. We calculate ARPU per subscriber on an annual, quarterly or monthly basis by dividing total subscription fees including usage dependent fees (excluding installation fees and other non-recurring revenues) generated from the provision of services during the period by the sum of the monthly average number of total subscribers in that period.

	Fiscal Year ended	
in € / month	March 31, 2015	March 31, 2014
Total blended TV ARPU per subscriber 1)	11.07	10.77
Total blended Internet and Phone ARPU per subscriber 2)	26.90	27.50
Total blended ARPU per subscriber 3)	**18.34**	**17.11**

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, 2015 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, 2015. This was primarily driven by a higher number of subscribers procuring more than one TV Business product, and a decrease in indirect subscribers, who 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, 2015. 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 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, 2015, the total blended ARPU per subscriber improved, analogous to the long-time trend, by €1.23 or 7.2% to €18.34, compared to €17.11 in the fiscal year ended March 31, 2014.

2.4.3 Subscriber Acquisition and Customer Satisfaction

Our target is to maintain or further improve the high level of customer satisfaction while further improving the profitability of our business. We are striving to increasingly penetrate our customer base with the services of our growth business. 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 average acquisition costs per order for Internet and Phone subscribers declined in the fiscal year ended March 31, 2015 to €175 from €182 in the fiscal year ended March 31, 2014.

The average acquisition costs per order for our TV Business products rose to €67 in the fiscal year ended March 31, 2015 from €58 in the fiscal year ended March 31, 2014.

In the fiscal year ended March 31, 2015, we were able to maintain customer satisfaction, as regularly determined by customer surveys, in the areas of customer and technical service centers as well as technical operations, as expected stable on the high prior year level.

2.5 COMPARISON OF THE GROUP'S RESULTS OF OPERATIONS FOR THE FISCAL YEARS ENDED MARCH 31, 2015 AND MARCH 31, 2014

2.5.1 Overall Assessment of the Development of Revenues and Earnings

In the past fiscal year, revenue growth was 6.3% to T€2,020,700 and therefore stronger than in the prior year. In particular the considerable growth of Internet and Phone subscribers contributed to this. Last but not least due to increased expenses related to the acquisition of new customers, the investment offensive and the integration into the Vodafone Group, the adjusted EBITDA increased by 3.3% compared to the prior year to T€939,414 and therefore slightly disproportionately. In contrast, further earnings figures developed very positively. The absence of significant one-time expenses related to the takeover by Vodafone relieved the operating result, the interest expense and in particular the deferred tax expenses. As in addition refinancing was performed through Vodafone Investments at more favorable conditions, we were able to record a net profit of T€238,897 following a net loss of T€68,244 in the prior year. Accordingly, we achieved earnings per share of €2.70 after a loss per share of €0.77 in the prior year.

2.5.2 Revenues

Our business is divided into two operating segments: (i) the TV Business segment, which accounted for 58.0%, and (ii) the Internet and Phone Business segment, which accounted for 42.0% of our total revenues in the fiscal year ended March 31, 2015.

The following table gives an overview of our revenues in the fiscal year ended March 31, 2015 compared to the fiscal year ended March 31, 2014.

	Fiscal Year ended	
in T€, except as noted	March 31, 2015	March 31, 2014
TV Business revenues	1,172,959	1,165,000
Internet and Phone Business revenues	847,741	735,193
Total revenues	**2,020,700**	**1,900,193**
Blended ARPU per subscriber (in € / month) [1]	18.34	17.11

[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 for the fiscal year ended March 31, 2015 increased by 6.3% compared to the prior year. 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 very high transmission rates contributed significantly to the growth. Revenues from Premium-TV also increased.

TV Business Revenues

TV Business revenues are generated primarily from Basic Cable subscription fees, which are paid for 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 and 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, 2015.

	Fiscal Year ended	
in T€, except as noted	March 31, 2015	March 31, 2014
Subscription fees	1,039,655	1,030,874
Carriage fees and other revenues	133,304	134,126
TV Business revenues	**1,172,959**	**1,165,000**
Blended ARPU per subscriber (in € / month) 1)	11.07	10.77

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, 2015, the slight increase in revenues in the TV Business was primarily the result of higher 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 TV Vielfalt HD. Carriage fees and other revenues remained almost stable.

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. Also included in revenues are non-recurring revenues from installation fees, the sale of CPE, mobile phone commissions and other miscellaneous 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. Since the end of November 2014, we have also been marketing "Vodafone All-in-One," combining our products with those from Vodafone, so that TV, Internet, Phone and mobile phone can be purchased in one package.

The service provider agreement with another mobile network provider ended on April 30, 2015. Under this agreement, we entered into a direct contractual relationship with the subscriber and sold this provider's mobile phone services under our own brand name.

	Fiscal Year ended	
in T€, except as noted	March 31, 2015	March 31, 2014
Subscription fees (recurring)	796,928	694,823
Installation fees and other non-recurring revenues	50,813	40,370
Internet and Phone Business revenues	**847,741**	**735,193**
Blended ARPU per subscriber (in € / month) 1)	26.90	27.50

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, 2015, revenues for the Internet and Phone Business increased primarily as a result of the increase in recurring fees. This continuous strong growth was primarily due to the growth in the number of our Internet and Phone subscribers. In connection with the accelerated growth of new customers the non-recurring revenues also increased significantly.

As a percentage of our total revenues our Internet and Phone Business generated 42.0% in the fiscal year ended March 31, 2015 compared to 38.7% in the fiscal year ended March 31, 2014.

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

	Fiscal Year ended	
in T€, except as noted	March 31, 2015	March 31, 2014
Profit from ordinary activities	485,832	401,908
Depreciation and amortization	436,749	407,602
Expenses related to restructuring	10,543	374
Expenses related to share-based payment programs [1)]	8,927	62,223
Expenses related to takeover and changes in norms	30	34,934
Expenses / (income) related to restructuring of the network infrastructure	(2,666)	2,666
Adjusted EBITDA	**939,414**	**909,707**
Adjusted EBITDA margin in %	**46.5%**	**47.9%**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (with regard to LTIP and GLTR see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015).

Adjusted EBITDA in the fiscal year ended March 31, 2015 increased by T€29,707 to T€939,414 compared with T€909,707 in the prior year. The increase can be attributed to continued growth, especially in the areas of Internet, Phone and Premium-TV. Due to the marginally disproportionate increase in operating costs compared to revenues, our adjusted EBITDA margin fell to 46.5% in the fiscal year ended March 31, 2015 (prior year: 47.9%).

2.5.4 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:

	Fiscal Year ended	
in T€, except as noted	March 31, 2015	March 31, 2014
Cost of services rendered	931,958	879,525
Selling expenses	471,232	434,742
General and administrative expenses	143,485	195,123
Costs and expenses	**1,546,675**	**1,509,390**
Thereof:		
Depreciation and amortization	436,749	407,602
Expenses related to restructuring	10,543	374
Expenses related to share-based payment programs [1)]	8,927	62,223
Expenses related to takeover and changes in norms	30	34,934
Expenses / (income) related to restructuring of the network infrastructure	(2,666)	2,666
Total expenses from non-cash depreciation and amortization and non-operating costs	**453,582**	**507,799**
Operating costs and expenses [2)]	**1,093,093**	**1,001,591**
Monthly operating costs and expenses per average RGU in € [2)]	5.93	5.71

1) Under the Long-Term Incentive Plan ("LTIP"), virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the Global Long-Term Retention Plan ("GLTR") of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (with regard to LTIP and GLTR see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015).

2) Operating costs and expenses comprise costs and expenses before non-cash depreciation and amortization, expenses related to share-based payment programs, expenses related to restructuring, expenses related to takeover and changes in norms, and expenses / income related to restructuring of the network infrastructure. The non-operating expenses indicated are influenced by factors that are not directly related to business operations (primarily share-based payment programs), or are accordingly characterized by special factors.

In the fiscal year ended March 31, 2015 total costs and expenses increased by T€37,285 or 2.5% to T€1,546,675 (prior year: T€1,509,390), with operating costs and expenses contained therein increasing by T€91,502 or 9.1%, while the remaining costs and expenses fell by T€54,217 or 10.7%.

The decrease in remaining costs and expenses primarily resulted from lower expenses for the Long-Term Incentive Plan ("LTIP"), due to the settlement of virtual performance shares granted in 2010 as well as the complete settlement of virtual stock options in April 2014, and the value-equivalent limitation based on the acquisition price for the remaining LTIP components as a result of the takeover by Vodafone. In addition, the reduction of the remaining costs and expenses was attributable to the absence of consulting fees related to the takeover by Vodafone.

The increase in operating costs and expenses is largely related to increased selling expenses and to higher adjusted personnel expenses as well as to higher content costs.

As a percentage of total revenues, the adjusted costs and expenses in the fiscal year ended March 31, 2015 increased to 54.1% (prior year: 52.7%).

Monthly operating costs and expenses per average RGU increased in the fiscal year ended March 31, 2015 to €5.93 from €5.71 in the prior year.

In the following, costs and expenses are commented and analyzed in detail by functional area.

2.5.4.1 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, 2015 and 2014 was as follows:

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Cost of materials and services	**479,514**	**455,490**
Thereof:		
Service Level Agreements ("SLAs") renting and leasing DTAG	172,244	167,055
Thereof cable ducts	103,627	103,470
Content costs	100,963	90,165
Connectivity and other network costs	55,211	47,665
Maintenance and repair	40,075	38,858
Interconnection expenses	29,863	37,441
Other expenses	83,824	71,640
Expenses / (income) related to restructuring of the network infrastructure	(2,666)	2,666
Personnel expenses	**40,486**	**47,886**
Thereof:		
Expenses related to share-based payment programs [1)]	685	7,728
Depreciation and amortization	**332,465**	**301,316**
Other costs and expenses	**79,493**	**74,833**
Cost of services rendered	**931,958**	**879,525**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (with regard to LTIP and GLTR see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015).

In the fiscal year ended March 31, 2015, the cost of services rendered increased by T€52,433 or 6.0% to T€931,958 compared to T€879,525 in the fiscal year ended March 31, 2014. The increase resulted mainly from higher depreciation and amortization. In addition, content costs also rose due to higher costs for HD content in connection with subscriber growth in the Premium-TV business.

The cost of services rendered decreased slightly as a percentage of our total revenues to 46.1% in the fiscal year ended March 31, 2015 from 46.3% 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 with 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 increased in the fiscal year ended March 31, 2015 by T€5,189 or 3.1% to T€172,244, compared to T€167,055 in the fiscal year ended March 31, 2014. The cost of leasing cable ducts from DTAG, which accounted for a major part of the expenses disclosed under this item, remained nearly unchanged in the fiscal year ended March 31, 2015 at T€103,627 (prior year: T€103,470), while in relation to our increased revenues it declined slightly to 5.1% from 5.4%.

Content costs relate primarily to program costs for our Basis HD product line, German and foreign language Pay-TV packages and the on-demand service Select Video. Content costs increased by T€10,798 or 12.0% to T€100,963 in the fiscal year ended March 31, 2015 from T€90,165 in the prior year. Content costs increased to 5.0% of our total revenues for the fiscal year ended March 31, 2015 from 4.7% for the fiscal year ended March 31, 2014. The increase in content costs developed largely proportional to the number of our Premium-TV RGUs, which increased by 9.7% during the past fiscal year. This was primarily due to additional expenses for HD content for our Basis HD product line. In general the broadcasters' services are charged based on the costs per subscriber. With respect to the licensing of the HD content there are also contracts with minimum guarantees, of which, however, the minimum thresholds are mostly reached. We 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 network expenses to continue to increase, combined with further subscriber growth. In the fiscal year ended March 31, 2015, our connectivity and other network costs increased by T€7,546 or 15.8% to T€55,211 (prior year: T€47,665) and thereby exceeded the revenue growth rate of 6.3%, whereby the disproportionate increase partially resulted from a one-time payment on the premature termination of certain backbones of DTAG in December 2014.

In the fiscal year ended March 31, 2015, expenses for maintenance and repair provided by third parties increased by T€1,217 or 3.1% to T€40,075 (prior year: T€38,858), while as a percentage of our total revenues remaining stable at 2.0% compared to 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, 2015, interconnection expenses decreased by T€7,578 or 20.2% to T€29,863 in comparison with T€37,441 in the fiscal year ended March 31, 2014, 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, 2015 to 3.5% (prior year: 5.1%). Consequently, the monthly average interconnection expenses per Phone RGU decreased significantly to €1.08 in the fiscal year ended March 31, 2015 from €1.60 in the prior year.

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€6,852 or 9.2% to T€81,158 in the fiscal year ended March 31, 2015, from T€74,306 in the previous year, also in relation to total revenues to 4.0% in the fiscal year ended March 31, 2015 (prior year: 3.9%).

In total, the cost of materials and services decreased to 23.7% of our total revenues during the fiscal year ended March 31, 2015 compared to 24.0% in the fiscal year ended March 31, 2014.

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 share-based payment programs.

In the fiscal year ended March 31, 2015, personnel expenses decreased significantly by T€7,400 or 15.5% to T€40,486, compared to T€47,886 in the fiscal year ended March 31, 2014. The decrease is due to significantly reduced expenses related to LTIP as a result of the factors explained in section 2.5.4 "Costs and Expenses". In the fiscal year ended March 31, 2015, personnel expenses adjusted for expenses related to share-based payment programs decreased slightly by T€358 or 0.9% to T€39,800 compared to T€40,158 in the fiscal year ended March 31, 2014. This decrease was largely attributable to increased own work capitalized in the wake of further extension of our technical infrastructure and associated improvements in performance capabilities for the provision of our new products and services. This cost relief offset the additional personnel expenses resulting from additional recruitments in our technical divisions.

The adjusted personnel expenses decreased slightly to 2.0% of our total revenues in the fiscal year ended March 31, 2015 compared with 2.1% 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, 2015, depreciation and amortization increased by T€31,149 or 10.3% to T€332,465 (prior year: T€301,316). These increased depreciation and amortization expenses result to a significant extent from investments in network upgrades. Higher depreciation expenses also relate to an enlarged portfolio of higher-quality CPE associated with an increase in the corresponding RGUs. As a percentage of total revenues, depreciation and amortization increased to 16.5% in the fiscal year ended March 31, 2015, compared to 15.9% in the fiscal year ended March 31, 2014.

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, 2015 other costs and expenses increased to T€79,493 (prior year: T€74,833), while as a percentage of total revenues they remained stable at 3.9% compared with the prior year.

2.5.4.2 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, 2015 and 2014 selling expenses were as follows:

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Cost of materials and services	**27,764**	**27,029**
Personnel expenses	**134,879**	**137,293**
Thereof:		
Expenses related to share-based payment programs [1)]	2,510	16,316
Expenses related to restructuring	2,098	374
Depreciation and amortization	**83,620**	**79,883**
Other costs and expenses	**224,969**	**190,536**
Selling expenses	**471,232**	**434,742**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (with regard to LTIP and GLTR see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015).

Selling expenses increased by T€36,490 or 8.4% to T€471,232 in the fiscal year ended March 31, 2015 (prior year: T€434,742), as well as a percentage of our total revenues to 23.3% (prior year: 22.9%). The increase is primarily related to higher sales commissions accompanied by subscriber growth and 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 increased in the fiscal year ended March 31, 2015 by T€735 or 2.7% to T€27,764 (prior year: T€27,029). The increase was primarily due to higher expenses for our external customer service centers.

As a percentage of total revenues, cost of materials and services remained unchanged at 1.4% in the fiscal year ended March 31, 2015 compared to the prior year.

Personnel Expenses

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

In the fiscal year ended March 31, 2015, personnel expenses for sales and sales-related activities decreased by T€2,414 or 1.8% to T€134,879 (prior year: T€137,293) due to decreased expenses for LTIP. In contrast, in the fiscal year ended March 31, 2015, personnel expenses adjusted by expenses related to share-based payment programs and by restructuring expenses increased by T€9,669 or 8.0% to T€130,272, compared to T€120,603 in the fiscal year ended March 31, 2014. This was primarily due to additional recruitments in the areas of sales, marketing and product management related to organic growth. Consequently, adjusted personnel expenses increased slightly to 6.4% of our total revenues in the fiscal year ended March 31, 2015 from 6.3% in the prior year.

Depreciation and Amortization

Depreciation and amortization reported under selling expenses primarily include the amortization of capitalized subscriber acquisition costs and the customer list, and increased in the fiscal year ended March 31, 2015 by T€3,737 or 4.7% to T€83,620 (prior year: T€79,883). This was primarily attributable to an increase in amortization of capitalized subscriber acquisition costs due to subscriber growth. The increase was partially offset by the expiration of scheduled amortization of individual customer lists.

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, 2015, other costs and expenses within selling expenses increased by T€34,433 or 18.1% to T€224,969 (prior year: T€190,536). The increase was mainly due to higher sales commissions combined with subscriber growth. Furthermore, the temporarily increased demand for temporary personnel led to higher expenses. In addition, intensified marketing measures are reflected in higher marketing expenses. As a percentage of our total revenues, other costs and expenses in the fiscal year ended March 31, 2015 increased to 11.1% from 10.0% in the prior year.

2.5.4.3 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, 2015 and 2014 general and administrative expenses were as follows:

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Personnel expenses	**72,634**	**95,059**
Thereof:		
Expenses related to restructuring	8,445	0
Expenses related to share-based payment programs [1)]	5,732	38,179
Expenses related to takeover and changes in norms	0	2,760
Depreciation and amortization	**20,665**	**26,403**
Other costs and expenses	**50,186**	**73,661**
Thereof:		
Expenses related to takeover and changes in norms	30	32,174
General and administrative expenses	**143,485**	**195,123**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (with regard to LTIP and GLTR see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015).

Personnel Expenses

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

Personnel expenses decreased in the fiscal year ended March 31, 2015 by T€22,425 or 23.6% to T€72,634 (prior year: T€95,059). The decrease is primarily attributable to lower expenses related to LTIP. In contrast, adjusted for expenses related to share-based payment programs and for non-operating expenses related to takeover and changes in norms as well as restructuring, personnel expenses increased to T€58,457 in the fiscal year ended March 31, 2015, compared with T€54,121 in the prior year, and accordingly, as a percentage of our total revenues, slightly to 2.9% in the fiscal year ended March 31, 2015, compared with 2.8% 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 decreased by T€5,738 or 21.7% to T€20,665 in the fiscal year ended March 31, 2015 from T€26,403 in the fiscal year ended March 31, 2014 in spite of continuous investment in our IT systems and software, due to extension of the useful life of certain software components in November 2014 (see section 2.17.2 subsection "Useful Life of Certain Assets" of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015). As a percentage of our total revenues, depreciation and amortization also decreased to 1.0% in the fiscal year ended March 31, 2015, compared to 1.4% in the fiscal year ended March 31, 2014.

Other Costs and Expenses

Other costs and expenses within general and administrative expenses primarily include expenses for IT support, consulting and other headquarter-related costs.

In the fiscal year ended March 31, 2015 other costs and expenses decreased by T€23,475 to T€50,186 (prior year: T€73,661). The decrease is primarily attributable to non-operating expenses of T€32,174 in the prior year. These expenses were primarily in connection with consulting with regard to the takeover by Vodafone and to a lesser extent with the implementation of the EU Directive on the Introduction of a Single Euro Payments Area ("SEPA").

Adjusted for non-operating expenses, other costs and expenses within general and administrative expenses increased by T€8,669 or 20.9% to T€50,156 in the fiscal year ended March 31, 2015 from T€41,487 in the prior year. As a percentage of our total revenues, they were up to 2.5% (prior year: 2.2%).

2.5.5 Profit from Ordinary Activities

In the fiscal year ended March 31, 2015 profit from ordinary activities increased by T€83,924 to T€485,832 (prior year: T€401,908). In addition to significant revenue growth, inter alia, the decrease in LTIP expenses and the absence of non-recurring consulting fees in connection with the takeover by Vodafone contributed to the increase. The decrease in LTIP expenses is primarily due to settlement of the one-time grant of virtual stock options issued following the IPO in April 2010 and the virtual performance shares that were also granted in April 2010 ("VPS 2010") (also see section 5.5 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015). These major components of the Group's LTIP therefore generated no further personnel expenses in the fiscal year ended March 31, 2015. In addition, the remaining LTIP components are valued based on the fixed acquisition price of €84.50 plus accumulated paid dividends as a result of the takeover by Vodafone.

2.5.6 Interest Income

Interest income fell by T€19,296 to T€1,642 in the fiscal year ended March 31, 2015 from T€20,938 in the prior year. The decrease is due to the premature settlement of the stand-alone derivatives (interest rate floors) in connection with the required refinancing due to the takeover by Vodafone in October 2013. While income of T€17,115 from changes in the fair value of the interest rate floors was recorded in the fiscal year ended March 31, 2014, this income was omitted in the reporting period.

2.5.7 Interest Expense

In the fiscal years ended March 31, 2015 and 2014, interest expense amounted to, respectively:

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Vodafone Investments loans		
Thereof:		
Interest	77,452	31,103
Interest hedging	2,481	8,768
Reversal of cash flow hedge reserve	16,216	-
2018 Senior Secured Notes		
Thereof:		
Interest	11,375	68,250
Thereof:		
Non-recurring	0	22,750
Recurring	11,375	45,500
Reversal of agio	(703)	(11,375)
Thereof:		
Non-recurring	0	(9,533)
Recurring	(703)	(1,842)
Amortization of capitalized financing and transaction costs	315	5,092
Thereof:		
Non-recurring	0	4,269
Recurring	315	823
2017 Senior Notes		
Thereof:		
Interest	6,500	45,500
Thereof:		
Non-recurring	0	19,500
Recurring	6,500	26,000
Amortization of capitalized financing and transaction costs	299	3,958
Thereof:		
Non-recurring	0	3,157
Recurring	299	801
Senior Credit Facility		
Thereof:		
Interest	-	36,022
Interest hedging	-	10,601
Stand-alone derivatives	-	23,125
Amortization of capitalized financing and transaction costs	-	44,213
Thereof:		
Non-recurring	-	41,610
Recurring	-	2,602
Pensions	2,706	2,565
Finance lease	1,819	1,829
Asset retirement and CPE obligations	950	1,289
Other	5,771	3,705
Total interest expense	**125,179**	**274,645**

In the fiscal year ended March 31, 2015 interest expense decreased by T€149,466 or 54.4% to T€125,179 (prior year: T€274,645). Major effects of the decrease are described below.

Since October 14, 2013, Vodafone Investments has been granting to 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. On June 23, 2014, the Group concluded two more term loans for T€722,750 and T€419,500 with Vodafone Investments, which were drawn on June 30, 2014. They were used to refinance settlement of the 2018 Senior Secured Notes and 2017 Senior Notes. From the Group's point of view this results in variable Euro denominated interest payments based on the one month EURIBOR plus the respective margin agreed with Vodafone Investments. Interest expenses of T€79,933 were recorded for these loans in the fiscal year ended March 31, 2015. In addition to interest and commitment fees, interest expenses related to the loans also included expenses of T€2,481 for interest hedges with third parties that were incurred until their settlement on May 19 and 20, 2014.

Premature termination on May 19 and 20, 2014 of the hedging instruments, lastly designated to T€900,000 of the Vodafone Investments loans, resulted in an expense in the amount of T€16,216 in the fiscal year ended March 31, 2015 due to pro rata amortization of the changes in fair value of the interest rate swaps which were recognized in the cash flow hedge reserve until settlement.

The 2018 Senior Secured Notes and 2017 Senior Notes in the amounts of T€700,000 and T€400,000, respectively, were fully settled on the earliest possible contractual redemption date, June 30, 2014. The interest expense totaled T€17,172 in the fiscal year ended March 31, 2015 and took into account reversal of the agio of the 2018 Senior Secured Notes as a reduction in expense in the amount of T€703. The premiums totaling T€42,250 paid at each redemption were already recognized in March 2014 through profit or loss.

With the premature and full repayment of the Senior Credit Facility in October 2013 the interest expenses for the Senior Credit Facility were omitted in the current reporting period in comparison with the prior year. In the fiscal year ended March 31, 2014, an expense in the amount of T€23,125 was recognized for the stand-alone derivatives.

While an interest expense related to the reversal of transaction costs in the amount of T€53,263 was incurred in the fiscal year ended March 31, 2014, we only recognized T€613 in the fiscal year ended March 31, 2015. The reversal of transaction costs ended with the early repayment of the Senior Credit Facility in October 2013 and the complete settlement of the 2018 Senior Secured Notes and the 2017 Senior Notes in June 2014 as described above.

Adjusted for non-recurring effects and the effects from the changes in fair values in connection with our interest and currency hedging in the prior year, recurring interest expenses in the fiscal year ended March 31, 2015 decreased by T€44,587 or 26.3% to T€125,179 compared to T€169,766 in the prior year.

Outstanding interest-bearing debt at nominal values (excluding derivatives) as of March 31, 2015 decreased slightly by €33 million or 1.0% to €3,217 million (prior year: €3,250 million).

We constantly monitor our net debt (total debt nominal amounts (excluding derivatives) net of cash) which increased slightly as of March 31, 2015 to €3,010 million (prior year: €2,916 million) due to the decline in liquid funds.

2.5.8 Income from Associates

Based on the financial statements provided for the 2013 calendar year, decreased income from associates of T€213 to T€3,165 was recognized in the fiscal year ended March 31, 2015 (prior year: T€3,378).

2.5.9 Profit before Taxes

Profit before taxes in the fiscal year ended March 31, 2015 was T€365,460 compared to T€151,579 in the prior year. The marked increase of T€213,881 in the fiscal year ended March 31, 2015 is primarily due to considerable revenue growth, the decline in LTIP expenses and the absence of non-recurring expenses in connection with the takeover by Vodafone.

2.5.10 Taxes on Income

A tax expense of T€126,563 was recorded in the fiscal year ended March 31, 2015, compared to T€219,823 in the fiscal year ended March 31, 2014. Taxes recorded for the fiscal year ended March 31, 2015 comprised current tax expenses of T€94,847 and a deferred tax expense of T€31,716. Taxes recorded for the fiscal year ended March 31, 2014 comprised current tax expenses of T€92,310 and a deferred tax expense of T€127,513.

In the context of the income tax consolidation existing between Vodafone and KDH AG since April 1, 2014, we continue to report current tax expenses based on the tax sharing agreement.

The increase in current taxes in the fiscal year ended March 31, 2015 is primarily due to the significant increase in profit before taxes compared to the prior year period. This effect was almost compensated by the increase of deductible interest expense compared to the prior year.

The decrease in deferred tax expenses for the fiscal year ended March 31, 2015 is primarily due to the write-off of all capitalized deferred tax assets on loss carryforwards in the fiscal year ended March 31, 2014 as a result of the takeover by Vodafone.

2.5.11 Net Profit / Loss for the Period

A net profit of T€238,897 was recorded in the fiscal year ended March 31, 2015 (prior year: net loss of T€68,244).

The significant increase in the net result in the fiscal year ended March 31, 2015 was primarily due to revenue growth, the decrease in deferred tax expenses and the absence of the non-recurring expenses in connection with the takeover by Vodafone, and reduced expenses related to LTIP.

Earnings per share rose to €2.70 in the fiscal year ended March 31, 2015 compared to €-0.77 in the prior year.

2.6 FINANCIAL POSITION AND NET ASSETS OF THE GROUP FOR THE FISCAL YEAR ENDED MARCH 31, 2015 COMPARED TO THE FISCAL YEAR ENDED MARCH 31, 2014

As of March 31, 2015, the balance of our cash and cash equivalents was T€207,385. This included T€196,745 made available to the Vodafone Group and invested as call money. Under the revolving loan granted to us by Vodafone Investments and under their first term loan, we also had T€375,000 in unused credit line available.

