



Kabel Deutschland
Ein Vodafone Unternehmen.

INVESTOR RELATIONS RELEASE

Kabel Deutschland shows continued growth with Internet & Phone

Unterfoehring, February 4, 2015 – Kabel Deutschland Holding AG ('Kabel Deutschland', 'KDH' or 'the Company'), Germany's largest cable network operator, today released its consolidated financial results for the third quarter and nine months ended December 31, 2014 of fiscal year 2014/15 ending March 31, 2015.

Highlights for the third quarter ended December 31, 2014:

- Internet RGUs⁽¹⁾ grew by 136 thousand quarter on quarter. The Company now reports 2.5 million Internet RGUs. Year-to-date, ~48k net additions from managed migrations from Vodafone DSL
- Premium TV⁽²⁾ RGUs increased by 55 thousand net adds quarter on quarter to a total of 2.5 million Pay TV and DVR RGUs
- Total blended ARPU per subscriber⁽³⁾ for the quarter reached €18.52 – up by €1.22 or 7.1% from the prior year's third quarter
- Revenue grew by 6.5% year on year to €513 million
- Adjusted EBITDA (EBITDA)⁽⁴⁾ increased by 2.4% year on year to €236 million with an EBITDA margin⁽⁵⁾ of 46.0%
- The Company spent 28.9% of revenues or €148 million on regular Capex⁽⁶⁾, and €36 million on program Alpha. Operating free cash flow (EBITDA-Capex) amounted to €52 million
- The Company posted a net profit of €73 million or €0.82 per share (versus a net profit of €33 million or €0.37 per share in Q3 of last fiscal year)

The following table summarizes the key performance indicators for the third quarter of fiscal year 2014/15 in comparison with previous years.

Kabel Deutschland Holding AG Summary Table

| <i>As of</i> | <i>Unit</i> | December 31, 2012 | December 31, 2013 | December 31, 2014 | <i>yoy change</i> |
|---|-------------|-------------------|-------------------|-------------------|-------------------|
| Subscribers | | | | | |
| Direct Basic Cable subscribers | # '000 | 7,207 | 7,149 | 7,114 | -0.5% |
| Internet & Phone 'Solo' subscribers ⁽⁷⁾ | # '000 | 359 | 441 | 541 | 22.7% |
| Total direct subscribers | # '000 | 7,566 | 7,590 | 7,655 | 0.8% |
| Indirect Basic Cable subscribers | # '000 | 934 | 798 | 690 | -13.5% |
| Total unique subscribers (homes connected) | # '000 | 8,501 | 8,389 | 8,345 | -0.5% |
| <i> Thereof subscribers taking Internet & Phone services</i> | # '000 | <i>1,856</i> | <i>2,185</i> | <i>2,579</i> | <i>18.0%</i> |
| RGUs | | | | | |
| Premium TV | # '000 | 1,970 | 2,235 | 2,480 | 11.0% |
| <i> Thereof Pay TV</i> | # '000 | <i>1,267</i> | <i>1,343</i> | <i>1,417</i> | <i>5.5%</i> |
| <i> Thereof DVR</i> | # '000 | <i>704</i> | <i>892</i> | <i>1,063</i> | <i>19.2%</i> |
| Internet | # '000 | 1,741 | 2,088 | 2,505 | 20.0% |
| Phone | # '000 | 1,753 | 2,050 | 2,428 | 18.4% |
| Subtotal Growth Business⁽⁸⁾ | # '000 | 5,464 | 6,373 | 7,412 | 16.3% |
| Basic Cable ⁽⁹⁾ | # '000 | 8,659 | 8,392 | 8,176 | -2.6% |
| Total RGUs | # '000 | 14,124 | 14,765 | 15,589 | 5.6% |
| <i>RGUs per subscriber</i> | | <i>1.66</i> | <i>1.76</i> | <i>1.87</i> | <i>6.3%</i> |
| For the period | | | | | |
| | <i>Unit</i> | Q3 FY 2012/13 | Q3 FY 2013/14 | Q3 FY 2014/15 | <i>yoy change</i> |
| ARPU per subscriber | | | | | |
| Total blended TV ARPU ⁽¹⁰⁾ | € | 10.43 | 10.83 | 11.09 | 2.4% |
| Total blended Internet & Phone ARPU ⁽¹¹⁾ | € | 28.32 | 27.51 | 26.94 | -2.1% |
| Total blended ARPU | € | 16.05 | 17.30 | 18.52 | 7.1% |
| Revenue | | | | | |
| TV Business revenue | €m | 302 | 294 | 295 | 0.5% |
| Internet and Phone Business revenue | €m | 163 | 188 | 218 | 15.8% |
| Total Revenue | €m | 465 | 482 | 513 | 6.5% |
| Adjusted EBITDA | | | | | |
| | €m | 220 | 231 | 236 | 2.4% |
| <i> Thereof adjustments for LTIP expenses</i> | €m | <i>7.3</i> | <i>12.4</i> | <i>2</i> | |
| <i> Thereof other adjustments</i> | €m | <i>1.7</i> | <i>3.4</i> | <i>(3)</i> | |
| Adjusted EBITDA margin | | 47.4% | 47.8% | 46.0% | |
| Net Loss / Profit for the Period | €m | 73 | 33 | 73 | 121.9% |
| Total Capex (incl. Alpha) | €m | 115 | 149 | 184 | 23.8% |
| Capex to sales ratio | | 24.8% | 30.9% | 35.9% | |
| Adjusted EBITDA - Capex (OpFCF)⁽¹²⁾ | €m | 105 | 82 | 52 | -36.5% |
| OpFCF margin | | 22.6% | 17.0% | 10.1% | |

Highlights for the nine months ended December 31, 2014:

- Revenue increased by 6.1% to €1,504 million from €1,418 million in the first nine months of the previous year
- EBITDA grew by