Securing a stable credit rating on a high level is not anymore an important objective of the capital management of our Group. Following the takeover by Vodafone, our Group has been integrated into the financial and capital management of the Vodafone Group, meaning that stepwise all external loans and notes were repaid by the Vodafone Group and call money placed with banks was replaced by investments with Vodafone Group Plc. Accordingly, our Group is no longer financed by external third parties and also in the future it is not provided for financing by third parties.

Financing of our Group is currently primarily performed by the term loans provided by Vodafone Investments. These long-term loans have maturities between July 2017 and June 2020. Our Group is in a continuous dialogue with the Vodafone Group in order to monitor capital market conditions and to evaluate options as to optimize the capital structure of our Group regarding repayments and refinancing of these term loans. At maturity of the loans we decide in consultation with the Vodafone Group on the prolongation or the replacement of these loans.

Furthermore, involvement of our Group into the cash pooling of the Vodafone Group is also planned in the future in order to achieve optimized interest yields.

Management of the capital structure is primarily performed by the liquidity planning of our Group which is updated daily. Based on this, management makes decisions regarding increases and repayments of the term loans from Vodafone Investments, which may be drawn or repaid in tranches, as well as related to the amount of call money placed with the Vodafone Group Plc.

Lending conditions have further improved in the past fiscal year compared to the prior year especially as a result of the refinancing of the Senior Notes with higher interest rates by borrowing of two further term loans from Vodafone Investments. Since then all financial liabilities have been related to the Vodafone Group. All loans from Vodafone Investments include identical covenants. In the fiscal year ended March 31, 2015, we reliably complied with all covenants. Despite our high level of debt financing, based on our currently high internal financing capability and sufficient liquidity, we do also in the fiscal year ending March 31, 2016 not expect additional capital requirements.

The following table shows a condensed version of our cash flows for the fiscal years ended March 31, 2015 and 2014:

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Cash flows from operating activities	824,491	805,493
Cash flows from investing activities	(701,890)	(576,566)
Cash flows from financing activities	(249,284)	(504,407)
Changes in cash and cash equivalents	(126,683)	(275,479)
Cash and cash equivalents at the beginning of the period	334,068	609,547
Cash and cash equivalents at the end of the period	**207,385**	**334,068**

2.6.1 Cash Flows from Operating Activities

Our net cash flow from operating activities in the fiscal year ended March 31, 2015 increased by T€18,997 to T€824,491 (prior year: T€805,493). While income tax refunds, compared to income tax payments in the prior year period, significantly contributed to the increase, payout of the cash settled components of share-based payments related to the LTIP program had the opposite effect.

Our operating performance improved significantly and is reflected in the positive performance of the gross operating cash flows (cash flows from operating activities before changes in assets and liabilities as well as income taxes), which increased in the fiscal year ended March 31, 2015 by T€114,940 to T€930,037 (prior year period: T€815,097). The main contributory factor was the increased operating result.

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€128,167 to T€703,374 in the fiscal year ended March 31, 2015 (prior year: T€575,207). This corresponds to 34.8% of our total revenues for the fiscal year ended March 31, 2015 (prior year: 30.3%). These payments comprise investments in property and equipment of T€548,479 and in intangible assets of T€154,895. The increased investments compared to the prior year were substantially related to the network upgrade and to growth in new subscribers.

The operational investments comprised success based investments of T€385,411 (prior year: T€318,803) composed, inter alia, 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€317,963 (prior year: T€256,405), thereof T€132,130 (prior year: T€101,149) related to the investment program Alpha started in April 2013. The objective of this program is to make it possible to achieve 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. With regard to existing capital commitments see section 5.3 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015.

2.6.3 Cash Flows from Financing Activities

Net cash used in our financing activities was T€249,284 in the fiscal year ended March 31, 2015 compared to T€504,407 in the fiscal year ended March 31, 2014.

In the fiscal year ended March 31, 2015, we received cash related to non-current borrowings of T€1,142,250 from two further term loans from Vodafone Investments. Repayments of current and non-current borrowings of T€1,229,646 were made particularly by the cash received from the term loans, and included the repayment of the 2018 Senior Secured Notes (T€700,000), the 2017 Senior Notes (T€400,000), the repayment of a partial amount (T€75,000) of the first term loan from Vodafone Investments and the settlement of interest hedges (T€54,646). Payments of interest and transaction costs totaled T€156,641, and included the premium of in total T€42,250 for the 2018 Senior Secured Notes and the 2017 Senior Notes. In addition, 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") were repaid in the amount of T€1,460. Cash repayments to reduce finance lease liabilities amounted to T€3,788.

In the fiscal year ended March 31, 2014, we received cash related to non-current borrowings of T€2,150,000 from the first term loan from Vodafone Investments. Repayments of current and non-current borrowings of T€2,253,308, which were effected among other things with the cash received from the term loan, comprised 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). 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. Secondly, the amount included 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. 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 KCB and KCW were repaid in the amount of T€2,059. Cash payments to reduce finance lease liabilities amounted to T€1,326.

2.6.4 Other Comments on Net Assets

As of March 31, 2015, the Company had total assets amounting to T€2,879,318 (prior year: T€2,715,336), consisting mainly of property and equipment of T€1,694,294 (prior year: T€1,456,340), intangible assets amounting to T€718,220 (prior year: T€665,674), as well as cash and cash equivalents amounting to T€207,385 (prior year: T€334,068). Property and equipment represented 58.8% (prior year: 53.6%) and intangible assets represented 24.9% (prior year: 24.5%) of total assets. The liabilities side of the balance sheet primarily consisted of non-current or current borrowings of T€3,217,250 (prior year: T€2,184,526) and T€12,207 (prior year: T€1,183,426). In relation to total assets, total borrowings improved to a ratio of 112.2% (prior year: 124.0%).

The increase in total assets of T€163,982 primarily reflects the decrease of the accumulated deficit by T€280,622, related to the realized net profit, and the increase in property and equipment by T€237,954, which was primarily due to investments into our cable networks. Furthermore, intangible assets increased by T€52,545, primarily due to additional capitalized subscriber acquisition costs and purchased software. Other current assets increased by T€44,607, mainly based on the receivables to Vodafone resulting from the loss absorption. In comparison, cash and cash equivalents decreased by T€126,683, especially due to the payout of liabilities related to the LTIP program, which became cash-effective, and the repayment of a partial amount of the first term loan from Vodafone Investments. The decline of liabilities related to the LTIP program also led to a reduction of other current liabilities, which was partially compensated by the first-time recognition of income tax liabilities against Vodafone. 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, 2015.

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.

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.

Opportunities and risks are defined by the Group as potential future developments or events which could lead to a positive or negative deviation in forecasts or objectives of the Company.

4.1 OPPORTUNITY AND RISK MANAGEMENT SYSTEM

The opportunity and 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 opportunities and risks.

The opportunity and 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 opportunity and risk environment can change quickly and unexpectedly due to a variety of factors. It is therefore necessary to react flexibly, especially regarding risks, to prevent a situation where there is avoidable damage or sustainable impact on the net assets, financial position or results of operations. The reference figure for risk evaluation is the effect of damages on free cash flow.

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

The opportunity and risk management is responsible for processes and ensures that the opportunity and risk situation is assessed comprehensively and is transparent by means of quarterly reporting to the Management Board. In specially defined cases that 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 opportunity and risk management system and for setting company-wide standards. Opportunities and risks that overlap departments are also monitored.

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.

KDH is a subsidiary of the Vodafone Group and is therefore required to comply with the requirements of the US Sarbanes Oxley Act ("SOX") of 2002, resulting from registration of Vodafone Group Plc with the US regulatory agency, the SEC (Securities and Exchange Commission).

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

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

In assessing individual risks, an assessment period of at least one year 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 free cash flow.

In relation to the total number of all identified risks, the risks as of the end of the fiscal year were distributed only across risks rated as medium and low. No high risks were identified. The distribution of the individual risks mentioned below is shown in brackets. It essentially corresponds to the distribution in the prior year.

Due to the shared network, the named individual risks relate primarily to both segments TV Business as well as Internet and Phone Business as a whole.

Risks associated with the Market

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. (Medium risk)

The German cable and telecommunications markets are exposed to considerable price and margin pressure. (Medium risk)

We may not achieve our growth targets if demand for cable and telecommunications products and services in Germany does not further 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. (Medium risk)

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. (Medium risk)

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. We could be restricted in our business operations related to entering into long-term contracts with residential owners' associations. (Medium risk)

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. (Medium risk)

Risks relating to our Network Infrastructure

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. (Low risk)

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

We are dependent on DTAG and some of its affiliated companies for cable ducts and other important services. (Low risk)

Legal and Regulatory Risks

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". (Medium risk)

Failure to reach an agreement with the collection society for copyright fees, GEMA, might negatively impact our business activities. (Low risk)

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. (Low risk)

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

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. (Low risk)

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. (Low risk)

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. (Low risk)

Implementation of the consumer rights directive in the summer of 2014 has made it more difficult to market supplementary product offers, particularly in the online channel. The new provisions have been kept less strict for other marketing channels. There is a risk that they will also negatively impact other marketing channels by means of an evolving jurisdiction. (Low risk)

IT and Security Risks

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. For example, there could be lengthy network outages due to bad weather conditions, particularly long periods of intense cold. (Medium risk)

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

Risks related to Staff

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

Risks relating to outsourcing services may have an adverse effect on our business and result in higher costs than expected. (Low risk)

Strikes or other collective bargaining disputes with work stoppage could disrupt or interrupt our operations or make them more costly. (Low risk)

Other Operational Risks

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. (Medium risk)

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. (Low risk)

We are subject to increasing operating costs and inflation risks which may have an adverse effect on our earnings. (Low risk)

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. (Low risk)

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

We may acquire assets that 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. (Low risk)

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. (Medium risk)

Risks relating to our Financing Situation and Liquidity

The term loans 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. Interest rate risks are no longer hedged by the use of financial instruments. (Medium risk)

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

We might not be able to fully deduct our interest payments for tax purposes. (Low risk)

We have unfunded liabilities relating to our pension plans and other retirement benefits. (Low risk)

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

Further important risks, especially liquidity and market risks, are not seen at the moment.

Summary Risks

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 that could pose such a risk or might substantially adversely affect the Group's net assets, financial position or results of operations. Compared to the prior year, the risk situation as a whole did not change materially.

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, 2013[1)], there were a total of 46.5 million citizens living in 23.5 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 ownership of a high-speed fiber optic and coaxial cable network provides us with a significant advantage to disproportionately benefit from growth opportunities in our industry.

Further Growth in Premium-TV and Internet and Phone

The German market still offers very good growth prospects for the cable sector. Based on the continued strong demand for higher bandwidths, we expect further growth, particularly in the market for high-speed broadband Internet access. We believe that in Germany broadband Internet customers will continue to switch from other network technologies (e.g. DSL) to cable in the future, due to the price and performance advantages offered by cable technology.

We believe that, because of the high-performance network infrastructure, we will also benefit in the future from increased broadband Internet penetration. Through the almost completed extension of the DOCSIS 3.0 data transmission standard, our network currently guarantees broadband speeds of up to 200 Mbit/s. Technically, download speeds of up to 400 Mbit/s would already be possible.

The German market for Premium-TV continues to be underdeveloped compared to international markets. 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, non-linear television and VoD for more and more households.

We have an extensive, but not fully exploited, subscriber base and network coverage. Despite strong growth, in terms of both RGUs per subscriber (1.90 as of March 31, 2015) and monthly ARPU per subscriber (€18.34 for the fiscal year ended March 31, 2015), we continued to be behind cable providers in other countries over the last three years. This shows us that we still have a great deal of growth potential.

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

This could result in an increase in new subscribers in Premium-TV, Internet and Phone comparable to the prior year, which could again lead to a significant increase in revenues.

Stable Core Business

Our Basic Cable business within the TV Business generates predictable, relatively stable cash flows from operations. Along with satellite reception, cable is Germany's leading TV platform. In 2014, 46.3% of German households obtained their television programming over cable networks

1) Based on the latest available data.

(source: Digitalisierungsbericht, die medienanstalten – ALM GbR of August 2014). This percentage share has remained relatively stable over the last few years even though, besides the two leading transmission paths, alternative distribution platforms are available, such as digital terrestrial broadcasting (DVB-T) or Internet television (IPTV). This is also shown by relatively low churn rates in the core segments of our TV Business. The stability of our subscriber base leads to continuously relatively stable revenues and a predictable cost basis in our Basic Cable business.

Cost Advantages

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 transmits both analog and digital and high-definition TV signals, which can be viewed simultaneously by multiple users per household.

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 the services of our growth business in March 2006, our adjusted EBITDA margin increased from 35.0% to 46.5% (fiscal years ended March 31, 2007 to 2015), despite investing one Euro in four of our revenues in products, customer acquisition and service quality. By means of the integration into the Vodafone Group we expect to be able to migrate further customers and thus to gain additional customers. The cost advantages could lead to a further increase in our EBITDA margin.

Synergies and Economies of Scale as Part of the Group of Companies

Since October 14, 2013, Vodafone has been majority shareholder of KDH AG, holding more than 75% of the shares. For more information about the takeover by Vodafone and the entry and effectiveness of 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 Group of companies of the Vodafone Group, numerous synergies and economies of scale will arise for KDH. We assume that this will help sustainably strengthen business operations. We profit in particular from further cross-selling and upselling activities for our products as well as the migration of Vodafone subscribers to our Internet and TV products.

Experienced Management Team

Our management possesses considerable experience in the German cable, television and telecommunications sector. Their record of successful achievement also encompasses productivity increases, cost reductions, market launches of new products as well as the maintenance and expansion of established customer relationships. Our 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 and has been working for us since 2003. 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.

Summary Opportunities

In summary, we consider the market environment to be as attractive as in the prior year and assess the situation with regard to additional opportunities for our business to be balanced to each other and in a medium range. We expect to be able to benefit from further opportunities as we continue the expansion of our network and started the integration into the Vodafone Group. Especially in the Internet and Phone segment, but also in our growth business as a whole, we see very good opportunities regarding a sustained expansion of our business. As a consequence, this should result in further increases in indicators like ARPU and RGU per subscriber, which we want to make the best possible use of.

5 OUTLOOK

The Group's business has proven resilient over the past few years in a difficult macroeconomic environment. With conditions now more favorable, we think that our business will continue to develop very robustly throughout the current fiscal year and beyond. Following growth of 1.6% in 2014, the German Institute for Economic Research (DIW Berlin) forecasts an increase in GDP against the prior year of 2.2% for 2015, and 1.9% for 2016 for Germany. Higher factor costs and interest rates resulting from an economic environment with high inflation, however, could have a negative impact on the success of our business. For the German telecommunications market the digital association BITKOM expects marginal growth of 0.1% in the year 2015 compared to the prior year.

Through comprehensive investments for network upgrading, including the investment program Alpha with a volume of €300 million started in April 2013, that will be finalized in the fiscal year ending March 31, 2016, as well as through success based, subscriber-oriented investments, we already largely laid the foundations for sustainable future growth. Hence, we were able to establish high-growth products and services and will increasingly benefit from economies of scale in our existing network due to a relatively fixed cost structure.

Since the refinancing of the Senior Notes on June 30, 2014, the financing of the Group is fully effected by Vodafone Investments. We continue to believe that no difficulties will arise with regard to the timely fulfillment of our financial obligations.

Please note that the actual future development could materially deviate from our expectations if the underlying assumptions should prove to be incorrect.

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 the products and services of our growth business – either as individual products or as a product bundle with our current Pay-TV offerings – will generate further growth in the TV Business. We expect that revenues and EBITDA in this segment will develop approximately on the prior year level.

INTERNET AND PHONE BUSINESS

We plan to further enlarge our subscriber base in the Internet and Phone Business by marketing our bandwidth advantage with well-priced high speed products to our own and to existing Vodafone customers as well as to new customers. A further expansion of our customer potential will thus be achieved by means of the integration into the Vodafone Group.

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. We expect that the business in this segment in terms of revenues and EBITDA will develop positively and increase.

OVERALL ASSESSMENT

Over the last few years, the strong market position including our superior technological infrastructure and the attractive product offering has led to significant organic growth in revenues and EBITDA. We expect the successful performance of our Group, in continuation of our strategy, to be sustained in the following two years, reflected in further growth in revenues and EBITDA. As a consequence of the expected developments described above, we believe that the operating free cash flow from our current business should develop positively in the coming fiscal years. We expect to meet all financial obligations (interest and principal repayments) of the Group in coming years, and also strengthen our results of operations on a sustained basis.

With the entry into force of the DPLTA on April 1, 2014, Vodafone assumed control. Since April 1, 2014, KDH AG has fully transferred profits to Vodafone. In return, Vodafone is obliged to compensate for any losses. In addition, the integration process began after the DPLTA became effective, giving further momentum to our business, but also requiring extraordinary integration expenses. The objective is to create a convergent telecommunications group in order to offer TV, fixed-line, broadband Internet and mobile phone, 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 a convergent telecommunications group as the provision of an expanded range of products and of new, attractive offerings.

We strive for a consistently high level of customer satisfaction also in the fiscal year ending March 31, 2016. To achieve this, we regularly survey our customers on their perception of our services and where potential for improvement still exists. Based on the feedback from our customers we then identify the areas where we need to improve. Additionally, we will continue to focus on operational excellence by offering products with the best possible price performance ratio and customer-oriented service. The customer is our priority and it is our goal to improve the customer experience while maintaining our focus on efficiency and reliability.

In summary, we expect to increase revenues and EBITDA of the Group for the fiscal year ending March 31, 2016, compared to the prior year, in the mid to high single-digit percentage range. In view of the operating growth and the completion of the investment program Alpha our CapEx to sales ratio should decrease so that we expect a significantly overproportionate increase of our operating free cash flow to more than €300 million. The positive business development should also be reflected in a further significant, in comparison to revenues slightly underproportionate, improvement of ARPU and RGU per subscriber.

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, 2015, 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 General 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 (now 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. and Cornwall Verwaltungs GmbH.

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 mandatory statutory provisions. 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 2014 and after expiration of the authorization period, in accordance with the extent of the capital increase(s) from Authorized Capital 2014, as well as after complete or partial implementation of the share capital increase out of Contingent Capital 2014.

POWERS OF THE MANAGEMENT BOARD, IN PARTICULAR WITH RESPECT TO THE POSSIBILITY OF ISSUING OR REPURCHASING SHARES

Authorized Capital

By resolution of the General Shareholders' Meeting of October 9, 2014, the Management Board is authorized to increase the registered share capital of the Company with the approval of the Supervisory Board on one or more occasions through October 8, 2019 by a total amount of up to T€44,261 by issuing up to 44,261,469 new bearer shares with no par value against contributions in cash and/or in kind ("Authorized Capital 2014").

The resolution of the General Shareholders' Meeting of October 9, 2014 for Authorized Capital 2014 cancelled the Authorized Capital 2010/I that had existed to that date.

The amendment to the Articles of Association regarding the Authorized Capital was entered into the commercial register on December 30, 2014.

Contingent Capital

The Company's share capital is contingently increased by T€44,261 by resolution of the General Shareholders' Meeting of October 9, 2014 through the issue of up to 44,261,469 new no par value bearer shares ("Contingent Capital 2014"). The Contingent Capital may be used to provide shares to holders/creditors of convertible and warrant bonds pursuant to the authorization dated October 9, 2014.

The resolution of the General Shareholders' Meeting of October 9, 2014 for Contingent Capital 2014 cancelled the Contingent Capital 2010/I that had existed to that date.

The amendment to the Articles of Association regarding the Contingent Capital was entered into the commercial register on December 30, 2014.

Treasury Shares

By a resolution of the General Shareholders' Meeting dated October 9, 2014, the Management Board is authorized to purchase treasury shares through October 8, 2019, subject to Supervisory Board consent, in a volume of up to 10% of the share capital existing at the time the resolution was adopted or the date the authorization is used, whichever is less. 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 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. The authorization may be used in its entirety or in several installments, on one or more occasions.

Purchases are made over the stock exchange or through a public offer to all shareholders of the Company.

If shares are purchased over the stock exchange, the purchase price (excluding incidental acquisition costs) may not be more than 20% above or below the arithmetic mean of the share prices (closing auction prices of shares of the Company in XETRA trading or a corresponding successor system) on the Frankfurt Stock Exchange on the last five stock exchange trading days before the purchase date or the date a commitment is made to purchase.

In the event of acquisition through a public offer, the Company can either publish a formal offer or publicly solicit offers to sell. The purchase price (excluding incidental acquisition costs) paid to shareholders may not be more than 20% above or below the arithmetic mean of the share prices (closing auction prices of the shares of the Company in XETRA trading or a corresponding successor system) on the Frankfurt Stock Exchange on the last five stock exchange trading days before the offer is published or, if offers are solicited, before the purchase date.

The repurchase volume may be limited. If the volume of shares offered for purchase by shareholders exceeds the total volume of the Company's offer to purchase, offers are accepted in proportion to the ratio of the total volume of the Company's offer to purchase to the total volume of shares offered by shareholders. Provision can be made, however, for preferential acceptance of small offers of up to 100 shares per shareholder. The purchase offer or solicitation of offers can have further terms and conditions.

The authorization can be used for any purpose permitted by law.

The Management Board is authorized to retire the treasury shares acquired by means of this authorization pursuant to Section 71 para. 1 no. 8 AktG with Supervisory Board approval and no need for another General Shareholders' Meeting resolution. Retirement can be limited to part of the shares acquired. The authorization to retire shares can be used one or more times. As a rule, the retirement of shares leads to a capital reduction. The

Management Board can alternatively decide to let the share capital remain unchanged and instead increase the portion of the share capital attributable to the other shares pursuant to Section 8 para. 3 AktG. In this case, the Management Board is authorized to amend the number of shares indicated in the Articles of Association.

The Management Board is also authorized, subject to Supervisory Board approval, to use the shares acquired by means of this authorization in ways other than sales over the stock exchange or an offer to all shareholders with full or partial exclusion of shareholder subscription rights,

(i) for excluding fractional amounts resulting from the subscription ratio from shareholder subscription rights;

(ii) for disposal against contributions in kind for the purpose of acquiring (including indirectly) companies, divisions of companies, equity investments in other companies or other assets;

(iii) for disposal against cash payments, provided this takes place at a price that is not significantly below the stock exchange value of shares of the Company at the time of the disposal as stipulated in Section 71 para. 1 no. 8, sentence 5, clause 2 and Section 186 para. 3 sentence 4 AktG. This authorization is limited to a maximum of 10% of the share capital of the Company on the date the resolution was adopted or the date the authorization is used, whichever is less, including other shares, warrant-linked bonds and/or convertible bonds, and profit participation rights and/or income bonds with option or conversion rights issued or disposed of during the term of this authorization with exclusion of shareholders' subscription rights in either direct or analogous application of Section 186 para. 3 sentence 4 AktG;

(iv) for fulfilling obligations of the Company due to conversion and option rights or conversion obligations arising from convertible bonds or warrant-linked bonds and profit participation rights or income bonds (or combinations of all these instruments) issued by the Company or by the Company's subsidiaries or companies under majority ownership of the Company that grant conversion or option rights or establish conversion obligations; and

(v) for granting to holders of convertible bonds or warrant-linked bonds or profit participation rights or income bonds (or combinations of all these instruments) issued by the Company or by the Company's subsidiaries or companies under majority ownership of the Company that grant conversion or option rights or establish a conversion obligation the subscription rights they are entitled to after exercising the rights or obligations under the instruments mentioned.

The authorizations in (i) to (v) 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.

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 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2015) stipulate that the loans can be terminated without notice by the lender upon takeover and the disbursed loan amounts, together with accrued interest, can be declared due immediately.

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

Individual housing associations may cancel a concession 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 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.

8.1 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 previous LTIP or on the Global Long-Term Retention Plan ("GLTR") introduced within KDH during the past fiscal year. Added to these are retirement pensions and common contractual fringe benefits.

Management Board member Dr. Siemen is also a member of the management of Vodafone GmbH. Since July 1, 2014, his compensation is no longer borne by KDH AG.

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 performance-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 after the closing of each fiscal year based on actual results.

The following parameters agreed with Vodafone were used to establish performance targets for the fiscal year ended March 31, 2015: adjusted EBITDA, total revenues (plus DSL Business), operating free cash flow, net adds of subscribers and RGUs and customer satisfaction.

Long-term Variable Bonus

In addition, the members of the Management Board participate in a long-term, performance-based 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"). Beginning with calendar year 2014, a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group replaces grants under the previous LTIP. See the sections below for more information.

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 ended or ends on March 31, 2014, March 31, 2015, March 31, 2016 and March 31, 2017, respectively.

Through the fiscal year ended March 31, 2014, at the beginning of every fiscal year, Management Board members were awarded a number of virtual performance shares duly determined at the discretion of the Supervisory Board. Depending on the attainment of certain performance targets, the virtual 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 virtual 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 virtual 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 virtual performance shares rises, depending on the extent of the outperformance relative to the MDAX, up to a maximum of 200% of the virtual 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 virtual 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 virtual performance shares will expire worthless, if the MDAX is underperformed by more than 20 percentage points. The virtual 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 virtual 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 and 2011 grants due for payout was limited on the basis of the acquisition price of €84.50 as a basis for calculation.

The virtual performance shares related to the first annual grant as of April 1, 2010 were fully vested after the end of the four-year vesting period, as of the end of March 31, 2014. In accordance with the contractual provisions of the LTIP I, the liabilities existing in connection with these virtual performance shares were cash settled in April 2014. The number of virtual performance shares decreased accordingly.

The fair value of the virtual performance shares due for payout in April 2015 (granted in 2011) is based on observable market prices of KDH AG shares on March 31, 2015, and on the number of these virtual performance shares limited by the Supervisory Board in accordance with the procedure with respect to the first annual grant in the prior year.

Due to this 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 subject to payout no earlier than April 1, 2016, and this price plus dividends paid will be used as the basis.

Due to the fact that the new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group replaces grants under the previous LTIP starting in calendar year 2014, no more virtual performance shares were allotted in the fiscal year just ended.

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.

The virtual stock options vested in several tranches on March 31, 2012 (40% of the options), March 31, 2013 (additional 30% of the options) and March 31, 2014 (remaining 30% of the options), respectively, dependent in each case on particular performance targets being achieved. The performance targets that were set are the target EBITDA levels, which had to be achieved during a specific time period as well as the price targets for KDH AG shares that had to be achieved within defined performance time frames. These objectives were achieved. The virtual stock options were able to be exercised for the first time four years after being granted, within a two-year exercise period. Upon exercise of the virtual stock options, the difference between the IPO issue price of KDH AG shares (€22.00) and the volume-weighted average closing price of KDH AG shares in XETRA trading during the last 30 days prior to the exercise date was 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.

All virtual stock options outstanding as of March 31, 2014 were fully vested. All holders of virtual stock options had exercised their options as of April 1, 2014, so that the liabilities that existed in connection with LTIP II were cash settled in April 2014. Therefore, no more virtual stock options were outstanding as of March 31, 2015.

Global Long-Term Retention Plan

KDH introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group during the fiscal year ended March 31, 2015, which replaces grants under the previous LTIP beginning with calendar year 2014. Members of the Management Board are allotted conditional share awards based on this component. Settlement takes place in the form of Vodafone Group Plc shares following a specified vesting period. Additional Vodafone Group Plc shares are also allotted in this context to satisfy the dividend claims arising during the vesting period.

The conditional share awards allotted to members of the Management Board of KDH AG vest after a period of 36 months ("vesting period"). Full vesting only occurs if the participant is still performing work for KDH after the vesting period has expired. Partial vesting is also provided for under certain conditions if the participant leaves the Company before this time. Settlement of the conditional share awards is performed by allotment of Vodafone Group Plc shares to participants at the end of the vesting period.

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, the closure of a life insurance policy, health insurance contributions and, on an individual basis, a housing allowance.

8.2 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, 2015.

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€2,360 (prior year: T€3,243) and commitments for pension benefits which were expensed in the amount of T€230 (prior year: T€266) for services performed for KDH AG and its subsidiaries in the fiscal year ended March 31, 2015. In addition, in the fiscal year ended March 31, 2015, KDH AG granted members of the Management Board currently non-cash[1] share-based compensation based on the GLTR of the Vodafone Group in the form of conditional share awards as long-term compensation element with a fair value at grant date of T€850 (prior year: T€1,689 from virtual performance shares granted based on the LTIP of the Group).

[1] Regarding vesting see our explanations in section 8.1, subsection "Global Long-Term Retention Plan".

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, 2015 and 2014 in the two charts below:

Type of compensation in T€	Non-performance related compensation [1]	Variable annual bonus	Share-based compensation GLTR [2]	Total compensation
	Fiscal year ended March 31, 2015			
Dr. Manuel Cubero	531	261	500	1,292
Erik Adams	441	249	0	690
Gerhard Mack	362	175	350	887
Dr. Andreas Siemen [3]	107	234	0	341
Total	**1,441**	**919**	**850**	**3,210**

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.

3) Since July 1, 2014, the compensation is no longer borne by KDH AG.

Type of compensation in T€	Non-performance related compensation [1]	Variable annual bonus	Share-based compensation LTIP [2]	Total compensation
	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.

The commitments of pension benefits for each member of the Management Board recognized through profit or loss during the fiscal year ended March 31, 2015, are shown in the chart below:

in T€	Service cost April 1, 2014 - March 31, 2015	Present value of pension liability March 31, 2015
Dr. Manuel Cubero	87	627
Erik Adams	71	326
Gerhard Mack	57	249
Dr. Andreas Siemen	15	314
Total	**230**	**1,516**

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, 2015 Number	Fair value of performance shares at grant date T€	Forfeited Number	Reduction by limitation [1] Number	Number of remaining virtual performance shares March 31, 2015 Number	Fair value of performance shares due for payout taking into account the performance component at valuation date [2] March 31, 2015 T€
Dr. Manuel Cubero	April 1, 2011	12,361	467	0	(3,716)	8,645	2,188
	April 1, 2012	9,347	422	0	0	9,347	1,654
	April 1, 2013	5,942	409	0	0	5,942	886
Erik Adams	April 1, 2011	10,211	386	0	(3,070)	7,141	1,807
	April 1, 2012	8,812	398	0	0	8,812	1,560
	April 1, 2013	5,601	385	0	0	5,601	836
Gerhard Mack	April 1, 2011	5,177	196	0	(1,556)	3,621	916
	April 1, 2012	3,450	156	0	0	3,450	611
	April 1, 2013	0	0	0	0	0	0
Dr. Andreas Siemen	April 1, 2011	5,717	216	0	(1,719)	3,998	1,012
	April 1, 2012	7,314	330	0	0	7,314	1,295
	April 1, 2013	5,354	368	0	0	5,354	799
Total		**79,286**	**3,731**	**0**	**(10,061)**	**69,225**	**13,563**

[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, 2015).

[2] Due to the value-equivalent quantitative limitation of virtual performance shares of the second annual grant in 2011 based on the acquisition price of €84.50 plus dividends paid, the Supervisory Board came 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, 2016, 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 third and fourth grant as of March 31, 2014, the valuation of these virtual performance shares granted between 2012 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") were paid out in the full amount in April 2014 so that no further virtual stock options are outstanding as of March 31, 2015.

In addition, members of the Management Board of KDH AG participated in the fiscal year ended March 31, 2015 in the GLTR of the Vodafone Group, which replaces grants under the previous LTIP beginning with calendar year 2014, as follows:

	Grant Date	Number of conditional share awards granted March 31, 2015 Number	Fair value of conditional share awards at grant date T€	Number of remaining conditional share awards March 31, 2015 Number	Fair value of conditional share awards due for payout March 31, 2015 T€
Dr. Manuel Cubero	November 14, 2014	175,777	500	175,777	536
Erik Adams	November 14, 2014	0	0	0	0
Gerhard Mack	November 14, 2014	123,044	350	123,044	375
Dr. Andreas Siemen [1]	November 14, 2014	0	0	0	0
Total		**298,821**	**850**	**298,821**	**911**

[1] Since July 1, 2014, the compensation is no longer borne by KDH AG.

8.3 SUPERVISORY BOARD COMPENSATION SYSTEM

The compensation of the Supervisory Board was set by the General 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€318 in the fiscal year ended (prior year: T€427).

The representatives of Vodafone on the Supervisory Board, Ms. Dimitrova and Messrs. Barnard, Pradel and Schulte-Bockum, have waived the Supervisory Board remuneration, as did Dr. Hackl, Mr. Humm and Mr. Krause, who left their positions during the fiscal year ended March 31, 2015. Supervisory Board member Dr. Nowak waived his Supervisory Board remuneration up to June 30, 2014.

9 KABEL DEUTSCHLAND HOLDING AG (NOTES BASED ON HGB)

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. KDH AG is not an operating company and the Group's business operations are primarily conducted by the subsidiaries KDVS GmbH and KDK. The business operations and consequently the Group as a whole are managed mainly by financial and non-financial performance indicators as described in section 1.4. KDH AG as a separate entity is managed mainly by the financial performance indicator income from equity investments or income from profit transfers from KDVS GmbH. The results of operations of the company is permanently dependent on the operating results of the Group and possible income from equity investments, as KDH AG's expenses are only partly reimbursed via the management fee from operating companies. In this respect, managing the Group indirectly also leads to the management of income from equity investments or income from profit transfers from KDVS GmbH. Income from profit transfers significantly decreased as expected, as the prior year income resulted mainly from non-recurring deferred tax income in KDVS GmbH in connection with the consolidated tax group effective April 1, 2013. Furthermore, securing liquidity is also a main objective. In particular, this was managed by the provision of loans from KDVS GmbH. KDH AG's liquidity could be secured at any time, as expected. Even more, KDH AG partially repaid loans from KDVS GmbH. In the future, liquidity is secured through the integration of KDH AG in cash pooling with KDVS GmbH.

The disclosures regarding the Company structure and business operations as well as macroeconomic and sector development primarily also apply to KDH AG. Therefore reference is made to sections 1 and 2.1.

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

The KDH AG Management Report and the Group Management Report for the fiscal year ended March 31, 2015 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.

The results of operations improved in the fiscal year just ended mainly due to the absence of deferred tax expenses compared to the prior year. The deferred tax expenses, that were in connection with the income tax consolidation with KDVS GmbH, had been recognized as income in KDH AG via the profit transfer of KDVS GmbH, due to the elimination of deferred tax liabilities and corresponding income in KDVS GmbH. As a result, they had no effect on the results of operations. Deferred tax expenses of the prior year that had a material effect on the results of operations, based on their absence, resulted from the presumable loss of loss carryforwards due to the takeover by Vodafone. In addition, one-time consulting expenses in the prior year in connection with the takeover by Vodafone were omitted. Furthermore, expenses for LTIP decreased. The significantly lower profit transfer of KDVS GmbH had a negative impact on the results of operations. Due to the DPLTA with Vodafone and the corresponding loss absorption, income for the year was €0.

The asset side of the balance sheet was influenced significantly by the reduction in long-term loans and significantly lower receivables related to the profit transfer of KDVS GmbH. The liabilities side was impacted in particular by the settlement of the 2017 Senior Notes and the partial repayment of liabilities from loans to KDVS GmbH.

The financial position was affected by the premature settlement of the 2017 Senior Notes and the matching long-term loan to KDVS GmbH, as well as by the repayments of loans from KDVS GmbH. This resulted in lower interest expenses. The total financial result was negative, primarily due to the lower income from the profit transfer of KDVS GmbH.

In summary, from KDH AG's point of view, the fiscal year ended March 31, 2015 has been favorable compared to the prior year due to the improved results of operations and the settlement of the 2017 Senior Notes as well as the redemption of loans to KDVS GmbH. In the following, the development of the results of operations of KDH AG will be analyzed more detailed based on the items included in the statement of income.

9.2 RESULTS OF OPERATIONS

Revenues

The revenues of T€2,195 for the fiscal year ended March 31, 2015 (prior year: T€3,117) primarily resulted from consulting and services invoiced to KDVS GmbH, including for strategic development and financing. The decrease is in connection with a lower extent of consulting services and services for KDVS GmbH.

Personnel Expenses

Personnel expenses amounting to T€6,050 (prior year: T€29,626) included salaries of T€2,485 (prior year: T€4,117) and social security costs of T€203 (prior year: T€290). The social security costs included pension costs of T€156 (prior year: T€204). In addition, share-based payment expenses based on the LTIP amounting to T€3,247 (prior year: T€25,218) and based on the GLTR amounting to T€114 (prior year: €0) were included in personnel expenses.

The decrease in personnel expenses primarily resulted from lower expenses for the LTIP due to the settlement of virtual performance shares granted in 2010 as well as the complete settlement of virtual stock options in April 2014, and the value-equivalent limitation based on the acquisition price of €84.50 for the remaining LTIP components as a result of the takeover by Vodafone.

The personnel expenses were mainly related to the Management Board members of KDH AG. Also see section 8.2 for information on individual compensation for members of the Management Board.

Other Operating Expenses

Other operating expenses were T€8,580 for the fiscal year ended March 31, 2015 (prior year: T€31,865). The decrease primarily resulted from consulting expenses incurred in the prior year in connection with the takeover by Vodafone.

Income from Loans classified as Financial Assets

In June 2012, KDH AG issued 2017 Senior Notes amounting to T€400,000 and passed on the full amount as long-term loan to KDVS GmbH. The income from this loan was T€6,500 for the fiscal year ended March 31, 2015 (prior year: T€26,000). The decrease resulted from the full premature settlement of the 2017 Senior Notes and the corresponding loan to KDVS GmbH in June 2014.

In addition, income from loans classified as financial assets of T€13,349 incurred from the loan granted to KDVS GmbH in May 2014. The loan originated from the transformation of the receivables related to the transfer of the net income of KDVS GmbH as of March 31, 2014. The loan was initially agreed on with a final maturity in 2019 and therefore classified as long-term. Consequently, the corresponding income is disclosed as income from loans classified as financial assets, even though the loan was disclosed as current receivable from affiliates as of March 31, 2015 (see also section 9.2 subsection "Current Assets").

Income from Profit and Loss Transfer Agreements

The Company generated income of T€40,552 in the fiscal year ended March 31, 2015 from the profit and loss transfer agreement with KDVS GmbH (prior year: T€543,875).

Interest and Similar Expenses

Interest expense and similar expenses declined by T€8,793 during the fiscal year ended March 31, 2015 to T€71,073 (prior year: T€79,866). Interest expenses to affiliated companies were T€44,870 (prior year: T€53,734) and declined as a result of loan repayments to KDVS GmbH.

Interest expenses to third parties were stable compared to the prior year at T€26,202 (prior year: T€26,132). While the interest expenses on the 2017 Senior Notes were T€26,000 in the prior year, they were significantly lower at T€6,500 in the fiscal year ended March 31, 2015. This resulted from the premature settlement of the 2017 Senior Notes in June 2014. Furthermore, in connection with the premature settlement of the 2017 Senior Notes, KDH AG incurred an additional expense of T€19,500 in the fiscal year ended March 31, 2015, as a premium had to be paid.

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€6,500 indicated above were matched by an equal amount of income from KDVS GmbH (see section "Income from Loans classified as Financial Assets").

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€2 (prior year: T€4).

Income Taxes and Deferred Taxes

Income taxes amounting to an expense of T€18,456 (prior year: expense of T€642,939) consisted as of March 31, 2015 of current tax expenses in the amount of T€90,842 (prior year: T€91,211) and deferred tax income of T€72,386 (prior year: deferred tax expenses of T€551,728).

Since April 1, 2013, there has been a consolidated tax group for both corporate and trade tax purposes in place between subsidiary KDVS GmbH and controlling company KDH AG. For this reason, deferred taxes are basically to be recognized in the annual financial statements of KDH AG in accordance with DRS 18.32. Therefore, in the fiscal year ended March 31, 2014, deferred taxes have been eliminated at KDVS GmbH and correspondingly have been recognized at KDH AG. Deferred tax income that incurred at KDVS GmbH also led to income in KDH AG via the profit transfer. Therefore, the disclosure of tax effects had no impact for the consolidated tax group on the KDH AG level.

In the fiscal year ended March 31, 2015, the deferred taxes in this regard related mainly to the reduction of differences between the commercial balance sheet and the tax balance sheet figures.

Since April 1, 2014, there has been 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. The option under DRS 18.35, pursuant to which the deferred taxes on temporary differences at subsidiary companies can also be accounted for at the subsidiary company, is being used.

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. KDH AG, as a subsidiary company, is required to pay tax on its income in the amount of 20/17 of the settlement payments made by the controlling company Vodafone to minority shareholders, as its own income. As a result, an amount of T€12,171 is not included in the tax sharing at the KDH AG level.

Loss Absorption due to a Profit and Loss Transfer Agreement / Income for the Year

Effective April 1, 2014, Vodafone and KDH AG entered into a DPLTA (see also section 1.2). This includes an existing obligation for Vodafone to compensate KDH AG for any losses. This resulted in income for the fiscal year ended March 31, 2015 in the amount of T€41,548 and an income for the year of €0 (prior year: net loss for the year of T€210,959).

9.3 NET ASSETS AND FINANCIAL POSITION

Total assets decreased by T€736,914 to T€1,750,707 compared to T€2,487,621 in the prior year. The major effects of the decrease are explained in the following sections.

Fixed Assets

Fixed assets consisted unchangedly of shareholdings in the wholly owned subsidiary KDVS GmbH in an amount of T€1,515,498 as well as Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH in the amount of T€25 each. The change in loans resulted from the premature settlement of the loan to KDVS GmbH in the amount of T€400,000 in June 2014. The proceeds from the 2017 Senior Notes, which were also prematurely settled in June 2014, originally were passed on by this loan.

Current Assets

Current assets totaled T€234,886 (prior year: T€571,884) and consisted primarily of a loan receivable from KDVS GmbH of T€139,133 (prior year: €0), a receivable from KDVS GmbH of T€40,552 for the profit transfer for the fiscal year ended March 31, 2015 (prior year: T€543,875), which decreased significantly compared to prior year, and a receivable from the shareholder Vodafone of T€41,548 (prior year: €0) from the loss absorption in connection with the DPLTA which became effective on April 1, 2014.

In May 2014, a loan was granted to KDVS GmbH in connection with the profit transfer paid by KDVS GmbH. The new loan was value-equivalent to the profit transfer. Based on the maturity in 2019, the loan was initially classified as long-term. However, as of March 31, 2015, the loan was disclosed as receivables from affiliates and not as long-term loan, as in March 2015 it was decided to integrate KDH AG in cash pooling with KDVS GmbH. In this context, the loan was repaid in April 2015.

Equity

Equity was unchanged at T€270,173 due to the DPLTA. The equity ratio (equity in relation to total assets) improved to 15.4% (prior year: 10.9%), as a result of the decrease in provisions and liabilities (see subsequent sections).

Provisions

The provisions include pension obligations of T€2,031 (prior year: T€2,206), tax provisions amounting to T€65,780 (prior year: T€91,191) and other provisions of T€7,295 (prior year: T€14,314).

Pension provisions decreased due to offsetting with the reinsurance policies concluded in fiscal year March 31, 2015 in the amount of T€615.

The decrease in other provisions resulted primarily from the absence of interest provisions in connection with the premature settlement of the 2017 Senior Notes in June 2014 and from lower short-term obligations for the LTIP.

Liabilities

Liabilities decreased by T€631,923 compared to the prior year to T€1,059,023 (prior year: T€1,690,946). The decrease resulted mainly from the premature settlement of the 2017 Senior Notes in June 2014 in the amount of T€400,000, and from the partial repayment of T€253,530 in existing loan and interest liabilities to KDVS GmbH, reducing the balance to T€968,306 (prior year: T€1,221,836). An opposing effect resulted from the recognition of tax liabilities of T€78,670 to the shareholder Vodafone. This tax liability was due to the tax sharing agreement with Vodafone.

Deferred Tax Liabilities

As of March 31, 2015, there were deferred tax liabilities of T€346,405 (prior year: T€418,791). For more details on the changes, see section 9.2, subsection “Income Taxes and Deferred Taxes”.

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 Company’s liquidity has been secured during the whole fiscal year, in particular by means of the profit transfer of KDVS GmbH. Though this was provided in full as loan to KDVS GmbH, sufficient liquidity existed at any time due to several repayments of KDVS GmbH in the fiscal year ended March 31, 2015. The positive development of the financial position was also reflected by redemptions of parts of the loans to KDVS GmbH.

The 2017 Senior Notes and the corresponding long-term loan granted to KDVS GmbH were prematurely settled in the fiscal year ended March 31, 2015. This related to expenses incurred at KDH AG from a premium in the amount of T€19,500. There have been no further effects on the financial position, as further interest income and expense equaled each other.

In total, the financial result significantly declined and was negative primarily based on lower income from the profit transfer of KDVS GmbH and the expenses related to the premium. However, not considering these effects, the financial result improved by T€22,022.

9.4 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 due to the direct integration as management and holding company of material subsidiaries. Correspondingly, the explanations in section 4 on the opportunity and risk management system, the internal control system and the opportunities and risks therefore also apply to KDH AG. In addition, no further material and relevant opportunities and risks exist for KDH AG.

9.5 OUTLOOK

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

With the DPLTA with Vodafone that became effective on 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, the integration process, which gives further momentum to our business, began after the DPLTA became effective. However, due to the control by Vodafone, strategic development of the Group is not possible without involvement of the Vodafone Group.

We expect that liquidity of KDH AG will also remain secured to a sufficient extent in future years and that KDH AG will be able to meet its obligations at any time, particularly as KDH AG has been integrated into the cash pooling of KDVS GmbH since April 2015. The loan receivables and liabilities from and to KDVS GmbH have been redeemed in connection with the integration of KDH AG into the cash pooling.

Furthermore, in the fiscal year ending March 31, 2016, we again expect positive, compared to the prior year significantly higher income from the profit transfer of KDVS GmbH, which should be within a low three-digit million range.

Unterfoehring, May 4, 2015

Kabel Deutschland Holding AG

Dr. Manuel Cubero del Castillo-Olivares	Erik Adams
Chief Executive Officer	Chief Marketing Officer
Gerhard Mack	Dr. Andreas Siemen
Chief Operating Officer	Chief Financial Officer

KABEL DEUTSCHLAND HOLDING AG
UNTERFOEHRING

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
MARCH 31, 2015

Kabel Deutschland Holding AG, Unterfoehring
Consolidated Statement of Financial Position as of March 31, 2015 and as of March 31, 2014

	Notes	March 31, 2015	March 31, 2014
Assets		€	T€
Current assets			
Cash and cash equivalents	3.1	207,384,819.49	334,068
Trade receivables	3.2	114,923,748.55	108,869
Inventories	3.3	27,152,014.76	34,169
Receivables from tax authorities	3.4	710,571.57	43,429
Other current assets	3.5	63,556,321.34	18,949
Prepaid expenses	3.5	17,670,629.58	10,933
Total current assets		**431,398,105.29**	**550,416**
Non-current assets			
Intangible assets	3.6	718,219,835.89	665,674
Property and equipment	3.7	1,694,294,498.66	1,456,340
Equity investments in associates	3.8	13,458,657.93	10,293
Deferred tax assets	4.9	73,100.00	2,352
Prepaid expenses	3.9	21,873,959.53	30,260
Total non-current assets		**2,447,920,052.01**	**2,164,920**
Total assets		**2,879,318,157.30**	**2,715,336**

	Notes	March 31, 2015	March 31, 2014
Equity and liabilities		€	T€
Current liabilities			
Current borrowings	3.12.1	12,207,281.55	1,183,426
Trade payables		292,979,558.31	296,477
Other current provisions	3.14	14,921,787.55	8,040
Liabilities due to income taxes	4.9	86,165,616.86	110,687
Other current liabilities [1]	3.10	205,976,534.65	229,300
Deferred income	3.11	218,623,034.34	216,652
Total current liabilities		**830,873,813.26**	**2,044,581**
Non-current liabilities			
Non-current borrowings	3.12.2	3,217,250,000.00	2,184,526
Deferred tax liabilities	4.9	116,935,100.00	92,193
Provisions for pensions	3.13	118,860,463.08	80,603
Other non-current provisions	3.14	46,192,208.20	37,372
Other non-current liabilities [2]	3.15	38,209,811.89	34,674
Deferred income	3.11	470,978.65	723
Total non-current liabilities		**3,537,918,561.82**	**2,430,091**
Equity			
Subscribed capital	3.16	88,522,939.00	88,523
Capital reserve	3.16	68,262,672.53	68,058
Legal reserve	3.16	8,852,293.90	8,852
Cash flow hedge reserve	3.16	(26,775,950.32)	(37,239)
Pensions reserve		(34,114,627.97)	(12,864)
Asset revaluation surplus	3.16	282,218.98	460
Accumulated deficit	3.16	(1,594,528,131.74)	(1,875,150)
		(1,489,498,585.62)	(1,759,360)
Non-controlling interests	3.16	24,367.84	23
Total equity (deficit)		**(1,489,474,217.78)**	**(1,759,336)**
Total equity and liabilities		**2,879,318,157.30**	**2,715,336**

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

[2] 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, 2014 to March 31, 2015 and from April 1, 2013 to March 31, 2014

	Notes	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
		€	T€
Revenues	4.1	2,020,700,070.43	1,900,193
Cost of services rendered thereof depreciation / amortization T€332,465 (prior year: T€301,316)	4.2	(931,957,659.39)	(879,525)
Other operating income	4.3	11,806,641.90	11,105
Selling expenses thereof depreciation / amortization T€83,620 (prior year: T€79,883)	4.4	(471,232,439.79)	(434,742)
General and administrative expenses thereof depreciation / amortization T€20,665 (prior year: T€26,403)	4.5	(143,484,845.70)	(195,123)
Profit from ordinary activities		**485,831,767.45**	**401,908**
Interest income	4.7	1,642,297.90	20,938
Interest expense	4.7	(125,179,084.49)	(274,645)
Income from associates	4.8	3,165,343.11	3,378
Profit before taxes		**365,460,323.97**	**151,579**
Income tax expense	4.9	(126,563,125.98)	(219,823)
Net profit / (loss) for the period		**238,897,197.99**	**(68,244)**
Attributable to:			
Equity holders of the parent		238,896,271.32	(68,245)
Non-controlling interests	4.10	926.67	1
		238,897,197.99	**(68,244)**
Appropriation of the result attributable to the equity holders of the parent:			
Loss absorption KDH AG by Vodafone Vierte Verwaltungs AG [1]		41,547,521.09	-
Allocations to accumulated deficit		280,443,792.41	(68,245)
Earnings per share (in €):			
Basic earnings per share	4.11	2.70	(0.77)
Diluted earnings per share	4.11	2.70	(0.77)

[1] Effective April 1, 2014, Vodafone Vierte Verwaltungs AG and KDH AG entered into a domination and profit and loss transfer agreement. See therefor section 1.2 of the Combined Consolidated Management Report and Management Report.

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, 2014 to March 31, 2015 and from April 1, 2013 to March 31, 2014

	April 1, 2014 - March 31, 2015 €	April 1, 2013 - March 31, 2014 T€
Net profit / (loss) for the period	**238,897,197.99**	**(68,244)**
Changes in fair value of hedging instruments regarding interest and currency	15,017,092.68	19,207
Income tax	(4,553,800.00)	(5,298)
Items which can be reclassified in the profit or loss section of the statement of income in the future	*10,463,292.68*	*13,909*
Actuarial gains / (losses) from Defined Benefit Obligation	(30,499,189.97)	(4,004)
Income tax	9,249,000.00	1,321
Items which remain permanently in equity	*(21,250,189.97)*	*(2,683)*
Other comprehensive income	**(10,786,897.29)**	**11,226**
Total comprehensive income	**228,110,300.70**	**(57,018)**
Attributable to:		
Equity holders of the parent	228,109,374.03	(57,018)
Non-controlling interests	926.67	1

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

Kabel Deutschland Holding AG, Unterfoehring
Consolidated Statement of Cash Flows
for the Period from April 1, 2014 to March 31, 2015 and from April 1, 2013 to March 31, 2014

	Notes	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
		T€	T€
1. Cash flows from operating activities			
Net profit / (loss) for the period		238,897	(68,244)
Adjustments to reconcile net profit / (loss) for the period to cash flows from operating activities:			
Income tax expense		126,563	219,823
Interest expense		125,179	274,645
Interest income		(1,642)	(20,938)
Depreciation and amortization on fixed assets		436,749	407,602
(Gain) / loss on disposal / sale of fixed assets		7,251	5,586
Income from associates		(3,165)	(3,378)
Expense relating to share-based payments		204	0
		930,037	815,097
Changes in assets and liabilities:			
(Increase) / decrease of inventories		7,017	17,730
(Increase) / decrease of trade receivables		(6,055)	22,357
(Increase) / decrease of other assets		(1,392)	(2,516)
Increase / (decrease) of trade payables		(5,521)	(16,205)
Increase / (decrease) of other provisions		4,563	(2,293)
Increase / (decrease) of deferred income		1,718	(11,564)
Increase / (decrease) of provisions for pensions		5,052	4,849
Increase / (decrease) of other liabilities		(112,931)	59,349
Cash provided by operations		822,489	886,803
Income taxes (paid) / received		2,002	(81,310)
Net cash from operating activities		824,491	805,493
2. Cash flows from investing activities			
Cash received from disposal / sale of fixed assets		765	594
Cash paid for investments in intangible assets		(154,895)	(125,311)
Cash paid for investments in property and equipment		(548,479)	(449,896)
Cash paid for acquisitions, net of cash acquired		(872)	(3,929)
Interest received		1,592	1,174
Dividends received from associates		0	802
Net cash used in investing activities		(701,890)	(576,566)
3. Cash flows from financing activities			
Cash payments to shareholders (dividends)		0	(221,307)
Cash payments to silent partners		(1,460)	(2,059)
Cash received from non-current borrowings	3.12	1,142,250	2,150,000
Cash repayments of current and non-current borrowings	3.12	(1,229,646)	(2,253,308)
Cash payments for reduction of finance lease liabilities	3.7	(3,788)	(1,326)
Interest and transaction costs paid		(156,641)	(176,408)
Net cash used in financing activities		(249,284)	(504,407)
4. Cash and cash equivalents at the end of the period			
Changes in cash and cash equivalents (subtotal of 1 to 3)		(126,683)	(275,479)
Cash and cash equivalents at the beginning of the period		334,068	609,547
Cash and cash equivalents at the end of the period	3.1	207,385	334,068
Additional information			
Investments relating to finance lease		20,401	1,001

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, 2013 to March 31, 2015

in €	Attributable to equity holders of the parent								Non-controlling interests	Total equity (deficit)
	Subscribed capital	Capital reserve	Legal reserve	Cash flow hedge reserve [1]	Pensions reserve [2]	Asset revaluation surplus	Accumulated deficit	Total		
Balance as of March 31, 2013 / April 1, 2013	**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)**
Net profit for the period	0.00	0.00	0.00	0.00	0.00	0.00	238,896,271.32	238,896,271.32	926.67	238,897,197.99
Other comprehensive income	0.00	0.00	0.00	10,463,292.68	(21,250,189.97)	0.00	0.00	(10,786,897.29)	0.00	(10,786,897.29)
Total comprehensive income	*0.00*	*0.00*	*0.00*	*10,463,292.68*	*(21,250,189.97)*	*0.00*	*238,896,271.32*	*228,109,374.03*	*926.67*	*228,110,300.70*
Loss absorption KDH AG by Vodafone Vierte Verwaltungs AG [3]	0.00	0.00	0.00	0.00	0.00	0.00	41,547,521.09	41,547,521.09	0.00	41,547,521.09
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
Additions relating to share-based payment	0.00	204,334.59	0.00	0.00	0.00	0.00	0.00	204,334.59	0.00	204,334.59
Balance as of March 31, 2015	**88,522,939.00**	**68,262,672.53**	**8,852,293.90**	**(26,775,950.32)**	**(34,114,627.97)**	**282,218.98**	**(1,594,528,131.74)**	**(1,489,498,585.62)**	**24,367.84**	**(1,489,474,217.78)**

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

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

3) Effective April 1, 2014, Vodafone Vierte Verwaltungs AG and KDH AG entered into a domination and profit and loss transfer agreement. See therefor section 1.2 of the Combined Consolidated Management Report and Management Report.

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, 2015

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 total share capital is €88,522,939 and is divided into 88,522,939 shares. Of these shares, on March 31, 2015 Vodafone Vierte Verwaltungs AG ("Vodafone") held more than 75% 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, 2015.

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 4, 2015, 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, 2015 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 applies all IFRS issued by the IASB and the interpretations issued by the IFRS Interpretations Committee ("IFRIC"), which were effective as of March 31, 2015, 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 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 share-based payment programs, 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, 2015 include all companies under its control. The Group controls an investee if it has power over the investee, exposure, or rights, to variable returns from its involvement with the investee and the Group has the ability to use its power over the investee to affect the amount of the investor's variable returns. The principle of control also applies to structured entities; however, KDH does not have such entities in its portfolio.

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 of the assets given in consideration, of the equity instruments issued by the Group and of the debts assumed from the previous owners of the acquired subsidiary, and any non-controlling interest in the acquiree. In the context of the business combination, identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at their fair values at the acquisition date. 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. The accounting treatment of non-controlling interests is based on the full goodwill method. Acquisition costs incurred in the business combination 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 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 agreed contingent consideration 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 the statement of income.

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.

In the fiscal year ended March 31, 2015, the Group acquired supply contracts, and individual and multi-subscriber contracts for around 12 thousand indirect and direct subscriber relationships as well as the underlying network infrastructure from various cable network operators as follows

- in Munich from Cableway Süd GmbH ("Cableway") and SKM Sat Kabel Media GmbH ("SKM") as of April 1, 2014,
- in Hamburg and Northern Germany from Martens Deutsche Telekabel GmbH ("Martens") as of June 1, 2014,
- in Thuringia from ANAS Kommunikationssysteme GmbH ("Anas") as of October 1, 2014, and
- in Dessau from Tele Columbus Netze GmbH and Tele Columbus Multimedia GmbH as of January 1, 2015.

The business operations acquired as part of asset deals were conducted to increase subscriber relationships. The aggregate purchase price for the acquisition of these business operations of T€1,302 resulted in an addition to the customer list of T€1,107 and an addition to technical equipment of T€195. The aggregate purchase price includes a purchase price reduction of T€20 for the acquisition of the operations from TV.Media.Net BK GmbH & Co. KG.

Based on security retention agreements, total security of T€173 (20% of the respective purchase prices of Martens and Anas) was recognized as a liability to enforce any claims of KDH. This security retained is expected to be paid by the beginning of the new fiscal year ended March 31, 2016.

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 and of all of the subsidiary companies included in the consolidated financial statements.

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.

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

	March 31, 2015	March 31, 2014
€1	GB£ 0.7273	GB£ 0.8317
€1	US$1.0759	US$1.3823

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 applies the following standards and amendments to standards for the first time starting with the fiscal year beginning on April 1, 2014. They resulted in no material impacts on the consolidated financial statements.

Standard / Interpretation		Issued by IASB	Endorsement by EU	First-time application in EU
IFRS 10	Consolidated Financial Statements	12.05.2011	11.12.2012	01.01.2014
IFRS 11	Joint Arrangements	12.05.2011	11.12.2012	01.01.2014
IFRS 12	Disclosure of Interests in Other Entities	12.05.2011	11.12.2012	01.01.2014
IAS 27 (2011)	Separate Financial Statements	12.05.2011	11.12.2012	01.01.2014
IAS 28 (2011)	Investments in Associates and Joint Ventures	12.05.2011	11.12.2012	01.01.2014
Amendments to IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	16.12.2011	13.12.2012	01.01.2014
Amendments to IFRS 10	Consolidated Financial Statements: Transition Guidance	28.06.2012	04.04.2013	01.01.2014
Amendments to IFRS 11	Joint Arrangements: Transition Guidance	28.06.2012	04.04.2013	01.01.2014
Amendments to IFRS 12	Disclosure of Interests in Other Entities: Transition Guidance	28.06.2012	04.04.2013	01.01.2014
Amendments to IFRS 10	Consolidated Financial Statements: Investment Entities	31.10.2012	20.11.2013	01.01.2014
Amendments to IFRS 12	Disclosure of Interests in Other Entities: Investment Entities	31.10.2012	20.11.2013	01.01.2014
Amendments to IAS 27	Separate Financial Statements: Investment Entities	31.10.2012	20.11.2013	01.01.2014
Amendments to IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting	27.06.2013	19.12.2013	01.01.2014

The amendments to IAS 36 "Impairment of Assets" have been adopted early as of April 1, 2013; see section 2.1 of the Notes to the consolidated financial statements of KDH AG as of March 31, 2014. In the current fiscal year, no standards were adopted early.

The following standards and interpretations have been issued by the IASB, but are not effective for these financial statements

Standard / Interpretation		Issued by IASB	Mandatory application	Endorsement by EU	Impacts
IFRS 9	Financial Instruments	12.11.2009 19.11.2013 24.07.2014	01.01.2018	no	currently assessed
IFRIC 21	Levies	20.05.2013	17.06.2014	yes	none
Amendments to IAS 19	Employee Benefits: Accounting for Employee Contributions to Defined Benefit Plans	21.11.2013	01.02.2015	yes	none
Annual Improvements 2010-2012 Cycle	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38	12.12.2013	01.02.2015	yes	immaterial
Annual Improvements 2011-2013 Cycle	Amendments to IFRS 3, IFRS 13 and IAS 40	12.12.2013	01.01.2015	yes	immaterial
IFRS 14	Regulatory Deferral Accounts	30.01.2014	01.01.2016	no	none
Amendments to IFRS 11	Joint Arrangements: Acquisition of an Interest in a Joint Operation	06.05.2014	01.01.2016	no	none
Amendments to IAS 16	Property, Plant and Equipment: Clarification of Acceptable Methods of Depreciation and Amortization	12.05.2014	01.01.2016	no	none
Amendments to IAS 38	Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortization	12.05.2014	01.01.2016	no	none
IFRS 15	Revenue from Contracts with Customers	28.05.2014	01.01.2017	no	currently assessed
Amendments to IAS 16	Property, Plant and Equipment: Bearer Plants	30.06.2014	01.01.2016	no	none
Amendments to IAS 41	Agriculture: Bearer Plants	30.06.2014	01.01.2016	no	none
Amendments to IAS 27	Separate Financial Statements: Equity Method	12.08.2014	01.01.2016	no	none
Amendments to IFRS 10	Consolidated Financial Statements: Sale or Contribution of Assets	11.09.2014	01.01.2016	no	currently assessed
Amendments to IAS 28	Investments in Associates and Joint Ventures: Sale or Contribution of Assets	11.09.2014	01.01.2016	no	currently assessed
Annual Improvements 2012-2014 Cycle	Amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34	25.09.2014	01.01.2016	no	immaterial
Amendments to IAS 1	Presentation of Financial Statements: Several Clarifications	18.12.2014	01.01.2016	no	currently assessed
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception	18.12.2014	01.01.2016	no	none

In November 2009, the IASB issued IFRS 9 "Financial Instruments". The standard was the preliminary result of the first phase of a comprehensive three-phase project intended to replace IAS 39 "Financial Instruments: Recognition and Measurement", and regulated 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. The amendments published in November 2013 included the general rules on hedge accounting into the standard and completed phase three. In July 2014, after supplementing phase two "Impairment of Financial Instruments", the standard was published in its final version. Limited amendments were also made to phase one "Classification and Measurement". Compared with IAS 39, a new classification model with three measurement categories is introduced for financial assets. The only material change for financial liabilities accounted for at fair value through profit or loss is the treatment of fluctuations in fair value that are due to the company's own credit risk and are recognized in other comprehensive income. Under the new impairment rules, the expected amount of losses must be recognized, not, as previously, the realized amount. The rules on hedge accounting are more principle-based and are aimed at reflecting the effects of an entity's risk management strategy in the financial statements.

IFRS 9 becomes effective for the first time for fiscal years beginning on or after January 1, 2018. Subject to endorsement by the EU, early adoption is permitted. As a rule, IFRS 9 is to be applied retrospectively and transition relief and options have been provided. However, extensive disclosures are required. The Group is currently assessing the impacts of the adoption on the consolidated financial statements.

In May 2014, the IASB issued IFRS 15 "Revenue from Contracts with Customers". IFRS 15 will apply to all sectors and all customer contracts for the delivery of goods or provision of services and will supersede all existing provisions on the recognition of revenue. In accordance with IFRS 15 revenues are recognized when control of agreed goods or services has been transferred to the customer and the customer can benefit from them. According to amount, revenue will be recognized in an amount that corresponds to the consideration that the entity expects to receive. The provisions of the standard are implemented in a 5-step model. IFRS 15 also governs the recognition of the incremental costs of initiating a contract as well as the recognition of the costs incurred to fulfill a contract and has extensive qualitative and quantitative disclosure requirements. IFRS 15 becomes effective for the first time for fiscal years beginning on or after January 1, 2017. Subject to endorsement by the EU, early adoption is permitted. IFRS 15 is to be applied retrospectively. In addition to the fully retrospective approach, for which relief has been provided, modified retrospective application is also permitted. IFRS 15 will have an impact on the Group's consolidated financial statements. The extent of these impacts is currently being assessed.

In September 2014, the IASB issued amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures". The amendments concern transactions between an entity and its associates and joint ventures, eliminate inconsistencies that exist between IFRS 10 and IAS 28 and clarify that the extent of gain or loss recognized depends on whether the assets sold or contributed constitute a business. The amendments to IFRS 10 and IAS 28 become effective for the first time for fiscal years beginning on or after January 1, 2016. Subject to endorsement by the EU, early adoption is permitted. The Group is currently assessing the impacts on the consolidated financial statements.

In December 2014, the IASB issued amendments to IAS 1 "Presentation of Financial Statements". The amendments concern clarifications to the materiality principle and to the notes. The amendments to IAS 1 become effective for the first time for fiscal years beginning on or after January 1, 2016. Subject to adoption by the EU, early adoption is permitted. The Group is currently assessing the impacts on the consolidated financial statements.

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 on the reporting date 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, as a whole, 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 each quarter.

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 and affiliated companies 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 specific allowances, if there is objective evidence (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, but retains control of the transferred 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 the obtained 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, in accordance with the purpose for which the respective assets were acquired, after initial recognition and, where allowed and appropriate, reevaluates this classification at each fiscal year-end. The Group has only financial assets classified as loans and receivables.

When financial assets are initially recognized they are measured at fair value on the trading date plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Non-current receivables are discounted.

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, which means they are disclosed less any impairment losses. 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, in particular in the case of insolvency or at the end of 390 days. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are written-off or impaired; the same applies to gains and losses resulting from the amortization process.

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

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

2.6.3 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, financial 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. The Group does not engage in trading with derivative financial instruments and therefore holds no derivative financial instruments for trading purposes.

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. The effectiveness of the hedges is determined prospectively by using the critical terms match method and retrospectively by using the quantitative dollar offset method.

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. As of March 31, 2015, there is no hedge accounting.

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 associated with the purchase accounting, is disclosed in the analysis of fixed assets as a change in equity investment.

2.7 GOVERNMENT GRANTS

Government grants are recognized in accordance with IAS 20 "Accounting for Government Grants and Disclosure of Government Assistance" if the related conditions are complied with and it is certain that the grants will be received. In the case of grants related to assets, the grants are deducted from the carrying amount of the asset and are recognized through profit and loss as a reduced depreciation expense. Government grants provided as compensation for expenses are accounted for as deferred income and recognized as other operating income in the periods in which the expenses are incurred.

2.8 INTANGIBLE ASSETS

2.8.1 Goodwill

Please see section 1.3 Consolidation, subsection Business Combinations and Goodwill for information on the accounting for and valuation of goodwill.

2.8.2 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.

2.8.3 Other Intangible Assets

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

2.8.4 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.

2.8.5 Amortization of Intangible Assets

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

Customer lists and other intangible assets with definite useful lives are amortized 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 2.8.3). The Group amortizes these costs over the average subscriber relationship period.

The amortization expense is recognized in the statement of income in the functional area (cost of services rendered, selling expenses or general and administrative expenses) 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. For information on impairment of intangible assets, please see section 2.11.

2.9 PROPERTY AND EQUIPMENT

2.9.1 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.

2.9.2 Leases

Operating Lease

A lease is accounted for as an operating lease when substantially all the risks and rewards incidental to the ownership of the leased item remain with the lessor. Operating lease payments are 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 2.17.1). 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.

2.9.3 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.

2.9.4 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

The depreciation expense is recognized in the statement of income in the functional area (cost of services rendered, selling expenses or general and administrative expenses) consistent with the purpose of the property and equipment. In case of disposal of an item of property and equipment, the balance from the proceeds from disposal and the carrying amount is 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. For information on impairment of property and equipment, please see section 2.11.

2.10 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.

2.11 IMPAIRMENT OF NON-FINANCIAL 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"). The CGUs correspond to the segments (see section 5.1).

If such evidence exists or when annual impairment testing is required, the recoverable amount (see section 2.11.1) is determined. When the recoverable amount of an asset or the related cash generating unit is less than its carrying amount, the difference is recognized as an impairment loss.

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 recoverable amount is basically measured using the fair value less costs of disposal method based on discounted cash flow calculations. 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 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.

2.11.1 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.

2.11.2 Reversal of Impairment Loss

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

2.12 NON-FINANCIAL LIABILITIES

Non-financial liabilities are accounted for at amortized cost.

2.13 EMPLOYEE BENEFITS

2.13.1 Defined Benefit Plan

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

The present value of future claims of participants is estimated using actuarial methods based on the amount of 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 capital markets based 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.

2.13.2 Share-based Payments

The Group applies IFRS 2 "Share-based Payment" to its share-based payment transactions. Under IFRS 2, plans which result in share-based payments have to be accounted for as cash-settled transaction if the share awards granted are not the granting company's own equity instruments or the granting company has an obligation to perform settlement. 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. For equity-settled share-based payment transactions, IFRS 2 requires the entity to account for the share-based payments to management as a personnel expense and a corresponding increase in the capital reserve.

During the fiscal year ended March 31, 2015, the Group had in place a Long-Term Incentive Plan ("LTIP") including two share-based payment components – a virtual performance share program with annual grant ("LTIP I") and a one-time grant of virtual stock options ("LTIP II"). The virtual stock options (LTIP II) were exercised in April 2014 thereby ending the corresponding compensation component as scheduled. Effective November 14, 2014, KDH introduced a new long-term performance-based variable compensation component based on the Vodafone Group Global Long-Term Retention Plan ("GLTR""). Beginning with calendar year 2014, this replaces grants under the previously existing long-term incentive plan (also see section 5.5).

For the existing LTIP compensation components or LTIP compensation components ended as scheduled in the fiscal year ended March 31, 2015 and for the conditional share awards granted by KDH companies under the GLTR, 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, because these are cash-settled share-based payments. Any changes in fair value are recognized in profit or loss. In the Company's view, conditional share awards granted by Vodafone GmbH to persons indirectly providing services for KDH are equity-settled share-based payments. The services received from these participants during the vesting period were therefore measured at fair value once on the grant date. The fair value is not adjusted on subsequent balance sheet dates.

2.14 OTHER PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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 repayment amount as of the balance sheet date using pre-tax rates where the interest rate effect is material.

A contingent liability is a possible obligation arising from a past event whose occurrence depends on future events not wholly within the entitity's control. In addition, a contingent liability may also originate from a present obligation arising from a past event when an outflow of resources embodying economic benefits is not probable or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset arising from a past event whose occurrence depends on future events not wholly within the entitity's control.

2.15 REVENUE AND OTHER OPERATING INCOME

Revenue is recognized to the extent it is probable that the economic benefits will flow to the Group and revenue can be measured reliably. The relevant types of revenue for KDH are recognized as follows:

2.15.1 Installation and Network Connection

Revenue generated 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.

2.15.2 Rendering of Services

Revenue generated by the delivery of analog and digital TV signals, digital pay TV packages and Internet and phone services, as well as carriage fees paid by television broadcasters, are recognized when services have been provided, 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 over the term of the contract 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.

2.15.3 Sale of Goods

Revenue from the sale of digital receivers, cable modems, and other goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer.

2.15.4 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 2.17.1). 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.

2.16 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 balance sheet 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 recognizes 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 has been a consolidated tax group for both corporate and trade tax purposes in place between subsidiary KDH AG and parent company Vodafone. The current version of IAS 12 does not include explicit rules for accounting for deferred taxes when a consolidated tax group exists. As a result, either the formal or the economic approach can be used as a basis for the accounting treatment of deferred taxes.

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, which requires that every subsidiary be treated as if it were an independent taxable entity for income tax purposes. Consequently, the impairment assessment of the value of deferred tax assets has to take place at the level of KDH AG.

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.

2.17 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, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

2.17.1 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, when the contracts are closed derivative financial instruments are designated as fair value or cash flow or net investment hedge relationships. The interest rate swaps settled in May 2014 were all designated as cash flow hedges so that corresponding changes in value are recognized in other comprehensive income in equity.

Since settlement, this cash flow hedge reserve is recognized as an expense in the statement of income on a pro rata basis until the end of the originally designated period until December 31, 2016 and June 30, 2017, respectively.

KDH as the Lessor in Operating Leases

The Group offers products that contain signal delivery and the right to use CPE (see also section 2.9.2). 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 space in 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.

2.17.2 Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that involve a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next 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 could not be determined based on quoted prices since quoted prices were not readily and regularly available for those instruments. Therefore, the fair values of the derivative financial instruments as of the balance sheet date of the prior year 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) (see sections 3.12.2 and 5.6).

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. Please also refer to section 3.6 for information on intangible assets.

Useful Life of Certain Assets

The useful lives of intangible assets and property and equipment are subject to estimation uncertainty. In the fiscal year ended March 31, 2015, the estimated useful lives of software systems were reassessed based on new facts and circumstances. The estimated useful lives of internally generated and externally procured software systems are primarily based on the estimated operating time of the assets. A review revealed that several software systems can be operated beyond their originally estimated useful lives. To reflect these circumstances, the expected individual useful lives of the respective software systems were increased in November 2014, based on the expected operating times of the software, from 3 - 5 years to 4 - 11 years. For more information, in particular on quantitative impacts, please see section 3.6.

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 (see section 3.2).

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 (see section 3.14). 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 89% 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 13% 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 72% of the technical equipment is expected to be replaced after no later than 30 years. The remaining 11% 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 capital markets based 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 BALANCE SHEET

3.1 CASH AND CASH EQUIVALENTS

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Call money placed with Vodafone Group Plc	196,745	0
Cash at banks	10,613	334,039
Cash on hand	27	29
Cash and cash equivalents	**207,385**	**334,068**

Cash and cash equivalents are composed of call money placed with Vodafone Group Plc, cash at banks and cash on hand. Call money is invested as KDH is part of Vodafone Group's financial management. Call money can be called on a daily basis and is subject to a market-oriented monthly interest. Therefore, it is allocated to cash and cash equivalents.

The decrease in cash at banks was primarily due to the settlement of liabilities from the LTIP (see section 5.5) and the partial repayment of financial liabilities. No cash at banks was pledged as of March 31, 2015. As of March 31, 2014, cash at banks in the amount of T€331,924 was pledged 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). As of March 31, 2014, the pledged bank accounts reflected all the bank accounts of Kabel Deutschland Vertrieb und Service GmbH ("KDVS GmbH") and excluded the other Group entities.

3.2 TRADE RECEIVABLES

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Gross trade receivables	134,970	133,044
Bad debt allowance	(20,046)	(24,175)
Trade receivables	**114,924**	**108,869**

Allowances for doubtful accounts

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Balance at the beginning of the period	(24,175)	(25,882)
Allowances for doubtful trade receivables	(13,778)	(16,578)
Write-offs and other charges as well as income from reversal of bad debt allowances	17,907	18,286
Balance at the end of the period	**(20,046)**	**(24,175)**

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

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Neither past due nor impaired	77,874	72,073
Net carrying amount past due but not impaired at the reporting date		
less than 30 days	21,266	18,112
31–60 days	3,536	6,295
61–90 days	6,292	6,984
more than 90 days	5,956	5,405
Past due, not impaired total	37,050	36,796
Total not impaired	**114,924**	**108,869**

Receivables with an invoice amount of in total T€15,310 and T€18,211, excluding VAT, as of March 31, 2015 and March 31, 2014, respectively, were determined not to be recoverable and were fully impaired.

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.

No receivables were assigned as security as of March 31, 2015. As of March 31, 2014, trade receivables of KDVS GmbH with a carrying amount of T€104,034 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).

3.3 INVENTORIES

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Raw materials, consumables and supplies	5,442	4,600
Finished goods and merchandise	21,710	29,569
Inventories	**27,152**	**34,169**

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 amounted to T€7,735 and T€6,596 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively.

In the fiscal year ended March 31, 2015, an expense of T€353 was recognized in cost of services rendered resulting from the devaluation of inventories (prior year: €0).

3.4 RECEIVABLES FROM TAX AUTHORITIES

Receivables from tax authorities relate primarily to corporate income tax plus solidarity surcharge and trade tax for prior years prepaid by KDVS GmbH, and amounted to T€711 and T€43,429 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively.

3.5 OTHER CURRENT ASSETS AND CURRENT PREPAID EXPENSES

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Other current assets		
Receivables arising from the transfer of profits to Vodafone	41,548	0
Value added tax receivables	8,847	0
Payments in advance for commission fees	6,065	5,856
Deposits	2,758	3,172
Creditors with debit balances	1,969	1,365
Government grants	1,151	0
Receivables from the tax levy to Vodafone	20	0
Miscellaneous other receivables	1,198	8,556
Other current assets	**63,556**	**18,949**
Current prepaid expenses		
Lease payments for cable networks	12,571	5,762
Software support	2,593	2,504
Prepaid expenses for CPE	655	863
Maintenance and repair	383	550
Insurance	207	204
Other	1,261	1,049
Current prepaid expenses	**17,671**	**10,933**

The balance sheet item other current financial assets was renamed in other current assets. Accordingly, the heading has been adjusted.

Receivables arising from the transfer of profits to Vodafone in the amount of T€41,548 resulted from the obligation existing under the DPLTA to absorp losses.

Since April 1, 2014, there has been a consolidated tax group for value added tax ("VAT") purposes in place between controlling company Vodafone GmbH, Düsseldorf, and Group Entities of KDH AG. As of March 31, 2015, this consolidated tax group gave rise to receivables in the amount of T€8,847.

In the fiscal year ended March 31, 2015, KDH won public tenders for the construction of broadband networks in several regions. The construction of these broadband networks is funded under the broadband network initiative by the Bavarian Ministry of Finance, so that KDH receives government grants in accordance with IAS 20. The government grants are tied to the design, construction and operation of a high-speed network in the development area. Related receivables in the amount of T€1,151 were recognized as other current assets. A corresponding liability in the amount of T€1,201 is shown under other current liabilities.

Other current assets are comprised of financial assets in accordance with IAS 32 in form of receivables arising from the transfer of profits, deposits, creditors with debit balances, as well as miscellaneous other financial assets in the amount of T€48,061 and T€12,238 as of March 31, 2015 and March 31, 2014, 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, 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 four to eleven years.

For the fiscal years ended March 31, 2015 and March 31, 2014, subscriber acquisition costs in an amount of T€80,930 and T€69,227, respectively, were capitalized. The amortization of subscriber acquisition costs was T€39,181 and T€28,592 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively.

In relation to a fiscal year, amortization of the respective externally procured software systems decreases from T€23,919 to T€11,125, due to the change in useful life (see also section 2.17.2 subsection Useful Life of Certain Assets).

Internally generated software

For the fiscal years ended March 31, 2015 and March 31, 2014, T€10,868 and T€8,930, respectively, of development costs for internally generated software were capitalized. These amounts relate to costs incurred in the ongoing and new development of company-specific software applications.

The remaining useful life of internally generated software is between one year and six years.

As of March 31, 2015 and March 31, 2014, respectively, development costs for internally generated software with carrying amounts of T€30,502 and T€20,731 were capitalized.

In the fiscal years as of March 31, 2015 and March 31, 2014, respectively, development costs in the amount of T€21,616 and T€21,980, respectively, were recognized in the income statement.

In relation to a fiscal year, amortization of the respective internally generated software systems decreases from T€9,380 to T€5,067, due to the change in useful life (see section 2.17.2 subsection Useful Life of Certain Assets).

Customer List

In the fiscal year ended March 31, 2015, additions to the customer list in the amount of T€1,111 were recognized, primarily from the acquisition of the operations of Martens, Cableway, SKM and Anas. 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€40,549 and T€69,927 as of March 31, 2015 and March 31, 2014, respectively. The amortization of the customer list totaled T€30,490 and T€35,056 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively.

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

Goodwill

For the fiscal year ended March 31, 2015 the Group recorded no changes in goodwill. The goodwill recognized totaled T€287,274 as of March 31, 2015 and March 31, 2014, 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€1,694,294 and T€1,456,340 as of March 31, 2015 and March 31, 2014, respectively. This amount primarily comprises technical and IT equipment related to the cable networks including data centers, IP and IT platforms and CPE totaling T€1,613,195 (prior year: T€1,387,586) and includes asset additions in the amount of T€552,296 (prior year: T€427,477).

Included in the above mentioned paragraph are the following items:

Operating Lease for CPE

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

As of March 31, 2015 and March 31, 2014, the net carrying amount of all CPE totaled T€143,233 and T€146,580, respectively.

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

Minimum lease payment in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
Within one year	49,831	35,464
After one year but not more than five years	17,537	16,510
Total minimum lease payment	**67,369**	**51,974**

KDH is exposed to costs of returning CPE at the end of the lease term. For the fiscal years ended March 31, 2015 and March 31, 2014, additions of T€2,078 and T€2,196, respectively, were capitalized for CPE obligations. In the fiscal years ended March 31, 2015 and March 31, 2014, T€2,122 and T€2,108, respectively, were expensed as depreciation for capitalized CPE obligations.

Finance Lease

Leased assets in which KDH carries all essential object benefits and risks according to the criteria of IAS 17 are capitalized. 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. The main finance lease contracts include the leasing of level 4 networks over the total useful life of 10 years. In these lease contracts, no lease renewal or purchase options have been agreed.

As of March 31, 2015 and March 31, 2014, the net carrying amount of the leased assets totaled T€27,881 and T€10,721, respectively. Due to new finance lease contracts, additions in the amount of T€1,980 for technical rooms (buildings on non-owned land) and T€18,421 for technical equipment were recorded. The main addition in the amount of T€17,579 in technical equipment resulted from a new finance lease contract for the lease of level 4 networks.

In the fiscal years ended March 31, 2015 and March 31, 2014, the Group recorded depreciation expenses of T€2,717 and T€1,376, respectively. The Group also recorded interest expense related to these finance lease contracts of T€1,819 and T€1,829 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively, and ancillary costs of T€33 and T€36 through profit or loss. The Group paid T€3,788 and T€1,326 to reduce financial liabilities, respectively.

Future minimum lease payments under finance lease contracts as well as the present value of the net minimum lease payments are as follows:

in T€	Minimum lease payment 2015	Present value of payments 2015	Minimum lease payment 2014	Present value of payments 2014
Within one year	4,743	2,976	2,801	1,074
After one year but not more than five years	17,643	12,700	10,518	5,276
After five years	13,838	12,023	6,824	4,737
Total minimum lease payment	**36,224**	**27,699**	**20,143**	**11,087**
Less future interest expenses from finance leases	8,525		9,056	
Present value of minimum lease payment	**27,699**		**11,087**	

Asset Retirement Obligations included in Property and Equipment

KDH leases cable ducts from DTAG to house parts of 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. Subsequently, further additions related to additional asset retirement obligations were recognized and were T€8,111 and T€2,536 for the fiscal years ended March 31, 2015 and March 31, 2014, respectively. This includes effects from interest rate and inflation adjustments of T€6,887 and T€1,147, respectively. Depreciation is charged over the expected useful life of the respective assets which resulted in a depreciation expense of T€1,384 and T€4,430 for the fiscal years ended March 31, 2015 and March 31, 2014, 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 equity investments in associates amounted to T€3,165 and T€2,576 for the fiscal years ended March 31, 2015 and March 31, 2014, 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 a distribution of T€802 received from KMS GmbH as of March 31, 2014. 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 these are not reliably estimated. Therefore, the amounts shown in the table below relate to the fiscal years ended December 31, 2013 and December 31, 2012 of the associates.

Combined balance sheets of both associates	Financial statements of the associates as of December 31,	
in T€	2013	2012
Assets	93,741	97,340
Liabilities	56,683	68,001

Combined revenues and profit of both associates	For the fiscal year of the associates from January 1 - December 31,	
in T€	2013	2012
Revenues	54,752	52,396
Net income	11,341	11,123

The share in income of the two associates represents the profit from continuing operations. There is no profit from discontinued operations or other income.

With regard to the existing legal dispute reference is made to section 5.3 and for further information relating to financial assets, please see the analysis of fixed assets in Appendix 1 and Appendix 2 to the Notes.

Significant issues between the reporting date of the Group and the reporting date of the associates were not available.

3.9 NON-CURRENT PREPAID EXPENSES

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Lease payments for cable networks	20,060	28,504
Software support	593	767
Prepaid expenses for CPE	300	219
Other	921	769
Non-current prepaid expenses	**21,874**	**30,260**

3.10 OTHER CURRENT LIABILITIES

in T€	Fiscal Year ended March 31, 2015	March 31, 2014
Income tax liabilities	78,670	0
Liabilities for personnel expenses	50,472	48,104
Value added tax and wage tax liabilities	26,144	9,124
Liabilities for share-based payments	19,310	141,311
Liabilities to silent and limited partners	15,834	17,356
Debtors with credit balances	3,044	2,476
Finance lease liabilities	2,976	1,074
Government grants	1,201	0
Miscellaneous other liabilities	8,323	9,855
Other current liabilities	**205,977**	**229,300**

Since April 1, 2014, with the entry into force of the DPLTA, there has been 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. In this context, KDH recognized tax liabilities of T€78,670. 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. Since April 1, 2014, there has been a consolidated tax group for VAT purposes in place between controlling company Vodafone GmbH, Düsseldorf, and Group Entities of KDH AG. As of March 31, 2015, this consolidated tax group gave rise to liabilities in the amount of T€23,565.

The decrease in liabilities for share-based payments was primarily due to the settlement of liabilities for the LTIP in April 2014 (see section 5.5).

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 years ended March 31, 2015 and 2014, part of the liabilities to silent partners was 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€24,079 and T€23,866 as of March 31, 2015 and 2014, 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 BORROWINGS

The balance sheet items current and non-current financial liabilities were renamed in current and non-current financial borrowings. Accordingly, the headings for this chapter have been adjusted.

On October 14, 2013, Vodafone Vierte Verwaltungs AG ("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, 2015). 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. Refinancing was provided through a term loan in the amount of T€2,150,000 made available to KDVS GmbH by Vodafone Investments Luxembourg S.à r.l. ("Vodafone Investments"), which could be drawn beginning on October 14, 2013.

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.

Subsequent to the repayment of the Senior Credit Facility, the interest hedges (interest rate swaps) continued to be designated for hedging the term loan in accordance with the hedge accounting documentation and were settled in May 2014 against a one-time payment of T€54,646.

As planned, the Group fully settled the 2018 Senior Secured Notes with a nominal value of T€700,000 and the 2017 Senior Notes with a nominal value of T€400,000 on June 30, 2014, the earliest possible contractual redemption date, and replaced them with two new term loans from Vodafone Investments with a total amount of T€1,142,250.

As of March 31, 2015, for the first time a partial repayment of T€75,000 of the T€2,150,000 term loan granted by the Vodafone Investments was carried out by KDH. Call money deposit placed with the Vodafone Group has been used for the repayment.

3.12.1 Current Borrowings

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
2018 Senior Secured Notes	-	723,138
2017 Senior Notes	-	419,201
Accrued interest related to:		
Term loans Vodafone Investments	12,207	10,198
2018 Senior Secured Notes	-	7,583
2017 Senior Notes	-	4,333
Total accrued interest	**12,207**	**22,114**
Interest hedge	-	18,972
Current borrowings	**12,207**	**1,183,426**

Senior Notes

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
2018 Senior Secured Notes	-	700,000
Premium 2018 Senior Secured Notes	-	22,750
Agio due to the increase of the 2018 Senior Secured Notes	-	703
Accrued financing and transaction costs	-	(315)
2018 Senior Secured Notes	**-**	**723,138**
2017 Senior Notes	-	400,000
Premium 2017 Senior Notes	-	19,500
Accrued financing and transaction costs	-	(299)
2017 Senior Notes	**-**	**419,201**
Senior Notes	**-**	**1,142,339**

The Group fully settled the 2018 Senior Secured Notes and 2017 Senior Notes on June 30, 2014. The terms of repayment were fixed by contract. The 2018 Senior Secured Notes were repaid at a price of 103.250% of the nominal value or T€722,750 (thereof premium: T€22,750), and the 2017 Senior Notes at a price of 104.875% of the nominal value or T€419,500 (thereof premium: T€19,500). Due to the intended prepayment, these notes have been shown under current borrowings already as of March 31, 2014 and accordingly the related accelerated pro rata amortization of financing and transaction costs was recorded as an interest expense in the amount of T€7,426, and the accelerated pro rata amortization of the agio was recorded as a reduction in interest under interest expense in the amount of T€9,533. The accrued financing and transaction costs of T€613 still recognized as of March 31, 2014 were recorded as an interest expense on a pro rata basis until the repayment date, and the agio of T€703 still recognized as of March 31, 2014 was recorded as a reduction in interest under interest expense on a pro rata basis until the repayment date.

3.12.2 Non-current Borrowings

The composition of non-current borrowings as of March 31, 2015 and 2014 is as follows:

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Term loans Vodafone Investments	3,217,250	2,150,000
Interest hedge	-	34,526
Non-current borrowings	**3,217,250**	**2,184,526**

Term Loans Vodafone Investments

As of March 31, 2015, the non-current financial liabilities with respect to three term loans granted by Vodafone Investments amounted to T€3,217,250 (as of March 31, 2014: one term loan in the amount of T€2,150,000).

The first term loan from Vodafone Investments of T€2,150,000 was used to fully repay all tranches of the Senior Credit Facility on October 15, 2013 as a result of the takeover by Vodafone. This loan 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 has a maturity until June 2020 and after partial repayment amounted to T€2,075,000 as of March 31, 2015.

Vodafone Investments granted two further term loans for repaying the 2018 Senior Secured Notes and 2017 Senior Notes with terms that match those of the Senior Notes settled. The amount of each loan covers the respective nominal values plus contractually specified repayment premiums of the Notes.

The term loan of T€419,500 for repaying the 2017 Senior Notes has been available for drawing and repayment in tranches since June 30, 2014, and has an interest margin of 0.75% above the one month EURIBOR as well as an annual commitment fee of 0.55% on the total notional amount of the term loan. The loan matures in July 2017 and was drawn in full as of March 31, 2015.

The term loan of T€722,750 for repaying the 2018 Senior Secured Notes has been available for drawing and repayment in tranches since June 30, 2014, and has an interest margin of 0.80% above the one month EURIBOR as well as an annual commitment fee of 0.60% on the total notional amount of the term loan. The loan matures in June 2018 and was drawn in full as of March 31, 2015.

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% above 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, 2015.

The concluded loans with Vodafone Investments contain covenants requiring compliance with a defined interest coverage ratio (financial covenant) during the entire contract period. Failure to comply with these covenants may result in the acceleration of repayment of the term loan by Vodafone Investments. In the fiscal year ended March 31, 2015, the covenants being identical for all term loans were complied with. In addition, the loan agreements with Vodafone Investments contain substantially the following additional requirements:

- no raising of senior financial liabilities;
- limits on the pledging of assets and
- prohibition of speculative transactions in financial derivatives.

These covenants have also not been violated by KDH during the fiscal year.

Derivatives

The Group has taken out floating rate loans in Euros and thus is exposed to interest rate 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. In the past, interest rate swaps were used to reduce the risk of fluctuations in interest rate payments.

As of March 31, 2015, no derivative financial instruments existed within the Group, which means that the floating rate term loans from Vodafone Investments were fully exposed to interest rate risks.

As of March 31, 2014, interest rate swaps existed within the Group with a nominal value totaling T€900,000 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 as hedging for the existing term loan from Vodafone Investments as of March 31, 2014 in accordance with the existing hedge accounting documentation following the contractual repayment of the Senior Credit Facility on October 15, 2013, in connection with the takeover by Vodafone. With these interest rate swaps the variable portion (EURIBOR) of the interest rate on part of this term loan 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 was 5.03%, so that the interest rate risk for approximately 42% of the outstanding nominal amount of T€2,150,000 under the term loan of Vodafone Investments was hedged until March 31, 2014.

All interest rate swaps were settled on May 19 and 20, 2014 against a one-time payment of T€54,646. The current and non-current financial liabilities relating to the interest hedge were accordingly repaid. Therefore, the following tables show only the fair value of the interest rate swaps as of March 31, 2014 and 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, based on the contractually agreed schedule for expected cash flows:

Type of Derivative	Number of Derivatives	Notional Amount T€	Fair Value (Net Asset) / Net Liability March 31, 2014 T€
Interest rate swaps	9	900,000	53,498

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

The interest rate swaps were fully effective as of May 19 and 20, 2014 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 were disclosed in equity as part of the cash flow hedge reserve since the designation. The changes in fair value recognized directly in equity in the cash flow hedge reserve until settlement of the interest rate swaps are recognized as an expense in the statement of income on a pro rata basis until the end of the originally designated period until December 31, 2016 and June 30, 2017, respectively. In this context, T€16,216 were recognized in the statement of income for the fiscal year ended March 31, 2015.

Details regarding changes in the cash flow hedge reserve are described in the following two tables:

in T€	Interest Rate Swaps April 1, 2014 - March 31, 2015	Currency Swaps April 1, 2014 - March 31, 2015	Total April 1, 2014 - March 31, 2015
Cash flow hedge reserve April 1, 2014	**37,239**	**-**	**37,239**
Net loss deferred in Cash flow hedge reserve due to the effective portion of the change in the fair value of the derivatives	(12,536)	-	(12,536)
Net amount of reclasses from Cash flow hedge reserve to expense related to hedges of the EURIBOR	(2,481)	-	(2,481)
Deferred taxes recognized in equity	4,554	-	4,554
Net change of the Cash flow hedge reserve	(10,463)	-	(10,463)
Cash flow hedge reserve March 31, 2015	**26,776**	**-**	**26,776**

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 hedges of the EUR/USD 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**

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. Through these pension obligations KDH is exposed to actuarial risks such as longevity, interest rate risk and market / investment risk.

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€5,576 and consist of insurance policies purchased, for which no active market exists, to cover the pension commitments and pledged as collateral (prior year: T€1,375).

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, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Current service cost	6,539	5,529
Interest expenses for pension obligations	2,706	2,565
Actuarial interest income on plan assets	(45)	(23)
Net benefit expenses	**9,199**	**8,071**

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

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

in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Cost of services rendered	1,661	1,334
Selling expenses	2,988	2,526
General and administrative expenses	1,890	1,669
Actuarial interest income on plan assets	(45)	(23)
Interest expenses for pension obligations	2,706	2,565
Net benefit expenses	**9,199**	**8,071**

Defined Benefit Liability

	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Defined benefit obligation	124,437	81,979
Fair value of plan assets	(5,576)	(1,375)
Defined benefit liability	**118,860**	**80,603**

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

	Present Value		
in T€	Pension Plans	Plan Assets	Total
Defined benefit obligation as of April 1, 2014	81,263	715	81,979
Current service cost	6,539	0	6,539
Interest expenses for pension obligations	2,682	24	2,706
Actual benefit payments	(818)	0	(818)
Contributions by plan participants	0	3,624	3,624
Actuarial losses			
Changes in demographic assumptions	221	0	221
Changes in financial assumptions	30,504	0	30,504
Actuarial gains			
Changes in demographic assumptions	(1)	0	(1)
Experience adjustments	(232)	(84)	(315)
Defined benefit obligation as of March 31, 2015	**120,157**	**4,279**	**124,437**

in T€	Present Value Pension Plans	Plan Assets	Total
Defined benefit obligation as of April 1, 2013	69,818	0	69,818
Current service cost	5,529	0	5,529
Interest expenses for pension obligations	2,565	0	2,565
Actual benefit payments	(536)	0	(536)
Contributions by plan participants	0	737	737
Retransfers to DTAG	(121)	0	(121)
Actuarial losses			
Changes in financial assumptions	4,711	0	4,711
Experience adjustments	120	0	120
Actuarial gains			
Changes in demographic assumptions	(671)	0	(671)
Experience adjustments	(153)	(22)	(175)
Defined benefit obligation as of March 31, 2014	**81,263**	**715**	**81,979**

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

Underlying actuarial Assumptions

in %	Fiscal Year ended March 31, 2015	March 31, 2014
Discount rate as of March 31	1.40	3.30
Future salary increases	2.75	2.80
Future pension increases [1]	1.00 - 1.75	1.00 - 1.80

[1] Commitments fixed at 1% due to contractual agreements and 1.75% for commitments whose adjustment is based on inflation

In addition, actuarial age- and gender-dependent fluctuation probabilities have been applied, whose average is 5.0% (previous year: average fluctuation in the amount of 6.0%).

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

Fiscal Year ended March 31, in T€	2015	2014	2013	2012	2011
Defined benefit obligation	124,437	81,979	69,818	56,229	46,066
Plan assets	(5,576)	(1,375)	(632)	(605)	(580)
Deficit	118,860	80,604	69,186	55,624	45,486
Experience adjustments on plan liabilities	(315)	(54)	326	122	19

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, 2015 and March 31, 2014, respectively, are presented. As of March 31, 2015 and March 31, 2014, respectively, a change in assumptions about the changes presented would have the following impact on DBO with otherwise unchanged assumptions:

in T€	Effect on the DBO as of March 31, 2015 Reduction by 25 basis points	Effect on the DBO as of March 31, 2015 Increase by 25 basis points
Discount rate	5,013	(4,748)
Salary trend	(26)	28
Pension trend	(35)	36

in T€	Effect on the DBO as of March 31, 2015 Reduction by 1 year	Effect on the DBO as of March 31, 2015 Increase by 1 year
Life expectancy	(381)	348

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

in T€	Effect on the DBO as of March 31, 2014 Reduction by 1 year	Effect on the DBO as of March 31, 2014 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 to retirees, the following contributions result from the defined benefit obligation in the future:

in T€	Fiscal Year ended March 31, 2015	Fiscal Year ended March 31, 2014
in year 1	1,250	1,104
in year 2	1,700	884
in year 3	2,000	1,828
in year 4	3,500	2,090
in year 5	3,000	3,691
in year 6 to 10	19,900	17,366

As of March 31, 2015, the average duration is 16.3 years (prior year: 15.2 years).

3.14 OTHER PROVISIONS (CURRENT AND NON-CURRENT)

in T€	Balance as of April 1, 2014	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2015	thereof non-current
Asset retirement / CPE obligations	38,348	(2,337)	(14)	10,255	950	47,202	45,951
Restructuring / Reorganization	5,753	(2,047)	(2,666)	10,543	0	11,582	0
Jubilee payments	208	(17)	0	4	46	241	241
Other	1,103	(520)	(61)	1,568	0	2,089	0
Total other provisions	**45,412**	**(4,922)**	**(2,741)**	**22,370**	**996**	**61,114**	**46,192**

in T€	Balance as of April 1, 2013	Utilization	Reversal	Addition	Interest	Balance as of March 31, 2014	thereof non-current
Asset retirement / CPE obligations	34,233	(1,867)	(40)	4,732	1,289	38,348	37,164
Restructuring	5,513	(2,718)	(8)	2,966	0	5,753	0
Jubilee payments	121	(16)	0	49	55	208	208
Other	1,817	(1,712)	(3)	1,000	0	1,103	0
Total other provisions	**41,684**	**(6,313)**	**(51)**	**8,747**	**1,344**	**45,412**	**37,372**

Provisions for Asset Retirement and CPE Obligations

All asset retirement obligation calculations as of March 31, 2015 utilize an inflation rate of 1.50% (20-year OECD average ("OECD" – Organization for Economic Co-operation and Development); prior year: 1.59%). The obligation is accreted to the expected payment amount using the effective interest method. As of March 31, 2015 and March 31, 2014, the asset retirement obligations, mainly for broadband cables located in leased cable ducts and for leased separate technical operating areas, amounted to T€41,201 and T€32,301, 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% each, 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€6,001 and T€6,047 as of March 31, 2015 and March 31, 2014, respectively.

Additions for new asset retirement obligations and obligations related to returns of CPE in the amount of T€10,255 and T€4,732 were recognized in the fiscal years ended March 31, 2015 and March 31, 2014, respectively. Included is an interest adjustment of T€6,887 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, 2015 amounted to T€7,836 (prior year: T€2,449). Included is the expensed accretion of T€950 (prior year: T€1,289). See also section 3.7 subsection Asset Retirement Obligations included in Property and Equipment.

Interest and inflation rates used for the calculation of the provision for asset retirement obligations and obligations related to returns of CPE correspond to the current interest rate and inflation rate levels. In sensitivity analyses, the impacts of possible changes in the key parameter interest rate were determined. An increase or reduction of the interest rate by 0.25% would reduce or increase the amount of the provision by approximately 3%.

Provisions for Restructuring

The provision for technical restructuring in the amount of T€2,666 recorded in the fiscal year ended March 31, 2014 was fully reversed in the quarter ended December 31, 2014, as implementation of the project is not being pursued due to changed conditions.

In the framework of the ongoing integration into Vodafone GmbH, Düsseldorf, various personnel measures were planned that should be implemented in the fiscal year ending March 31, 2016. In this context, an amount of T€10,543 was added to the restructuring provision.

In provisions for jubilee payments in the amount of T€241 commitments for 25- and 40-year service anniversaries are included. Other provisions in the amount of T€2,089 primarily relate to lawyer and court fees on pending litigation.

3.15 OTHER NON-CURRENT LIABILITIES

in T€	Fiscal Year ended March 31, 2015	March 31, 2014
Finance lease contracts	24,723	10,013
Liabilities related to share-based payments	11,991	22,662
Provision of smartcards	13	239
Other	1,482	1,761
Other non-current liabilities	**38,210**	**34,674**

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€24,736 and T€10,251 as of March 31, 2015 and 2014, respectively. Cash will flow out from the Group at a later point in time from these other non-current financial liabilities. The addition to non-current liabilities for finance leases resulted primarily from a finance lease for level 4 networks.

3.16 EQUITY

Subscribed Capital

The subscribed capital of KDH AG remained unchanged at T€88,523 as of March 31, 2015 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, 2015, 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 2014	44,261	44,261	Increase in equity (until October 8, 2019) [1]
Contingent Capital 2014	44,261	44,261	Granting bearer shares to holders or creditors of convertible and/or warrant bonds (until October 8, 2019) [1]

1) Subject to the approval of the Supervisory Board

Authorized Capital

By resolution of the General Shareholders' Meeting of October 9, 2014, the Management Board is authorized to increase the registered share capital of the Company with the approval of the Supervisory Board on one or more occasions through October 8, 2019 by a total amount of up to T€44,261 by issuing up to 44,261,469 new bearer shares with no par value against contributions in cash and/or in kind ("Authorized Capital 2014").

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 2014 and their implementation subject to the approval of the Supervisory Board.

The resolution of the General Shareholders' Meeting of October 9, 2014 for Authorized Capital 2014 cancelled the Authorized Capital 2010/I that had existed to that date. The amendment to the Articles of Association regarding the Authorized Capital was entered into the commercial register on December 30, 2014.

Contingent Capital

The Company's share capital is increased conditionally by resolution of the General Shareholders' Meeting of October 9, 2014 by up to T€44,261 through the issuance of up to 44,261,469 new bearer shares with no par value ("Contingent Capital 2014"). 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 October 8, 2019 on the basis of the General Shareholders' Meeting authorization of October 9, 2014 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 2014 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 October 9, 2014. 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.

The resolution of the General Shareholders' Meeting of October 9, 2014 for Contingent Capital 2014 cancelled the Contingent Capital 2010/I that had existed to that date. The amendment to the Articles of Association regarding the Contingent Capital was entered into the commercial register on December 30, 2014.

Capital Reserve

For the fiscal year ended March 31, 2015, the capital reserve amounted to T€68,263 (prior year: T€68,058). The change in the capital reserve includes the contribution from the conditional share awards granted by Vodafone GmbH under the GLTR (see also section 5.5).

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. This is generally subject to restrictions. It can be used only in accordance with the conditions specified under Section 150 para. 3 and para. 4 AktG.

Other Reserves

Cash Flow Hedge Reserve

Changes in the fair value of the cash flow hedges based on variable interest rates were recognized directly in equity under cash flow hedge reserve if they had been designated in a hedging relationship. The accumulated amount is released to the consolidated statement of income insofar as the hedged transaction affected 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 rate swaps).

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, 2015 and March 31, 2014, the accumulated deficit was T€1,594,528 and T€1,875,150, respectively.

The accumulated deficit includes the results generated by Group companies in the years of affiliation to the Group as well as, since the fiscal year ended March 31, 2015, the income from the absorption by Vodafone of the loss incurred by KDH AG in connection with the DPLTA effective since April 1, 2014 (see section 1.2 of the Combined Management Report as of March 31, 2015).

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, 2015 and 2014.

4 NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

4.1 REVENUES

Revenues were generated in Germany as follows:

in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
TV Business revenues	1,172,959	1,165,000
Internet and Phone Business revenues	847,741	735,193
Total revenues	**2,020,700**	**1,900,193**

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 cable ducts and cable networks, costs 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, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Cost of materials and services	**479,514**	**455,490**
Thereof:		
Service Level Agreements ("SLAs") renting and leasing DTAG	172,244	167,055
Thereof cable ducts	103,627	103,470
Content costs	100,963	90,165
Connectivity and other network costs	55,211	47,665
Maintenance and repair	40,075	38,858
Interconnection expenses	29,863	37,441
Other expenses	83,824	71,640
Expenses / (income) related to restructuring of the network infrastructure	(2,666)	2,666
Personnel expenses	**40,486**	**47,886**
Thereof:		
Expenses related to share-based payment programs [1)]	685	7,728
Depreciation and amortization	**332,465**	**301,316**
Thereof:		
Intangible assets	14,025	14,535
Tangible assets	318,440	286,781
Other costs and expenses	**79,493**	**74,833**
Cost of services rendered	**931,958**	**879,525**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (see section 5.5).

4.3 OTHER OPERATING INCOME

In the fiscal year ended March 31, 2015, other operating income increased from T€11,105 by T€701 to T€11,807 and primarily consisted of other service income, especially returned direct debit fees in the amount of T€2,889 (prior year: T€4,853), commissions for shared advertising measures in the amount of T€993 (prior year: T€1,644), indemnifications mainly related to property and equipment in the amount of T€1,794 (prior year: T€1,549), 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, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Cost of materials and services	**27,764**	**27,029**
Personnel expenses	**134,879**	**137,293**
Thereof:		
Expenses related to share-based payment programs [1]	2,510	16,316
Expenses related to restructuring	2,098	374
Depreciation and amortization	**83,620**	**79,883**
Thereof:		
Intangible assets	75,319	69,362
Tangible assets	8,300	10,521
Other costs and expenses	**224,969**	**190,536**
Selling expenses	**471,232**	**434,742**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (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, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Personnel expenses	**72,634**	**95,059**
Thereof:		
Expenses related to restructuring	8,445	0
Expenses related to share-based payment programs [1]	5,732	38,179
Expenses related to takeover and changes in norms	0	2,760
Depreciation and amortization	**20,665**	**26,403**
Thereof:		
Intangible assets	14,113	20,658
Tangible assets	6,552	5,745
Other costs and expenses	**50,186**	**73,661**
Thereof:		
Expenses related to takeover and changes in norms	30	32,174
General and administrative expenses	**143,485**	**195,123**

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (see section 5.5).

In the fiscal year ended March 31, 2015, PricewaterhouseCoopers AG was appointed as auditor of the Group and received a total fee of T€709, broken down in T€665 for auditing services and for other consulting services in the amount of T€44, which was recorded within other costs and expenses under general and administrative expenses. Other consulting services relate to expenses for other accounting periods. Included in auditing services are T€67, which were invoiced by Vodafone Group Services Limited in connection with the audit of the Vodafone Group.

In the fiscal year ended March 31, 2014, Ernst & Young GmbH was appointed as auditor of the Group and received a total fee of T€773, broken down in T€730 for auditing services, T€8 for other consulting services and T€35 for tax consulting services, 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, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Salaries	204,776	241,172
Thereof severance payments	9,104	533
Social security	43,223	39,066
Total personnel expenses	**247,999**	**280,238**

Expenses included in salaries in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Expenses related to share-based payment programs [1)]	8,927	62,223
Thereof:		
Cost of services rendered	685	7,728
Selling expenses	2,510	16,316
General and administrative expenses	5,732	38,179
Expenses related to restructuring	10,543	374
Thereof:		
Cost of services rendered	0	0
Selling expenses	2,098	374
General and administrative expenses	8,445	0

1) Under the LTIP, virtual performance shares fully vested up to and including March 31, 2015 and 2014, respectively, were cash settled in April 2015 and 2014, respectively. Virtual stock options exercisable on and after April 1, 2014 were cash settled in April 2014.

Effective November 14, 2014, the Group introduced a new long-term, performance-based variable compensation component based on the GLTR of the Vodafone Group. Beginning with calendar year 2014, it replaces grants under the previous LTIP (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, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Personnel expenses related to the defined benefit pension plan	6,539	5,529
Thereof:		
Cost of services rendered	1,661	1,334
Selling expenses	2,988	2,526
General and administrative expenses	1,890	1,669
Statutory social security contributions	33,123	30,191
Thereof:		
Cost of services rendered	9,718	8,777
Selling expenses	15,916	14,850
General and administrative expenses	7,489	6,564

For the fiscal years ended March 31, 2015 and March 31, 2014, social security costs included T€16,908 and T€15,678, respectively, for expenses related to the statutory pension scheme.

During the fiscal years ended March 31, 2015 and March 31, 2014 an average of 3,841 and 3,664 people were employed respectively.

Average number of employees by functions	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Customer and Technical Service Center	1,352	1,322
Technology and IT	1,191	1,099
Sales and Marketing	780	751
Overhead	518	492
Total	**3,841**	**3,664**

4.7 FINANCIAL RESULT

Interest Expense

in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Interest expenses on financial instruments that are not at fair value through profit or loss		
Senior Notes (including expenses for premium in the prior year)	17,172	102,375
Amortization of capitalized financing and transaction costs	613	53,263
Senior Credit Facility	-	46,623
Vodafone Investments loans	79,933	39,871
Other	5,622	3,516
Total interest expenses on financial instruments that are not at fair value through profit or loss	**103,341**	**245,648**
Interest expenses on financial instruments that are at fair value through profit or loss		
Derivatives	**16,216**	**23,125**
Interest expenses on provisions and non-financial liabilities		
Pensions	2,706	2,565
Asset retirement and CPE obligations	950	1,289
Other	148	189
Total interest expenses on provisions and non-financial liabilities	**3,804**	**4,043**
Other interest expenses		
Finance lease	**1,819**	**1,829**
Total interest expenses	**125,179**	**274,645**

For financial liabilities and financial instruments also refer to sections 3.12 and 5.6.

Interest Income

Interest income for the fiscal year ended March 31, 2015 was T€1,642 (prior year: T€20,938), thereof T€1,641 (prior year: T€3,823) for financial assets not measured at fair value. The decrease in interest income resulted primarily from income incurred in the prior year from the premature settlement of the stand-alone derivatives (interest rate floors) in the amount of T€17,115, which were offset by expenses of T€16,416.

4.8 INCOME FROM ASSOCIATES

Income from associates for the fiscal years ended March 31, 2015 and March 31, 2014 amounted to T€3,165 and T€3,378, respectively.

4.9 TAXES ON INCOME

The corporate income tax expenses for the fiscal years ended March 31, 2015 and March 31, 2014 break down as follows:

in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Consolidated statement of income		
Current income tax		
Current income tax expense	93,172	92,984
Prior year income tax expense / (benefit)	1,675	(674)
Deferred income tax	31,716	127,513
Income tax (benefit) / expense reported in the consolidated statement of income	**126,563**	**219,823**

in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Consolidated statement of changes in equity		
Deferred income tax		
Net deferred costs on revaluation of hedges	4,554	5,298
Net deferred costs on defined pension plans	(9,249)	(1,321)
Income tax (benefit) / expense reported in equity	**(4,695)**	**3,977**

The tax rate of 30.3% for the fiscal year ended March 31, 2015 (prior year: 30.3%) 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 14.5% (prior year: 14.4%).

The tax rate of 30.3% applied corresponds to the average tax rate of the Vodafone Group and should be applied in KDH AG, which acts as controlling company of the material companies of the Group, pursuant to the tax sharing agreement concluded with Vodafone.

A reconciliation of income taxes for the fiscal year ended March 31, 2015 using a combined statutory rate of 30.3% (prior year: 30.3%) for corporate and trade tax to actual income taxes as recorded in the statement of income, is as follows:

in T€	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Benefit before income tax	(365,460)	(151,579)
Notional tax expense at KDH's statutory income tax rate of 30.3% (prior year: 30.3%)	110,826	45,966
Adjustments in respect of current income tax of previous years	1,675	(674)
Amortization of deferred taxes on capitalized loss carryforwards due to takeover by Vodafone	0	162,336
Non-deductible expenses	14,009	10,226
Untaxed income portions	(1,065)	(1,086)
Adjustments in respect of changes in the tax rate	0	338
Share in profits of silent partners in KDH	270	0
Other	849	2,717
Income tax expense / (benefit) according to the statement of income	**126,563**	**219,823**

Deferred Taxes

Deferred taxes as of March 31, 2015 and March 31, 2014 are comprised as follows:

in T€	Consolidated statement of financial position Fiscal year ended March 31, 2015	2014	Consolidated statement of income April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Deferred tax liabilities				
Intangible assets	92,315	81,269	11,046	10,185
Property and equipment	39,282	42,992	(3,710)	(3,074)
Trade receivables	13,074	9,827	3,247	3,388
Gross deferred income tax liabilities	144,672	134,088		
Offsetting with deferred tax assets	(27,785)	(41,895)		
Net deferred tax liabilities	116,887	92,193		
Deferred tax assets				
Other non-current liabilities	0	28,787	24,280	(22,931)
Other non-current provisions	9,121	7,042	(2,078)	(517)
Provisions for pensions	18,737	8,418	(1,069)	(1,114)
Tax loss carryforwards	0	0	0	141,576
Gross deferred tax assets	27,858	44,247		
Offsetting with deferred tax liabilities	(27,785)	(41,895)		
Net deferred tax assets	73	2,352		
Deferred tax expense / (income)			**31,716**	**127,513**

A deferred tax expense of T€31,716 was recorded in the fiscal year ended March 31, 2015. The deferred tax expense is primarily due to reversing effects from refinancing measures that took place in the previous year.

Deferred tax assets from vested income tax loss carryforwards of KDVS GmbH in an amount of T€70,888, which existed as of March 31, 2015 and are related to the time before existence of the consolidated tax group, are not recognized, since KDVS GmbH is unable to offset these tax loss carryforwards against positive income within the Group due to the consolidated tax group with KDH AG.

Liabilities due to Income Taxes

The liabilities due to income taxes of T€86,166 and T€110,687, for the fiscal years ended March 31, 2015 and March 31, 2014, respectively, disclosed 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 composed 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, 2015 and March 31, 2014, 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, 2015	March 31, 2014
Profit / (loss) attributable to the equity holders of the parent	238,896	(68,245)
Reconciling items	-	-
Adjusted net income / (loss) (basic)	**238,896**	**(68,245)**
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 €)	**2.70**	**(0.77)**

Diluted earnings per share	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Profit / (loss) attributable to the equity holders of the parent	238,896	(68,245)
Reconciling items	-	-
Adjusted net profit / (loss) (basic)	238,896	(68,245)
Dilutive effects on net profit / (loss)	-	-
Net profit / (loss) (diluted)	**238,896**	**(68,245)**
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 €)	**2.70**	**(0.77)**

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 key decision maker manages the profitability of the business segments based on revenue and EBITDA.

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 needed to be eliminated. Any intrasegment transactions have been eliminated. The marketing of bundled products (TV, Internet and Phone products) does not result in significant relationships between the individual segments as the revenues and related expenses are directly attributable to the segments.

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. Our Premium-TV products include Pay-TV products, such as "TV Vielfalt HD", "Vielfalt HD Extra" or "TV International", DVR products, such as "TV 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 in cooperation with Vodafone GmbH. The service provider agreement with another mobile network provider ended on April 30, 2015.

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		Internet and Phone Business		Headquarter Functions / Recon. to the Consolidated Financial Statements		Total Group	
	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Revenues	1,172,959	1,165,000	847,741	735,193	-	-	2,020,700	1,900,193
Other operating income	5,776	7,014	5,761	3,892	269	199	11,807	11,105
Costs and expenses	(780,824)	(775,137)	(618,125)	(535,199)	(147,726)	(199,053)	(1,546,675)	(1,509,390)
thereof depreciation / amortization	(205,492)	(198,839)	(206,352)	(178,430)	(24,906)	(30,333)	(436,749)	(407,602)
thereof share-based payment	(2,824)	(18,856)	(371)	(5,189)	(5,732)	(38,179)	(8,927)	(62,223)
Profit or loss from ordinary activities	397,910	396,877	235,377	203,885	(147,456)	(198,854)	485,832	401,908
EBITDA	603,402	595,716	441,729	382,315	(122,551)	(168,521)	922,581	809,510
Additions to fixed assets	257,222	218,006	435,377	328,581	42,666	38,976	735,265	585,563

In both fiscal years, not more than 10% of total Group revenues were realized with any customer.

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 each also reflect the operating segments for impairment testing.

Carrying amount of goodwill allocated to each of the CGUs:

in T€	TV Business as of March 31,		Internet and Phone Business as of March 31,		Total as of March 31,	
	2015	2014	2015	2014	2015	2014
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, 2015 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, 2015, 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 before and after tax used for the calculation of the recoverable amount for the two CGUs was determined to be 7.4% (prior year: 8.3%) and 5.3% (prior year: 6.0%), respectively, for the fiscal year ended March 31, 2015.

The measurement of the CGUs is founded on expectations that are based on mid-term financial plans covering a five-year period that have been approved by management and are also used for internal purposes. The planning horizon reflects the assumptions for short- and mid-term market developments. Cash flows for the fiscal year ending March 31, 2020 are extrapolated beyond the detailed planning period using a growth rate of 1% (prior year: 1%). 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 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 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. Likewise, alternative scenarios were incorporated regarding possible negative developments of the Group and calculated as sensitivities related to the impairment test. Even when using conservative scenarios regarding growth rates, development of operating results and weighted average cost of capital ("WACC") no need for impairment was recognized.

With regard to the assessment of fair value less costs of disposal for the two cash generating units, management believes that even a significant worsening, which is not expected, of the key assumptions would not 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, 2015 and March 31, 2014 include the obligations arising due to the earliest possible termination date of KDH. There are uncertainties about the timing and amount with regard to the probability of utilization of the financial obligations quantified as follows:

Type of obligation	March 31, 2015				March 31, 2014			
	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	210,909	117,256	514	328,678	207,944	135,375	1,001	344,319
2. License, rental and operating lease commitments	71,631	141,631	25,276	238,539	56,629	153,326	34,510	244,465
3. Other	41,152	14,477	1,645	57,274	74,339	19,002	1,347	94,689
Total	**323,692**	**273,365**	**27,435**	**624,492**	**338,912**	**307,703**	**36,858**	**683,473**

Lease payments for cable ducts leased from DTAG were T€103,627 and T€103,470 for the fiscal years ended March 31, 2015 and March 31, 2014, 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 T€1,394,079 and T€1,497,344 as of March 31, 2015 and March 31, 2014, respectively.

For the fiscal years ended March 31, 2015 and March 31, 2014, the total leasing costs of KDH were T€236,691 and T€223,516, respectively. These amounts include the majority of the expenses related to the SLAs of both DTAG and third parties.

Included in other obligations are obligations related to the purchase of property and equipment.

Contingencies and Certain Lawsuits and Legal Proceedings

In the course of its business, KDH is regularly confronted with court and out-of-court proceedings, 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, 2015, the following material issues for which the Company accounted for potential risks according to its assessment. Unless otherwise stated, there is no impact on the financial statements from the recognition of risks of litigation:

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 parties are currently negotiating an amicable settlement and, at the request of the arbitration board, have agreed to suspension of the proceedings.

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 Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung – Beteiligungsgesellschaft ("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. In April 2015, the court of appeal ruled in favor of KDVS GmbH. The decision is not yet legally binding. Currently, KDVS GmbH is 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 Deutschland radio 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. Several judgments of the courts of first instance and three 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 and filed a complaint against the denial of leave to appeal, as it still presumes its claim for the carriage fees is legally valid. On March 3, 2015, hearings took place at the German Federal Court of Justice ("BGH") regarding two reviews of appellate decisions. The BGH has scheduled the date for the pronouncement of the final decision for June 16, 2015. In October 2014, KDVS GmbH initiated administrative proceedings with the Bavarian regulatory authority for commercial broadcasting ("BLM"), on the issue of the permissibility, according to media law, of removing must-carry channels without a feed-in agreement in the specific case of the ARD-alpha channel in Bavaria. In January 2015, BLM granted KDVS GmbH a certificate of nonobjection regarding the removal. The Bayerischer Rundfunk has initiated still pending preliminary injunction proceedings against this in the Administrative Court of Munich and KDVS GmbH has been summoned. At the same time, corresponding main proceedings are pending.

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. In December 2014, the Higher District Court of Frankfurt denied the appeal and did not permit an appeal on issues of law. KDVS GmbH filed a complaint with the BGH against the denial of leave to appeal.

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. In spite of the use of judicial mediation, an out-of-court settlement could not be reached and the litigation is therefore being continued. The court has first appointed an expert.

A supplier contractually connected with KDVS GmbH via a so-called Purchase Framework Agreement 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. Exploratory talks were conducted but were unsuccessful. The supplier has filed a request for arbitration at the beginning of June 2014. Arbitration proceedings are currently underway. A decision is not expected before mid-2015. Provisions for risks arising from arbitration proceedings have been recognized which exist unaltered to the previous year.

For all described litigation and arbitration proceedings, a provision for legal costs has been recognized, if necessary, and amounted to T€1,137.

General Risks

In the course of its business activities, the Group faces general economic risks due to relationships with customers, suppliers and employees. In addition, general risks exist regarding 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 were as follows since the takeover by Vodafone until March 31, 2015:

Goods an services provided to and received from Vodafone Group companies in T€	April 1, 2014 - March 31, 2015	October 15, 2013 - March 31, 2014
Goods and services provided as well as other income	6,147	2,286
Goods and services provided as well as other expenses	38,142	5,412
Interest income	4	0
Interest expenses	77,452	31,103
Tax expenses	78,670	0
Income from the transfer of losses	41,548	0

Receivables from and payables to Vodafone Group companies were as follows until March 31, 2015:

Receivables from, payables to and call money to Vodafone Group companies	Fiscal Year ended	
in T€	March 31, 2015	March 31, 2014
Cash and cash equivalents	196,745	0
Trade receivables	1,795	622
Other current assets (financial and non-financial)	50,415	0
Trade payables	13,813	1,675
Other current liabilities	102,236	0
Borrowings (current and non-current)	3,229,457	2,160,198

Transactions with Vodafone

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 as of March 31, 2015). In this context, Vodafone had to compensate KDH AG for the resulting loss in the amount of T€41,548. The corresponding receivable is included in other current assets.

Since April 1, 2014, with the entry into force of the DPLTA, there has been 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. In this context, KDH incurred tax expenses of T€78,670. The corresponding liability to Vodafone is included in other current liabilities.

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.

Cooperation agreement between KDVS GmbH and Vodafone GmbH

Effective May 1, 2014, a cooperation agreement was concluded between the main operating companies KDVS GmbH and Vodafone GmbH following the integration of KDH into Vodafone Group. This includes general conditions related to the mutual exchange of goods and services, in particular regarding mutual marketing of products, migration of existing customers, exchange of services in the network / technology area, and combined customer care. Details of the related services, including the respective compensations, are regulated in service level agreements attached to the cooperation agreement.

In the fiscal year ended March 31, 2015, KDH incurred income related to this cooperation agreement from sales commissions for the acting as intermediary for customers to Vodafone GmbH. Furthermore, KDH incurred income from call center services provided for customers of Vodafone GmbH. In addition, KDH received income from services related to the enterprise business of Vodafone GmbH. Joint advertising and marketing campaigns, such as the mutual marketing of the "Zuhause Plus" co-brand or for the "Vodafone All-in-One" special offer, which bundles KDH and Vodafone GmbH products, are offset against each other.

In the fiscal year ended March 31, 2015, expenses of KDH in connection with the cooperation agreement primarily resulted from the brokerage of subscribers by Vodafone GmbH.

Further transactions with Vodafone Group companies

Relevant income not related to the cooperation agreement was derived primarily from interconnection fees in the fiscal year ended March 31, 2015.

Expenses of KDH resulted from the purchase of telecommunications services, as KDH has to pay phone and mobile phone fees. In addition, KDH incurred personnel expenses from charges for employees who have completed their employment contract with Vodafone GmbH and who work for KDH in the context of employee leasing. For information regarding the Vodafone Group GLTR share program, please see section 5.5. Furthermore, KDH incurs expenses in connection with interconnection fees, marketing of telephone lines, leasing of fiber optics of Vodafone GmbH and IP transit.

Vodafone Procurement Company S.a.r.l., Luxembourg, ("VPC") is the centralized procurement company of Vodafone Group. KDH primarily receives hardware and licenses from VPC, as well as IT and other services and must pay appropriate margins for the procurement services of VPC. Licenses in the amount of T€3,928 (prior year: T€359) and hardware in the amount of T€2,664 (prior year: T€227), including respective margins, were purchased from VPC in the fiscal year ended March 31, 2015.

KDH has entered into an agreement with Vodafone Group Services Limited for financial and accounting services, which sets forth that KDH has outsourced certain services of the Finance Department to the Vodafone Shared Service Center in Budapest.

Since the fiscal year ended March 31, 2015, KDH has been involved in the financial management of the Vodafone Group and therefore has made liquidity available to Vodafone Group Plc, which Vodafone Group Plc invests as call money. As of March 31, 2015, T€196,745 was made available to Vodafone Group Plc. Related interest income amounted to T€4, related interest expenses due to the negative EURIBOR amounted to T€1.

As of March 31, 2015, loan liabilities consisted of three term loans from Vodafone Investments in the amount of T€3,217,250 and liabilities for accrued interest as of March 31, 2015 in the amount of T€12,207. In addition, a revolving loan that has not been drawn in the amount of T€300,000 exists. For further information on the loans and associated interest expenses, please see sections 3.12 and 4.7.

There is also a consolidated tax group, whose controlling company is Vodafone GmbH. This gives rise to receivables from VAT of T€8,847, which is included in other current assets, and VAT liabilities in the amount of T€23,565, which is included in other current liabilities.

From the fiscal year ending March 31, 2016, KDH will gradually introduce the Vodafone brand. For this purpose, a license agreement between Vodafone Sales & Services Limited and KDH was concluded, which became effective from April 1, 2015, and which governs the use of the Vodafone brand and all materials connected with the brand. Beginning April 1, 2015, KDH will pay a revenue-based license fee to Vodafone Sales & Services Limited.

Transactions with other Related Parties

The following transactions with other related parties took place in the fiscal years ended March 31, 2015 and March 31, 2014:

KDVS GmbH provided T€2,860 and T€3,168 in deliveries and services to KMS KG in the fiscal years ended March 31, 2015 and March 31, 2014. 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 was 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, 2015, the Management Board of KDH AG comprises four members who also hold positions as managing directors of KDVS GmbH.

Dr. Manuel Cubero was appointed Chief Executive Officer of KDH AG effective April 1, 2014. He follows Dr. Adrian von Hammerstein, who resigned his position as Chief Executive Officer at the end of March 31, 2014 at his own request. Gerhard Mack was appointed to the Management Board as the new Chief Operating Officer, also effective April 1, 2014.

Members of the Management Board received a total remuneration in the amount of T€3,440 (prior year: T€5,197), including the recorded service cost of pension benefits of T€230 (prior year: T€266) for the fiscal year ended March 31, 2015. This figure includes the fair value as of the grant date of the conditional share awards that were newly granted based on the Vodafone Group's GLTR in the fiscal year ended March 31, 2015, which amounts to T€850 (prior year: T€1,689 based on the virtual performance shares granted under the Group's LTIP).

The total current non-cash amount, which was calculated in accordance with IFRS and recognized through profit or loss in the fiscal year just ended, resulted from changes in fair value and current vesting under the long-term LTIP as well as new grants including changes in fair value and current vesting under the long-term GLTR, was T€4,545 for the fiscal year ended March 31, 2015 (thereof Dr. Manuel Cubero T€1,642, Erik Adams T€1,388, Gerhard Mack T€517, Dr. Andreas Siemen T€998). In the prior year this figure amounted to T€24,870 (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).

Individualized disclosures regarding the compensation of the Management Board are presented in the Combined Management Report and there in section 8 "Compensation Report"; further details on share-based payments 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, 2015, former members of management/ the Management Board of the Group and their surviving dependents received total compensation in the amount of T€866 (prior year: T€11). For the fiscal year ended March 31, 2015 pension reserves in a total amount of €0 for former managing directors were recognized (prior year: T€146).

Supervisory Board

Jens Schulte-Bockum was elected as the new Chairman of the Supervisory Board in May 2014 after Philipp Humm's resignation from the Supervisory Board in the middle of May. Upon request of the Management Board, Frank Krause was appointed to the Supervisory Board also in May 2014 by virtue of a court ruling. After Mr. Krause has resigned his position with declaration as of the end of November 2014, Dr. Robert Hackl was appointed to the Supervisory Board by virtue of a court ruling. After Dr. Robert Hackl resigned his position in February 2015, Anna Dimitrova was appointed to the Supervisory Board in February 2015 by virtue of a court ruling.

For members of the Supervisory Board, remuneration in the amount of T€318 (prior year: T€427) has been recognized as an expense for the fiscal year ended March 31, 2015. Details regarding the compensation system relating to the members of the Supervisory Board are set out in the Combined Management Report in the section "Compensation Report".

5.5 SHARE-BASED PAYMENTS

Effective November 14, 2014 and besides the existing components of the long-term incentive plan, a new long-term, performance-based variable compensation component based on the Vodafone Group Global Long-Term Retention Plan ("GLTR") was introduced for members of the Management Board and selected members of senior management of KDH and its subsidiaries. Beginning with calendar year 2014, this replaces grants under the previously existing long-term incentive plan.

On March 31, 2015, within KDH, in addition to the tranches granted during the years 2011 to 2013 from the virtual performance share program LTIP I, there were also the conditional share awards granted on November 14, 2014 from the GLTR of the Vodafone Group. The virtual stock options from the LTIP II were exercised in April 2014 thereby ending the corresponding compensation component as scheduled.

Long-Term Incentive Plan

On the basis of the first LTIP component ("LTIP I"), the members of the Management Board were each allotted a total of 184,035 virtual performance shares for the fiscal years ended March 31, 2011, March 31, 2012, March 31, 2013, and March 31, 2014. 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, €45.12 per share in the third annual grant, and €68.75 per share in the fourth 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, 2014, inclusive, was T€6,762. 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.

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 grants 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.

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.

Also on the basis of speculation in connection with the acquisition by Vodafone the Supervisory Board took the decision to limit, as in the previous year, both the number of virtual performance shares granted to members of the Management Board in the second annual grant and, consequently, the number of virtual performance shares granted to members of senior management in 2011 as of March 31, 2015. The number of virtual performance shares (2011) issued to Management Board members was thus reduced by 10,060, the number of virtual performance shares (2011) granted to members of senior management correspondingly by 17,924.

The remaining virtual performance shares related to the first annual grant as of April 1, 2010 were fully vested as of the end of March 31, 2014, consecutive to the four-year vesting period. In accordance with the contractual provisions of the LTIP I, the current liabilities of T€30,486 existing in connection with these virtual performance shares were cash settled in April 2014. The number of virtual performance shares outstanding declined by 146,646.

In the fiscal year ended March 31, 2015, due to the employees leaving the Company, additional 6,721 virtual performance shares granted to members of the senior management forfeited, and KDH additionally settled a total of 21,890 virtual performance shares. The settlement of these virtual performance shares led to a reduction of T€3,696 in the total liability for virtual performance shares under the LTIP.

Annual Grant	LTIP I Virtual Performance Shares (Management Board and Senior Management)			
	Number of Virtual Performance Shares March 31, 2015	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	(147,646)	April 1, 2010	22.00	(3,248)
forfeited	(19,235)	April 1, 2010	22.00	(423)
reduction by limitation 1)	(25,619)	April 1, 2010	22.00	(564)
Total	0			0
Virtual Performance Shares Second Grant (2011)				
granted	108,251	April 1, 2011	37.77	4,089
settled	(14,393)	April 1, 2011	37.77	(544)
forfeited	(13,941)	April 1, 2011	37.77	(527)
additionally granted	24,994	April 1, 2011 2)	48.06	1,201
reduction by limitation 1)	(27,984)	April 1, 2011	37.77	(1,057)
Total	76,927			3,163
Virtual Performance Shares Third Grant (2012)				
granted	106,848	April 1, 2012	45.12	4,821
settled	(6,799)	April 1, 2012	45.12	(307)
forfeited	(13,320)	April 1, 2012	45.12	(601)
Total	86,729			3,913
Virtual Performance Shares Fourth Grant (2013)				
granted	24,560	April 1, 2013	68.75	1,689
settled	(1,916)	April 1, 2013	68.75	(132)
forfeited	(5,747)	April 1, 2013	68.75	(395)
Total	16,897			1,162
Total Virtual Performance Shares	180,553	-	-	8,238

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 are 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 (2011) due for payout in April 2015, on observable market prices of the KDH AG share on March 31, 2015, 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, 2016 until further notice, and this price plus dividends paid will be used as the calculation basis.

In the fiscal year ended March 31, 2015, KDH recognized personnel expense in the amount of T€8,463 mainly due to respective vesting and in consideration of the valuation (limitation) described above. In prior year, personnel expenses in the amount of T€26,620 were recognized and were also impacted by vesting of the virtual performance shares of the first annual grant that have been cash settled in April 2014, and by changes in fair value.

The total liability disclosed in the consolidated statement of financial position for virtual performance shares issued under LTIP I was T€31,041 and T€56,764 as of March 31, 2015 and March 31, 2014, respectively. Of these total liabilities, other current financial liabilities of T€19,310 (prior year: T€34,102) and other non-current financial liabilities of T€11,731 (prior year: T€22,662) were recognized as of March 31, 2015. Other current liabilities result primarily from virtual performance shares issued under the second annual grant (2011) 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 second annual grant were cash settled in April 2015.

On the basis of the second LTIP component ("LTIP II"), the members of the Management Board at that time received 800,001 virtual stock options on a one-time basis 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.

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 virtual stock options (LTIP II) vested in several tranches on March 31, 2012 (40% of the options), March 31, 2013 (additional 30% of the options), and March 31, 2014 (remaining 30% of the options), respectively, dependent in each case on particular performance targets being achieved. All virtual stock options outstanding as of March 31, 2014 had an exercise price as of that date of €22.00 and were fully vested. All holders of virtual stock options had exercised their options as of April 1, 2014, so that the current liabilities of T€107,208 that existed in connection with LTIP II were cash settled in April 2014.

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, 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**
Granted	0	-
Forfeited	0	-
Exercised	(1,375,470)	-
Expired	0	-
Outstanding as of March 31, 2015	**0**	**0.00**
Vested, nonforfeitable virtual stock options as of March 31, 2015	0	0.00

[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 are such an unusual development in relation to the KDH AG share price; therefore, the Supervisory Board has made use of this possibility.

No virtual stock options are outstanding as of March 31, 2015. Consequently, no personnel expenses related to virtual stock options have been recognized for the fiscal year ended March 31, 2015 (prior year: T€35,604).

Global Long-Term Retention Plan ("GLTR")

KDH introduced a new long-term, performance-based variable compensation component based on the Vodafone Group Global Long-Term Retention Plan ("GLTR") effective November 14, 2014. Based on this component, members of the Management Board and selected members of senior management of KDH AG and its subsidiaries were allotted conditional share awards both by entities of KDH and by Vodafone GmbH. Settlement takes place in the form of Vodafone Group Plc shares following a specified vesting period. In the context of the settlement, additional Vodafone Group Plc shares are also allotted for the settlement of dividend rights incurred during the vesting period.

KDH applies IFRS 2 "Share-Based Payment" to the GLTR compensation component, as all GLTR participants directly or indirectly perform services for KDH. Under IFRS 2, plans which result in share-based payment transactions have to be accounted for as cash-settled transactions if the share awards granted are not the granting company's own equity instruments or the granting company has an obligation to perform settlement. Based on the characteristics of the newly introduced GLTR component and on the regulations of IFRS 2 regarding share-based payments among group entities, KDH considers the conditional share awards granted under the GLTR plan by entities of KDH to be cash-settled transactions. However, the conditional share awards granted by Vodafone GmbH are classified as equity-settled share-based payment transactions, since there are no direct obligations of KDH entities against participants.

Conditional share awards granted by KDH entities

Members of the KDH AG Management Board were allotted 298,821 conditional share awards under the GLTR plan by KDH, with a grant price of GB£2.26 per conditional share award. As of the grant date, the total value was therefore T€850. Additionally, members of senior management were allotted 333,562 conditional share awards by KDH. At the same grant price of GB£2.26 per conditional share award, the total value of these conditional share awards was T€949. The grant date for all these conditional share awards issued under the GLTR plan was November 14, 2014.

The conditional share awards allotted to members of the Management Board of KDH AG are due for payout after a period of 36 months on November 14, 2017 ("vesting period"). The conditional share awards granted to members of senior management of KDH AG and its subsidiaries are due for payout after a vesting period of around 31 months on June 26, 2017. Full vesting only occurs if the participant is still performing services for KDH at expiry of the vesting period. Partial vesting is also provided for under certain conditions if the participant leaves the Company before this time. Settlement of the conditional share awards is performed by allotment of Vodafone Group Plc shares to participants at the end of the vesting period.

The fair value of KDH's obligation under the GLTR plan is based on observable market prices and is equal to the share price of Vodafone Group Plc shares on the London Stock Exchange at the respective reporting date, considering existing dividend rights. Pursuant to the contractual agreement, no other elements are included in the valuation of the obligation. The consideration underlying the obligation is vested proportionally by the participants over the defined vesting period. Correspondingly, the obligation is also recognized proportionally.

For the fiscal year ended March 31, 2015, KDH recognized total personnel expenses of T€260 for the first time from conditional share awards granted by KDH entities under the GTLR plan based primarily on vesting. The total liability due to the conditional share awards recognized in the consolidated statement of financial position was T€260 as of March 31, 2015 and was reported under other non-current liabilities.

Conditional share awards granted by Vodafone GmbH

In addition, members of the senior management of KDH were allotted 483,993 conditional share awards by Vodafone GmbH, with a grant price of GB£2.26 per each conditional share award. Consequently, as of the grant date, the total value was T€1,377. The grant date for these conditional share awards issued under the GLTR plan also was November 14, 2014.

The conditional share awards granted to members of the senior management of KDH AG and its subsidiaries are due for payout after a vesting period of around 31 months on June 26, 2017. Full vesting only occurs if the participant is still performing services for KDH at expiry of the vesting period. Partial vesting is also provided for under certain conditions if the participant leaves the Company before this time. Settlement of the conditional share awards is performed by allotment of Vodafone Group Plc shares to participants at the end of the vesting period.

The fair value of the benefits obtained is based on observable market prices and is equal to the share price of Vodafone Group Plc shares on the London Stock Exchange at the respective grant date, considering existing dividend rights. Pursuant to the contractual agreement, no other elements are included in the valuation. Personnel expenses as well as the corresponding increase in equity are proportionally recognized over the vesting period.

For the fiscal year ended March 31, 2015, KDH recognized total personnel expenses and a corresponding increase in capital reserves of T€204 for the first time from conditional share awards granted by Vodafone GmbH under the GTLR plan based primarily on vesting.

Total amounts related to all share-based payment programs

Total other current liabilities related to all share-based payment programs amounted to T€19,310 (prior year: T€34,102), total other non-current liabilities amounted to T€11,991 (prior year: T€22,662). Furthermore, increase of capital reserves related to all share-based payment programs amounted to T€204 (prior year: €0).

5.6 FINANCIAL INSTRUMENTS

The activities of the Group expose KDH to a number of financial risks: credit risk, market risk (including 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. The carrying amount of primary financial instruments comprised of cash and cash equivalents, trade receivables and other current financial assets of T€370,390 (prior year: T€455,175) represents the maximum exposure to credit risk for those financial instruments. Securities or other credit risk reducing agreements do not exist. Impairment losses are recognized for any credit risks associated with the financial assets. No concentration of credit risks from business relations with individual debtors is evident.

Interest Rate Risk

As of the balance sheet date, KDH's borrowings of €3,217,250 (prior year: T€3,250,000) are exposed in their full amount (prior year: T€1,250,000) 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. As KDH is integrated in the financial and capital management of the Vodafone Group, the risk of changing interest rates is only underpart to KDH. Therefore, KDH currently does not intend to conclude interest hedges.

Interest rates on the term loans from Vodafone Investments of T€3,217,250 (prior year: T€2,150,000) are based on the one-month EURIBOR. Of this amount, as of March 31, 2014 loans with a nominal value of T€900,000 have been hedged against interest rate risks for the majority of their terms using the derivative financial instruments described in section 3.12.2.

The Group is aware that changes in certain risk variables, mainly the interest rates, could affect future cash inflows and outflows of KDH and, in addition, 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 loans from Vodafone Investments. The table below shows the negative/positive effects of an increase/decrease in the base interest rate on the statement of income for the period. Impacts on equity only incurred in prior year, as in prior year a part of the term loan from Vodafone Investments of T€2,150,000 was hedged by interest rate swaps, which have been designated as cash flow hedges.

Risk Variables	Change of Risk Variables [1] bps	Impact on (Profit) or Loss April 1, 2014 - March 31, 2015 T€
EURIBOR	(10)	(3,217)
EURIBOR	10	3,217

[1] As of the reporting date March 31, 2015, the EURIBOR interest level was at approximately -1.5 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

[1] As of the reporting date March 31, 2014, the EURIBOR interest level was at approximately 22 basis points.

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 has unused credit lines from Vodafone Investments of T€300,000 as of March 31, 2015 and March 31, 2014. Future cash outflows arising from financial liabilities 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 for the prior year. Financial liabilities that are repayable on demand are included on the basis of the earliest date of repayment according to the contractual terms. Cash flows for variable interest liabilities are determined with reference to the market conditions at the balance sheet date.

Fiscal year ended March 31, 2015 in T€	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Vodafone term loans	77,287	570,485	846,659	2,098,114	**3,592,545**
Trade payables	292,980	14	0	0	**292,994**
Finance lease liabilities	4,743	8,958	8,686	13,838	**36,224**
Other financial liabilities	21,103	0	0	0	**21,103**
Total	**396,113**	**579,456**	**855,345**	**2,111,951**	**3,942,866**

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**

Capital Management

Securing a stable credit rating on a high level is not anymore an important objective of the capital management of the Group. Following the takeover by Vodafone, KDH has been integrated into the financial and capital management of the Vodafone Group, meaning that stepwise all external loans and notes were repaid by the Vodafone Group and call money placed with banks was replaced by investments with Vodafone Group Plc. Accordingly, KDH is no longer financed by external third parties and also it is in the future not provided for financing by third parties.

Financing of KDH is currently primarily performed by the term loans provided by Vodafone Investments. These long-term loans have maturities between July 2017 and June 2020. KDH is in a continuous dialogue with the Vodafone Group in order to monitor capital market conditions and to evaluate options as to optimize KDH's capital structure regarding repayments and refinancing of these term loans. At maturity of the loans KDH decides in consultation with the Vodafone Group on the prolongation or the replacement of these loans.

All material Group Entities are integrated into the cash pooling of KDH, with the objectives of an optimization of liquidity allocation within KDH as well as optimized interest yields. Furthermore, involvement of KDH into the cash pooling of the Vodafone Group is also planned in the future.

Management of the capital structure is primarily performed by the liquidity planning of KDH which is updated daily. Based on this, management makes decisions regarding increases and repayments of the term loans from Vodafone Investments, which may be drawn or repaid in tranches, as well as related to the amount of call money placed with the Vodafone Group Plc.

No changes were made in the objectives, policies or processes for managing capital during the fiscal years ended March 31, 2015 and 2014, 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, 2015 Carrying Amount	March 31, 2015 Fair Value	March 31, 2014 Carrying Amount	March 31, 2014 Fair Value
Assets					
Current financial assets					
Cash and cash equivalents	LaR	**207,385**	**n/a**	**334,068**	**n/a**
Trade receivables	LaR	**114,924**	**n/a**	**108,869**	**n/a**
Other current financial assets		**48,081**		**12,238**	
Receivables arising from the transfer of profits to Vodafone	LaR	41,548	n/a	0	n/a
Deposits	LaR	2,758	n/a	3,172	n/a
Creditors with debit balances	LaR	1,969	n/a	1,365	n/a
Government grants	LaR	1,151	n/a	0	n/a
Receivables from the tax levy to Vodafone	LaR	20	n/a	0	n/a
Miscellaneous other current financial assets	LaR	635	n/a	7,701	n/a
Liabilities					
Current financial liabilities					
Current borrowings		**12,207**		**1,183,426**	
Current borrowings related to 2018 Senior Secured Notes and 2017 Senior Notes	FLAC	0	n/a	1,154,256	n/a
Interest liabilities Vodafone Investments loans	FLAC	12,207	n/a	10,198	n/a
Derivatives in hedge accounting	n/a	0	n/a	18,972	n/a
Trade payables	FLAC	**292,980**	**n/a**	**296,477**	**n/a**
Other current financial liabilities		**24,079**		**39,336**	
Liabilities to silent and limited partners	FLAC	15,834	43,269	17,356	39,056
Debtors with credit balances	FLAC	3,044	n/a	2,476	n/a
Finance lease liabilities	IAS 17	2,976	4,406	1,074	2,367
Government grants	FLAC	1,201	n/a	0	n/a
Miscellaneous other current financial liabilities	FLAC	1,024	n/a	1,477	n/a
Non-current financial liabilities					
Non-current borrowings		**3,217,250**		**2,184,526**	
Term loans	FLAC	3,217,250	3,480,510	2,150,000	2,286,523
Derivatives in hedge accounting	n/a	0	0	34,526	34,526
Other non-current financial liabilities		**24,736**		**10,252**	
Finance lease liabilities	IAS 17	24,723	29,217	10,013	15,537
Provision of smartcards	FLAC	13	14	239	241

in T€	Category according to IAS 39	Fiscal Year ended March 31, 2015 Carrying amount	March 31, 2014 Carrying amount
Loans and receivables	LaR	370,389	455,175
Financial liabilities measured at amortized cost	FLAC	3,543,552	3,632,479

The terms have the following respective meanings:

- LaR: Loans and Receivables
- FLAC: Financial Liabilities Measured at Amortized Cost

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, 2015 and March 31, 2014, are effectively equal to their fair values.

Liabilities to limited partners were measured using the discounted cashflow model. The planning horizon reflects the assumptions for short- to mid-term market developments. Cash flows for the fiscal year ending March 31, 2020 are extrapolated beyond the detailed planning period using a growth rate of 1% (prior year: 1%). 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, 2015.

Due to settlement of the interest rate swaps in May 2014, the Group had no financial instruments measured at fair value as of March 31, 2015. As of March 31, 2014, the interest rate swaps were measured at fair value and assigned to appropriate levels according to IFRS 13 as indicated below:

Financial instruments measured at fair value in T€	March 31, 2014 Fair Value	Level 1	Level 2	Level 3
Financial liabilities				
Derivatives in hedge accounting (current and non-current)	53,498	0	53,498	0

No transfers took place between the fair value levels in the fiscal year ended March 31, 2014. In the fiscal year ended March 31, 2015, interest rate swaps have been settled.

The interest rate swaps were measured at the net present values of the future payments using standard discounted cash flow models and were based on observable interest rates, forward yield curves and discount yield curves.

In the case of financial liabilities, the Company's own credit risk has been included.

The Group had disclosed the fair value for the following classes in the Notes as of March 31, 2015 and March 31, 2014, 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, 2015 Fair Value	Level 1	Level 2	Level 3
Term loans	3,480,510	0	3,480,510	0
Provisions of smartcards	14	0	14	0

Assets and liabilities for which the fair value is disclosed in the notes in T€	March 31, 2014 Fair Value	Level 1	Level 2	Level 3
Term loan	2,286,523	0	2,286,523	0
Provisions of smartcards	241	0	241	0

Using a discounted cash flow analysis based on the current interest yields of loans and liabilities for the provision of smartcards for an identical loan term, each fair value was estimated as the net present value of future payments, using yield curves. Due to the complexity inherent in such an estimate, the estimate did not necessarily reflect actual market values. It was therefore possible for different market assessments or estimate procedures to significantly influence the fair value estimate.

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, 2015	2014
Loans and receivables	(24,936)	(23,963)
Financial assets and liabilities at fair value through profit or loss (held for trading)	-	13,520
Financial liabilities measured at amortized cost	-	(81,754)
Net gains or losses	**(24,936)**	**(92,197)**

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.

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, 2015.

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, 2015.

	Companies consolidated at equity (IAS 28)	Registered Office	Shareholding 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 Board or similar supervisory bodies
Dr. Manuel Cubero del Castillo-Olivares Chief Executive Officer	Vice President of Cable Europe (European Cable Communications Association) Member of the Board of Directors of Cable Television Laboratories Inc. (Cable Labs) Vice President of ANGA Verband Deutscher Kabelnetzbetreiber e.V. Board member of BITKOM Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.
Erik Adams Chief Marketing Officer	None
Gerhard Mack Chief Operating Officer	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, 2015:

Name / Position	Member of other Supervisory Board or similar supervisory bodies
Representatives of the Shareholders:	
Jens-Schulte Bockum **Chairman of the Supervisory Board** (since May 16, 2014) Chairman of the Management of Vodafone GmbH	Chairman of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Philipp Humm **Chairman of the Supervisory Board** (until May 15, 2014) Chairman of the Managing Directors of the European Region of Vodafone Group Plc	Chairman of the Supervisory Board of Vodafone GmbH
Annet Aris Adjunct Professor of Strategy at INSEAD	Supervisory Board member of Jungheinrich AG Supervisory Board member of Tomorrow Focus AG (until June 2014) Supervisory Board member of ASR Nederland Supervisory Board member of Sanoma Group (until April 2015) Supervisory Board member of Thomas Cook PLC (since July 2014) Supervisory Board member of ProSiebenSat.1 Media AG (since July 2014)

Name / Position	Member of other Supervisory Board or similar supervisory bodies
Dirk Barnard Member of the Management of Vodafone GmbH	
Anna Dimitrova (since February 2015) Director Strategy & Corporate Development of Vodafone GmbH (Member of the Executive Committee)	Supervisory Board member of Vodafone Vierte Verwaltungs AG
Dr. Thomas Nowak Diplom-Kaufmann	
Karsten Pradel Managing Director of the European Region of Vodafone Group Plc	Supervisory Board member of Vodafone GmbH
Frank Krause (May 2014 until November 2014) Diplom-Kaufmann	
Dr. Robert Hackl (December 2014 until February 2015) Member of the Management of Vodafone GmbH	
Representatives of the Employees:	
Joachim Pütz **Deputy Chairman of the Supervisory Board** Secretary of the Workers Union at the ver.di-Bundesverwaltung	Supervisory Board member of Vodafone GmbH
Susanne Aichinger Chairman of the Workers' Council of the Group	Supervisory Board member of Vodafone GmbH
Petra Ganser Secretary of the Workers Union at the ver.di-Bundesverwaltung	Supervisory Board member of Trenkwalder Personaldienste GmbH
Irena Gruhne Chairman of the General Workers' Council of KDK	Supervisory Board member of Vodafone GmbH
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).

5.10 SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

No subsequent events that have to be reported pursuant to IAS 10 occured after March 31, 2015.

Unterfoehring, May 4, 2015

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, 2014 to March 31, 2015

in T€	Acquisition and production costs						Accumulated depreciation and amortization						Net book value
	April 1, 2014	Acquisitions	Additions	Disposals	Reclassifications	March 31, 2015	April 1, 2014	Additions	Disposals	Reclassifications	Change in equity investments in associates	March 31, 2015	March 31, 2015
I. Intangible assets													
1. Software and licences and other contractual and legal rights	647,202	0	121,260	13,590	10,260	765,132	378,572	67,426	13,590	0	0	432,408	332,724
2. Internally generated software	55,445	0	10,868	(2)	4,444	70,760	34,714	5,541	(2)	0	0	40,257	30,502
3. Customer list	263,775	1,107	5	58,650	0	206,236	193,848	30,490	58,650	0	0	165,687	40,549
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	19,113	0	22,763	0	(14,704)	27,171	0	0	0	0	0	0	27,171
	1,272,808	1,107	154,895	72,238	0	1,356,572	607,133	103,457	72,238	0	0	638,352	718,220
II. Property and equipment													
1. Buildings on non-owned land	57,902	0	11,934	643	5,825	75,017	24,911	8,623	521	(7)	0	33,007	42,010
2. Technical equipment	3,399,034	195	372,297	72,161	70,713	3,770,078	2,158,705	311,272	64,343	10	0	2,405,644	1,364,435
3. Other equipment, furniture and fixtures	120,903	0	15,033	3,480	1,764	134,220	85,139	13,397	3,403	(3)	0	95,130	39,090
4. Construction in progress	147,257	0	179,804	0	(78,301)	248,760	0	0	0	0	0	0	248,760
	3,725,096	195	579,068	76,284	0	4,228,075	2,268,756	333,293	68,268	0	0	2,533,781	1,694,294
III. Financial assets													
Equity investments in associates	1,801	0	0	0	0	1,801	(8,492)	0	0	0	(3,165)	(11,658)	13,459
	1,801	0	0	0	0	1,801	(8,492)	0	0	0	(3,165)	(11,658)	13,459
	4,999,704	**1,301**	**733,964**	**148,522**	**0**	**5,586,448**	**2,867,396**	**436,749**	**140,505**	**0**	**(3,165)**	**3,160,475**	**2,425,973**

Analysis of Fixed Assets for the Period from April 1, 2013 to March 31, 2014

in T€	Acquisition and production costs						Accumulated depreciation and amortization						Net book value
	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**

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 4, 2015

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

Auditor's Report

We have audited the consolidated financial statements prepared by the Kabel Deutschland Holding AG, Unterföhring, comprising the statement of financial position, the statement of comprehensive income, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report, which is combined with the management report of the Kabel Deutschland Holding AG, Unterföhring, for the business year from April 1, 2014 to March 31, 2015. The preparation of the consolidated financial statements and the combined management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB ("Handelsgesetzbuch": German Commercial Code) are the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the combined management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 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 combined 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 combined 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 the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's Board of Managing Directors as well as evaluating the overall presentation of the consolidated financial statements and the combined 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 the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 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 provisions. The combined 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.

München, den 5. Mai 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Katharina Deni	ppa. Marc Tedder
Wirtschaftsprüfer	Wirtschaftsprüfer

KABEL DEUTSCHLAND HOLDING AG
UNTERFOEHRING

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED MARCH 31, 2015

Kabel Deutschland Holding AG, Unterfoehring
Balance Sheet as of March 31, 2015

Assets	€	March 31, 2015 €	March 31, 2014 T€
A. Fixed Assets			
Financial Assets			
1. Investments in Affiliates	1,515,548,000.00		1,515,548
2. Loans to Affiliates	0.00		400,000
		1,515,548,000.00	1,915,548
B. Current Assets			
I. Receivables and Other Assets			
1. Receivables from Affiliates	233,698,316.32		571,287
2. Other Assets	63,362.31		0
		233,761,678.63	571,287
II. Cash on Hand and Bank Balances		1,124,595.62	597
		234,886,274.25	571,884
C. Prepaid Expenses		272,616.26	189
		1,750,706,890.51	**2,487,621**

Equity and Liabilities	€	March 31, 2015 €	March 31, 2014 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		(210,958,802.44)	(210,959)
		270,172,528.05	270,173
B. Provisions			
1. Provisons for Pensions	2,031,103.23		2,206
2. Tax Provisions	65,779,902.64		91,191
3. Other Provisions	7,295,266.67		14,314
		75,106,272.54	107,711
C. Liabilities			
1. Bonds	0.00		400,000
2. Trade Payables	133,178.79		67
3. Liabilities to Affiliates	1,052,478,444.62		1,225,139
4. Other Liabilities	6,411,549.51		65,741
thereof for Taxes €63,561.98 (prior year: T€7,021)			
thereof for social security €899.10 (prior year: T€1)			
		1,059,023,172.92	1,690,946
D. Deferred Tax Liabilities		346,404,917.00	418,791
		1,750,706,890.51	**2,487,621**

Kabel Deutschland Holding AG, Unterfoehring
Statement of Income
for the Period from April 1, 2014 to March 31, 2015

		April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
	€	€	T€
1. Revenues	2,195,000.00		3,117
2. Other Operating Income	145.51		209
		2,195,145.51	3,326
3. Personnel Expenses			
a) Wages and Salaries	(5,846,562.05)		(29,336)
b) Social Security and Pension Costs thereof for old-age pensions €156,345.79 (prior year: T€204)	(203,265.56)		(290)
4. Other Operating Expenses	(8,579,778.97)		(31,865)
		(14,629,606.58)	(61,490)
5. Income from Loans classified as Financial Assets thereof from affiliates €19,849,367.23 (prior year: T€26,000)	19,849,367.23		26,000
6. Income from Profit and Loss Transfer Agreements	40,552,428.21		543,875
7. Interest and Similar Income thereof from affiliates €16,006.44 (prior year: T€0)	16,009.56		139
8. Expenses from Loss Absorption	(1,993.36)		(4)
9. Interest and Similar Expenses thereof to affiliates €44,870,329.75 (prior year: T€53,734) thereof to accumulation €202,189.92 (prior year: T€125)	(71,072,803.66)		(79,866)
		(10,656,992.02)	490,144
10. Result from Ordinary Business Activities		(23,091,453.09)	431,980
11. Income Taxes thereof income from changes in recognized deferred taxes €72,385,612.00 (prior year: expenses T€551,728)		(18,456,068.00)	(642,939)
12. Loss Absorption due to a Profit and Loss Transfer Agreement		41,547,521.09	0
13. Net Profit / Loss for the Year		0.00	(210,959)
14. Accumulated Loss / Profit of the Prior Year	(210,958,802.44)		221,307
Dividend Distribution to Shareholders	0.00		(221,307)
Accumulated Loss Brought Forward		(210,958,802.44)	0
15. Accumulated Loss		(210,958,802.44)	(210,959)

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR KABEL DEUTSCHLAND HOLDING AG AS OF MARCH 31, 2015

1. OVERVIEW

1.1 GENERAL INFORMATION AND 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, 2015 Vodafone Vierte Verwaltungs AG ("Vodafone") held more than 75% of the share capital and the voting rights. The takeover of the majority shareholding by Vodafone was completed on October 14, 2013. Since then, KDH AG has been part of the Vodafone Group Plc Group ("Vodafone 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, 2015.

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 and loans to affiliates are stated at acquisition cost. Acquisition cost 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 sentence 2 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, 2015.

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 pursuant to German Accounting Standard No. 18.35 (DRS 18.35).

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, 2015, 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.

Pledged reinsurance policies are protected against claims asserted by all other creditors and are used solely to meet pension benefit obligations.

Consequently, they are measured at fair value and offset against the provisions for pensions. Income from the pledged reinsurance policies is accordingly offset against expenses for pension benefit obligations.

2.6 OTHER PROVISIONS

Other provisions are recognized at the required amount to be paid according to reasonable business judgment, taking into account expected future price and cost increases. Provisions falling due in more than one year are discounted for the remaining term at the average market interest rate of the past seven fiscal years, as set and published by Deutsche Bundesbank.

2.7 SHARE-BASED PAYMENTS

During the fiscal year ended March 31, 2015, 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. The virtual stock options were exercised in April 2014 thereby ending the corresponding LTIP II compensation component as scheduled.

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. In addition, the number of virtual performance shares that are subject to payout as of April 1, 2015 granted to members of the Management Board in 2011 were limited such that, as of March 31, 2015, they were value-equivalent to the KDH AG shares valued at the acquisition price of €84.50 per share. The basis for the valuation of the virtual performance shares subject to payout at the earliest on April 1, 2016 is limited until further notice, based on a declaration of the Supervisory Board, value-equivalent to the acquisition price of €84.50.

Effective November 14, 2014, KDH AG introduced a new long-term, performance-based variable compensation component based on Vodafone Group Plc Group's Global Long-Term Retention Plan ("GLTR"). Beginning with calendar year 2014, this replaces grants under the previously existing LTIP. When the conditions are met that are linked to the conditional share awards granted under the GLTR, they are settled as equity instruments of Vodafone Group Plc, which KDH AG acquires for this purpose. The cost of the conditional share awards issued in the context of the GLTR is 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.

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, 2015, the financial assets of KDH AG amounting to T€1,515,548 (prior year: T€1,915,548) comprised unchanged its 100% equity investments in KDVS GmbH in the amount of T€1,515,498 and in Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH in the amount of T€25 each.

Loans to KDVS GmbH did not exist anymore. The existing loan in the prior year of T€400,000 reflected the transfer of the 2017 Senior Notes to KDVS GmbH. Both the 2017 Senior Notes and the loan to KDVS GmbH were settled prematurely on June 30, 2014 (see also section 3.5.1).

The shareholdings of KDH AG as of March 31, 2015 are presented in the following table:

A. Direct holdings Name of company		Registered Office	Shareholding 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**	**Shareholding in %**	**Equity T€**	**Net profit / net (loss) for the year T€**
1.	TKS Telepost Kabel-Service Kaiserslautern GmbH & Co. KG	Kaiserslautern	100.00	42,499	1,535
2.	TKS Telepost Kabel-Service Kaiserslautern Beteiligungs-GmbH	Kaiserslautern	100.00	132	8
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	8,885	6,328
6.	Verwaltung "Urbana Teleunion" Rostock GmbH	Rostock	50.00	49	2
7.	KABELCOM Braunschweig Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Braunschweig	100.00	2,883	478
8.	KABELCOM Wolfsburg Gesellschaft für Breitbandkabel-Kommunikation mit beschränkter Haftung	Wolfsburg	100.00	1,940	408
9.	Kabel Deutschland Dritte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	860	550
10.	Kabel Deutschland Fünfte Beteiligungsgesellschaft mbH	Unterfoehring	100.00	19	(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	10	(1)
14.	Kabel Deutschland Neunte Beteiligungs GmbH	Unterfoehring	100.00	10	(1)
15.	Kabelfernsehen München Servicenter GmbH & Co. KG [1]	Munich	30.22	35,550	11,076
16.	Kabelfernsehen München Servicenter Gesellschaft mit beschränkter Haftung – Beteiligungsgesellschaft [1]	Munich	24.00	1,508	265

Unless otherwise stated the fiscal year is from April 1, 2014 to March 31, 2015.

1) Fiscal year from January 1, 2013 to December 31, 2013.

2) This companies transferred their profit or loss due to a DPLTA or a profit and loss transfer agreement.

As of March 31, 2015, the equity of KDVS GmbH was unchanged at T€43,081. 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, 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. 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 a detailed planning phase covering a period of a total of five years based on the budget for fiscal year 2015/2016 and another five-year calculation period and a subsequent calculation with a perpetual annuity.

Based on the calculation of KDVS's 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, 2015, 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, 2015	Fiscal year ended March 31, 2014
Receivables from KDVS GmbH	191,986	570,976
Receivables from Vodafone Group companies	41,623	0
Receivables from other affiliated companies	89	311
Receivables from affiliates	**233,698**	**571,287**

As of March 31, 2015, receivables from KDVS GmbH included loan receivables amounting to T€139,133. These resulted from the amount received through the profit transfer from KDVS GmbH in the amount of T€543,875, which was made available again in May 2014 in full amount as a loan to KDVS GmbH. The loan bears interest at 5.25% per annum and the interest is reinvested. Subject to any previous full or partial redemptions that are possible under certain conditions, the loan is repayable on May 1, 2019. Due to repayments already made, the value of the loan, including accrued interest, was T€139,133 as of March 31, 2015. Based on the maturity in 2019, the loan was initially classified as long-term (also see analysis of fixed assets in the appendix to the notes). However, as of March 31, 2015, the loan was disclosed as receivables from affiliates and not as long-term loan, as in March 2015 it was decided to integrate KDH AG in cash pooling with KDVS GmbH. In this context, the loan was repaid in April 2015.

Further receivables from KDVS GmbH resulted from the profit transfer in the amount of T€40,552 (prior year: T€543,875), from receivables for strategic development, consulting and services, among others in connection with financing activities, totaling T€12,082 (prior year: T€12,807), from the transfer of pension obligations in the amount of T€194 (prior year: T€0), from VAT consolidation in the amount of T€26 (prior year: T€9,961) and, in the prior year, from interest receivables related to the long-term loan to KDVS GmbH (see section 3.1) amounting to T€4,333.

Receivables from Vodafone Group companies related in the amount of T€41,548 to the shareholder Vodafone as a result of the loss compensation obligation in the framework of the DPLTA, in the amount of T€20 to tax receivables from Vodafone and in the amount of T€56 to Vodafone GmbH, Dusseldorf from VAT consolidation.

Receivables from other affiliated companies amounted to T€89 (prior year: T€311) and consisted of Group services provided for Kabel Deutschland Kundenbetreuung GmbH and in the prior year also 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.

All receivables from affiliated companies had a remaining term of less than one year.

3.3 EQUITY

The shareholders’ equity of KDH AG comprised the following:

in T€	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2014
Subscribed capital	88,523	88,523
Capital reserves	376,638	376,638
Legal and other reserves	15,970	15,970
Accumulated loss	(210,959)	(210,959)
Total equity	**270,173**	**270,173**

3.3.1 Subscribed Capital

The subscribed capital of KDH AG remained unchanged at T€88,523 as of March 31, 2015 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 Shareholders' Meeting.

Authorized Capital and Contingent Capital

As of March 31, 2015 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 2014	44,261	44,261	Increase in equity (until October 8, 2019) 1)
Contingent Capital 2014	44,261	44,261	Granting bearer shares to holders or creditors of convertible and/or warrant bonds (until October 8, 2019) 1)

1) subject to the approval of the Supervisory Board

Authorized Capital

Subject to the approval of the Supervisory Board, the Management Board is authorized by resolution of the General Shareholders' Meeting of October 9, 2014 to increase the registered share capital of the Company on one or more occasions through October 8, 2019 by a total amount of up to T€44,261 by issuing up to 44,261,469 new bearer shares with no par value against contributions in cash and/or in kind ("Authorized Capital 2014").

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 2014 and their implementation subject to the approval of the Supervisory Board.

The resolution of the General Shareholders' Meeting of October 9, 2014 for Authorized Capital 2014 canceled the Authorized Capital 2010/I that had existed to that date. The amendment to the Articles of Association regarding the Authorized Capital was entered into the commercial register on December 30, 2014.

Contingent Capital

The Company's share capital is increased conditionally by resolution of the General Shareholders' Meeting of October 9, 2014 by up to T€44,261 through the issuance of up to 44,261,469 new bearer shares with no par value ("Contingent Capital 2014"). 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 October 8, 2019 on the basis of the General Shareholders' Meeting authorization of October 9, 2014 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 2014 may take place only at a conversion or option price that meets the requirements specified in the authorization granted by resolution of the Shareholders' Meeting of October 9, 2014. 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.

The resolution of the General Shareholders' Meeting of October 9, 2014 for Contingent Capital 2014 canceled the Contingent Capital 2010/I that had existed to that date. The amendment to the Articles of Association regarding the Contingent Capital was entered into the commercial register on December 30, 2014.

3.3.2 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.

Amounts restricted for distribution do not exist, as there has been no income from covering assets measured at fair value pursuant to Section 246 para. 2 sentence 2 HGB (see also section 3.4.1).

3.3.3 Accumulated Profit/Loss

As of March 31, 2015, the accumulated loss was unchanged at T€210,959. The loss before transfer of results of T€41,548 was offset by shareholder Vodafone due to the existing DPLTA.

3.4 PROVISIONS

In the fiscal year ended March 31, 2015, provisions developed as follows:

in T€	Balance as of April 1, 2014	Utilization	Reversal	Addition	Interest	Changes in netting Sec. 246 para. 2 HGB	Balance as of March 31, 2015
Provisions for pensions	**2,206**	**71**	**0**	**309**	**202**	**(615)**	**2,031**
Trade tax	46,309	12,805	0	0	0	0	33,504
Corporate income tax	44,882	12,611	0	0	0	0	32,271
Other tax provisions	0	0	0	5	0	0	5
Tax provisions	**91,191**	**25,417**	**0**	**5**	**0**	**0**	**65,780**
Personnel expenses	8,936	6,082	852	4,343	0	0	6,345
Consulting fees	690	690	0	385	0	0	385
Supervisory Board compensation	232	229	0	297	0	0	300
Annual financial statement fees	122	101	0	213	0	0	235
Outstanding incoming invoices	0	0	0	30	0	0	30
Interest expenses	4,333	4,333	0	0	0	0	0
Other provisions	**14,314**	**11,435**	**852**	**5,268**	**0**	**0**	**7,295**
Provisions	**107,711**	**36,923**	**852**	**5,583**	**202**	**(615)**	**75,106**

3.4.1 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 4.37% p.a. (prior year: 4.85% p.a.) for a term of 15 years, published by Deutsche Bundesbank;
- Increases in salaries (income dynamics) of 2.75% p.a. for pay scale and non-pay scale employees (prior year: 2.80% p.a.);
- Pension increase of 1.75% p.a. (prior year: 1.80% 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 5.0% (prior year: 6.0%).

Assets with the sole purpose of meeting pension obligations and which are protected against claims asserted by all other creditors (covering assets as defined by Section 246 para. 2 sentence 2 HGB) were offset at their fair value against the provisions.

in T€	Fiscal year ended March 31, 2015	March 31, 2014
Acquisition costs of offset assets	623	0
Fair value of offset assets	615	0
Amount repayable of offset liabilities	2,646	0
Income from offset assets that is offset with pension expenses	**0**	**0**

3.4.2 Tax Provisions

Tax provisions totaled T€65,780 (prior year: T€91,191) and mainly included income tax for the fiscal year ended March 31, 2014 that has not yet been assessed. Taxes for the fiscal year ended March 31, 2015 are disclosed as liabilities to affiliates due to the tax sharing agreement (see section 3.5.2).

3.4.3 Other Provisions

The provision for personnel expenses in the total amount of T€6,345 (prior year: T€8,936) primarily included long-term provisions for share-based payment expenses related to the LTIP in the amount of T€4,808 (prior year: T€6,778).

Provisions for interest expenses related to interest payments for the 2017 Senior Notes repaid in June 2014 (see also section 3.5.1).

3.5 LIABILITIES

Liabilities comprised the following:

in TEUR	Fiscal year ended March 31, 2015				Fiscal year ended March 31, 2014			
	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	0	0	0	0	400,000	0	0	400,000
Trade payables	133	0	0	133	67	0	0	67
Liabilities to affiliates	1,052,478	0	0	1,052,478	3,302	0	1,221,836	1,225,139
Other liabilities	6,412	0	0	6,412	65,741	0	0	65,741
thereof for taxes	64	0	0	64	7,021	0	0	7,021
thereof social security	1	0	0	1	1	0	0	1
Liabilities	**1,059,023**	**0**	**0**	**1,059,023**	**469,110**	**0**	**1,221,836**	**1,690,946**

3.5.1 Bonds

KDH AG fully settled the 2017 Senior Notes in the amount of T€400,000 on June 30, 2014. The terms of repayment were fixed by contract. The 2017 Senior Notes were repaid at a price of 104.875% of the nominal value or T€419,500. This included a premium in the amount of T€19,500, which was recognized in its full amount in interest expense.

3.5.2 Liabilities to Affiliates

Liabilities to affiliated companies comprised the following:

	Fiscal year ended	
in T€	March 31, 2015	March 31, 2014
Liabilities from loans and interests to KDVS GmbH	968,306	1,221,836
Liabilities to Vodafone Group companies	78,670	0
Other liabilities to KDVS GmbH	5,496	1,396
Liabilities to other affiliated companies	6	1,906
Liabilities to affiliates	**1,052,478**	**1,225,139**

The liabilities from loans to KDVS GmbH consisted of PIK Loans with a total volume of T€968,306 (prior year: T€1,221,836). This included interest of T€178,371 (prior year: T€150,175). In the context of KDH AG's integration in cash pooling of KDVS GmbH, the loans have been repaid in April 2015 and therefore were disclosed as short-term in the liabilities overview.

Other liabilities to KDVS GmbH amounted to T€5,496 as of March 31, 2015 (prior year: T€1,396) and primarily included liabilities resulting from the reimbursement of withholding taxes paid by KDVS GmbH in connection with the consolidated tax group and from services provided by KDVS GmbH.

Liabilities to Vodafone Group companies related to the shareholder Vodafone resulting from the tax sharing agreement, with which the tax charge or credit that accrues to Vodafone is apportioned in full to the subsidiary company KDH AG.

Liabilities to other affiliated companies totaling T€6 (prior year: T€1,906) consisted of liabilities related to the net losses assumed from Kabel Deutschland Holding Erste Beteiligungs GmbH and Kabel Deutschland Holding Zweite Beteiligungs GmbH and in the prior year to VAT consolidations with Kabel Deutschland Kundenbetreuung GmbH and with Kabel Deutschland Field Services GmbH.

3.5.3 Other Liabilities

Other liabilities totaled T€6,412 (prior year: T€65,741). This included the amount of T€6,321 of short-term obligations for share-based payment expenses related to the LTIP to be paid out in April 2015 (prior year: T€58,694, paid out in April 2014).

3.6 DEFERRED TAX LIABILITIES

As of March 31, 2015, there were deferred tax liabilities of T€346,405 (prior year: T€418,791). These resulted mainly from divergences between the commercial balance sheet and the tax balance sheet for the fiscal year ended March 31, 2015 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. An overview of deferred taxes is presented in the following table:

	Statement of financial position		Statement of income	
	Fiscal year ended		April 1, 2014 -	April 1, 2013
in T€	March 31, 2015	March 31, 2014	March 31, 2015	March 31, 2014
Deferred tax liabilities				
Intangible assets	318,738	384,212	(65,473)	384,212
Property and equipment	39,140	42,032	(2,892)	42,032
Investments in affiliates	723	1,014	(290)	1,014
Special items for fixed asset investment subsidies	210	197	13	197
Gross deferred tax liabilities	358,812	427,454		
Offsetting with deferred tax assets	(12,407)	(8,664)		
Net deferred tax liabilities	346,405	418,791		
Deferred tax assets				
Receivables and other assets	1,219	1,426	207	(1,426)
Other liabilities	273	0	(273)	0
Other provisions	5,300	4,068	(1,232)	(4,068)
Provisions for pensions	5,614	3,169	(2,445)	(3,169)
Tax loss carryforwards	0	0	0	132,938
Gross deferred tax assets	12,407	8,664		
Offsetting with deferred tax liabilities	(12,407)	(8,664)		
Net deferred tax assets	0	0		
Deferred tax (income) / expense			**(72,386)**	**551,728**

Deferred taxes were valued at a tax rate of 30.3% (prior year: 29.6%).

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, 2015 amounting to T€2,195 (prior year: T€3,117) primarily resulted from consulting and services invoiced to KDVS GmbH, including strategic development. The revenues were generated entirely within Germany.

4.2 OTHER OPERATING INCOME

Other operating income amounting to T€0 (prior year: T€209) included in the prior year income from the reversal of provisions related to other accounting periods of T€204.

4.3 PERSONNEL EXPENSES

Personnel expenses amounting to T€6,050 (prior year: T€29,626) included salaries, social security costs and pension costs as well as share-based payment expenses related to the LTIP and in the fiscal year ended March 31, 2015 also related to the GLTR in the amount of T€3,361 (prior year: T€25,218).

The decrease in personnel expenses primarily resulted from lower expenses for the LTIP, due to the settlement of virtual performance shares granted in 2010 as well as virtual stock options in April 2014, and the value-equivalent limitation based on the acquisition price of €84.50 for the remaining LTIP components (LTIP I) as a result of the takeover by Vodafone.

4.4 OTHER OPERATING EXPENSES

Other operating expenses of T€8,580 (prior year: T€31,865) primarily included management fees related to the headquarter functions of KDVS GmbH amounting to T€5,659 (prior year: T€2,697) and consulting and annual financial statement fees of T€1,534 (prior year: T€27,671).

In addition, this included expenses which do not relate to the accounting period amounting to T€169 (prior year: T€14).

The decrease in other operating expenses primarily resulted from legal expenses recognized in the prior year in connection with the takeover by Vodafone.

4.5 FINANCIAL RESULT

The financial result of KDH AG in the fiscal year ended March 31, 2015 was an expense in the amount of T€10,657 (prior year: income of T€490,144). The significant decrease resulted primarily from the lower income from the profit transfer of KDVS GmbH in the amount of T€40,552 (prior year: T€543,875).

Income from loans classified as financial assets was T€19,849 for the fiscal year ended March 31, 2015 (prior year: T€26,000), and interest and similar income T€16 (prior year: T€139).

Income mentioned above was faced by interest and similar expenses totaling T€71,073 (prior year: T€79,866). These consisted primarily in the amount of T€44,870 (prior year: T€53,734) from the interest on the loans granted by KDVS GmbH, in the amount of T€19,500 from the premium for early repayment of the 2017 Senior Notes and in the amount of T€6,500 (prior year: T€26,000) of interest on the 2017 Senior Notes (see also section 3.5.1 on the 2017 Senior Notes).

In addition, expenses from loss absorption amounted to T€2 (prior year: T€4).

4.6 INCOME TAXES AND DEFERRED TAXES

Income taxes consisted of current tax expenses in the amount of T€90,842 (prior year: T€91,211) and deferred tax income of T€72,386 (prior year: deferred tax expense of T€551,728).

The tax rate of 30.3% (prior year: 29.6%) 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 14.5% (prior year: 13.8%).

A reconciliation of income taxes for the fiscal years ended March 31, 2015 and March 31, 2014 using a combined statutory rate of 30.3% (prior year: 29.6%) as recorded on the statement of income, is as follows:

	Fiscal year ended	
in T€	March 31, 2015	March 31, 2014
(Profit) / loss before income tax	23,091	(431,980)
Notional tax expense at KDH AG's statutory tax rate of 30.3% (prior year: 29.6%)	(6,997)	127,866
Amortization of deferred taxes on capitalized loss carryforwards due to takeover by Vodafone	0	153,232
Non-deductible expenses	9,393	5,382
Tax effects from subsidiaries	16,033	354,551
Other	27	1,908
Income tax expense according to the statement of income	**18,456**	**642,939**

4.7 LOSS ABSORPTION DUE TO A PROFIT AND LOSS TRANSFER AGREEMENT / INCOME FOR THE YEAR

Effective April 1, 2014, Vodafone and KDH AG entered into a DPLTA (see also section 1.1.). This includes an existing obligation for Vodafone to compensate KDH AG for any losses. This resulted in income for the fiscal year ended March 31, 2015 in the amount of T€41,548 and income for the year of €0 (prior year: net loss of T€210,959).

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 consisted of the following members during the fiscal year ended March 31, 2015:

Name / Position	Member of Supervisory Board or similar supervisory bodies
Dr. Manuel Cubero del Castillo-Olivares Chief Executive Officer	Vice President of Cable Europe (European Cable Communications Association) Member of the Board of Directors of Cable Television Laboratories Inc. (Cable Labs) Vice President of ANGA Verband Deutscher Kabelnetzbetreiber e.V. Board member of BITKOM Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.
Erik Adams Chief Marketing Officer	None
Gerhard Mack Chief Operating Officer	None
Dr. Andreas Siemen Chief Financial Officer	None

Dr. Manuel Cubero was appointed Chief Executive Officer of KDH AG effective April 1, 2014. He follows Dr. Adrian von Hammerstein, who resigned his position as Chief Executive Officer at the end of March 31, 2014 at his own request. Gerhard Mack was appointed to the Management Board as the new Chief Operating Officer, also effective April 1, 2014.

5.3 SUPERVISORY BOARD

The Supervisory Board consisted of the following members during the fiscal year ended March 31, 2015:

Name / Position	Member of other Supervisory Board or similar supervisory bodies
Representatives of the Shareholders:	
Jens-Schulte Bockum **Chairman of the Supervisory Board** (since May 16, 2014) Chairman of the Management of Vodafone GmbH	Chairman of the Supervisory Board of Vodafone Vierte Verwaltungs AG
Philipp Humm **Chairman of the Supervisory Board** (until May 15, 2014) Chairman of the Managing Directors of the European Region of Vodafone Group Plc	Chairman of the Supervisory Board of Vodafone GmbH
Annet Aris Adjunct Professor of Strategy at INSEAD	Supervisory Board member of Jungheinrich AG Supervisory Board member of Tomorrow Focus AG (until June 2014) Supervisory Board member of ASR Nederland Supervisory Board member of Sanoma Group (until April 2015) Supervisory Board member of Thomas Cook PLC (since July 2014) Supervisory Board member of ProSiebenSat.1 Media AG (since July 2014)
Dirk Barnard Member of the Management of Vodafone GmbH	
Anna Dimitrova (since February 2015) Director Strategy & Corporate Development of Vodafone GmbH (Member of the Executive Committee)	Supervisory Board member of Vodafone Vierte Verwaltungs AG
Dr. Thomas Nowak Diplom-Kaufmann	
Karsten Pradel Managing Director of the European Region of Vodafone Group Plc	Supervisory Board member of Vodafone GmbH
Frank Krause (May 2014 until November 2014) Diplom-Kaufmann	
Dr. Robert Hackl (December 2014 until February 2015) Member of the Management of Vodafone GmbH	

Name / Position	Member of other Supervisory Board or similar supervisory bodies
Representatives of the Employees:	
Joachim Pütz **Deputy Chairman of the Supervisory Board** Secretary of the Workers Union at the ver.di-Bundesverwaltung	Supervisory Board member of Vodafone GmbH
Susanne Aichinger Chairman of the Workers' Council of the Group	Supervisory Board member of Vodafone GmbH
Petra Ganser Secretary of the Workers Union at the ver.di-Bundesverwaltung	Supervisory Board member of Trenkwalder Personaldienste GmbH
Irena Gruhne Chairman of the General Workers' Council of KDK	Supervisory Board member of Vodafone GmbH
Ronald Hofschläger Employee of KDVS GmbH (Project Planning Inhouse-Networks)	
Florian Landgraf Executive employee (Director Cable TV, Content & Productmanagement)	

Jens Schulte-Bockum was elected as the new Chairman of the Supervisory Board in May 2014 after Philipp Humm's resignation from the Supervisory Board in the middle of May. Upon request of the Management Board, Frank Krause was appointed to the Supervisory Board also in May 2014 by virtue of a court ruling. After Mr. Krause resigned his position with declaration as of the end of November 2014, Dr. Robert Hackl was appointed to the Supervisory Board by virtue of a court ruling. After Dr. Robert Hackl resigned his position in February 2015, Anna Dimitrova was appointed to the Supervisory Board by virtue of a court ruling in February 2015.

5.4 OVERALL COMPENSATION OF BOARD MEMBERS

Management Board

In the fiscal year ended March 31, 2015, the members of the Management Board received total compensation in the amount of T€3,440 (prior year: T€5,197). This figure includes the fair value as of the grant date of the conditional share awards that were newly granted based on the Vodafone Group's GLTR in the fiscal year ended March 31, 2015, which amounts to T€850 (prior year: T€1,689 fair value as of the grant date of the virtual performance shares granted based on the Group's LTIP). The present value of the pension obligations amounted to T€1,516 (prior year: T€1,564).

Individualized disclosures on the compensation of the Management Board can be found in the combined management report in section 8 "Compensation Report".

Former Members of the Management Board

In the fiscal year ended March 31, 2015, former members of the Management Board received compensation of T€848 (prior year: €0).

Supervisory Board

For the fiscal year ended March 31, 2015, the total compensation to members of the Supervisory Board amounted to T€318 (prior year: T€427) and included Supervisory Board remuneration, attendance fees and associated benefits. The present value of the pension obligations for the members of the Supervisory Board amounted to T€396 (prior year: T€267).

Additional information on the compensation system for the members of the Supervisory Board is presented in the combined management report in section 8 "Compensation Report".

5.5 EMPLOYEES

The Company had an average of 1 employee in the period from April 1, 2014 to March 31, 2015 (prior year: 3). Members of the Management Board are not considered here.

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 three 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.

In addition, Cornwall Verwaltungs GmbH, Berlin, Germany, reported that on April 16, 2014 its share of voting rights in KDH AG exceeded the thresholds of 5% and 10% of the voting rights and on this date amounted to 13.37% (this corresponds to 11,834,305 voting rights). All of these voting rights are attributable to that company pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG.

Cornwall GmbH & Co. KG, Schönefeld, Germany, reported that on October 6, 2014 its share of voting rights in KDH AG fell below the thresholds of 10% and 5% of the voting rights and on this date amounted to 4.95% (this corresponds to 4,379,718 voting rights).

Cornwall 2 GmbH & Co. KG, Schönefeld, Germany, reported that on October 6, 2014 its share of voting rights in KDH AG exceeded the thresholds of 3% and 5% of the voting rights and on this date amounted to 8.42% (this corresponds to 7,454,587 voting rights).

Barclays

On June 25, 2014, Barclays Plc and Barclays Bank Plc, both London, United Kingdom, reported that on October 17, 2013 their share of voting rights in KDH AG fell below the thresholds of 5% and 3% and amounted to 0.02% (this corresponds to 19,531 voting rights) on that date. All voting rights are attributable to Barclays Plc and Barclays Bank Plc pursuant to Section 22 para. 1 sentence 1 no. 1 WpHG.

On June 26, 2014, Barclays Capital Securities Ltd, London, United Kingdom, reported that on October 17, 2013 its share of voting rights in KDH AG fell below the threshold of 3% and on this date amounted to 0.02% (this corresponds to 19,531 voting rights).

BlackRock

On September 10, 2014, BlackRock, Inc., New York, New York, USA, reported that on October 14, 2013 its share of voting rights in KDH AG 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 1.25% (this corresponds to 1,106,952 voting rights).

On September 10, 2014, BlackRock Holdco 2, Inc., Wilmington, Delaware, USA, and BlackRock Financial Management, Inc., New York, New York, USA, reported that on October 14, 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 the two companies pursuant to Section 22 para. 1 sentence 1 no. 6 in conjunction with sentence 2 WpHG amounted to 1.23% (this corresponds to 1,086,352 voting rights), respectively.

On September 10, 2014, BlackRock Advisors Holdings, Inc., New York, New York, USA, reported that on October 14, 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 0.54% (this corresponds to 475,024 voting rights).

Ameriprise, Threadneedle

Threadneedle Asset Management UK Ltd, TAM UK Holdings Limited and Threadneedle Holdings Limited, all London, United Kingdom, each reported on October 6, 2014 that their voting rights in KDH AG fell below the threshold of 3% on August 5, 2013. On this date the voting rights totaled 0% (this corresponds to 0 voting rights).

Standard Life Investments Limited

On March 31, 2015, Standard Life Investments Limited, Edinburgh, United Kingdom, reported, as a correction to its notification of November 4, 2014 published on November 7, 2014, 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 2.75% (this corresponds to 2,436,859 voting rights). 2.75% (this corresponds to 2,436,859 voting rights) are attributable to that company pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG and 1.24% of the voting rights (this corresponds to 1,101,571 voting rights) pursuant to Section 22 para. 1 sentence 1 no. 6 WpHG in conjunction with sentence 2 WpHG.

Unterfoehring, May 4, 2015

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, 2014 to March 31, 2015									
	Acquisition and Production Costs				Accumulated Depreciation and Amortization				Net Book Values	
in T€	April 1, 2014	Additions	Disposals	March 31, 2015	April 1, 2014	Additions	Disposals	March 31, 2015	March 31, 2015	March 31, 2014
Financial Assets										
1. Investments in Affiliates	1,515,548	0	0	1,515,548	0	0	0	0	1,515,548	1,515,548
2. Loans to Affiliates	400,000	543,875	943,875	0	0	0	0	0	0	400,000
	1,915,548	543,875	943,875	1,515,548	0	0	0	0	1,515,548	1,915,548

RESPONSIBILITY STATEMENT

Kabel Deutschland Holding AG, Unterfoehring

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the management report, 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 4, 2015

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

Auditor's Report

We have audited the annual 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, Unterföhring, for the business year from April 1, 2014 to March 31, 2015. The maintenance of the books and records and the preparation of the annual financial statements and the combined management report in accordance with German commercial law are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the combined management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § (Article) 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 combined 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 combined 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 the Company's Board of Managing Directors as well as evaluating the overall presentation of the annual financial statements and the combined 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 combined 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 of future development.

München, den 5. Mai 2015

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Katharina Deni	ppa. Marc Tedder
Wirtschaftsprüfer	Wirtschaftsprüfer

LIST OF ABBREVIATIONS

A	
AG	Aktiengesellschaft (German stock corporation)
AktG	Aktiengesetz (German Stock Corporation Act)
ALM GbR	Arbeitsgemeinschaft der Landesmedienanstalten Gesellschaft bürgerlichen Rechts (German state media authorities)
Anas	ANAS Kommunikationssysteme GmbH
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
BGH	Bundesgerichtshof (German Federal Court of Justice)
BITKOM	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.
BLM	Bayerische Landeszentrale für neue Medien (Bavarian regulatory authority for commercial broadcasting)
bps	basis points
C	
CA	Collective Agreement
Cableway	Cableway Süd GmbH
CapEx	Capital Expenditure
CGU	Cash Generating Unit
COBIT	Control Objectives for Information and Related Technology
Code	German Corporate Governance Code
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CPE	Customer Premise Equipment

D	
D&O	Directors and Officers
DBO	Defined Benefit Obligation
DIW	Deutsches Institut für Wirtschaftsforschung (German Institute for Economic Research)
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
EITO	European Information Technology Observatory
eMTA	embedded Multimedia Terminal Adapter
et seq.	et sequens
EU	European Union
EURIBOR	Euro Interbank Offered Rate
e.V.	eingetragener Verein (registered association)

F	
FLAC	Financial Liabilities measured at Amortized Cost
FM	Frequency Modulation

G	
GB£	Great Britain Pound
GDP	Gross Domestic Product
GEMA	Gesellschaft für musikalische Aufführungs- und mechanische Vervielfältigungsrechte (German performing rights society)
GLTR	Global Long-Term Retention Plan
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 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
LLC	Limited Liability Company
Ltd	Limited
LTIP	Long-Term Incentive Plan

M	
Martens	Martens Deutsche Telekabel GmbH
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	
n/a	not available / not applicable
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
PIK	Payment In Kind
PLC / Plc	Public Limited Company
PUC method	Projected Unit Credit Method

R	
Recon.	Reconciliation
RGU	Revenue Generating Unit

S	
S.a.r.l. / S.à. r.l.	Société à responsabilité limitée (limited liability company in French speaking countries)
SD	Standard Definition
Sec.	Section
SEPA	Single Euro Payments Area
SIC	Standing Interpretations Committee
SKM	SKM Sat Kabel Media GmbH
SLA	Service Level Agreement

T	
T€	Thousand euros
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)
VoD	Video-on-Demand
Vodafone	Vodafone Vierte Verwaltungs AG
Vodafone Group	Vodafone Group Plc Group
Vodafone Investments	Vodafone Investments Luxembourg S.à. r.l.
VPC	Vodafone Procurement Company S.a.r.l.
VPS	Virtual Performance Shares
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
Ein Vodafone Unternehmen.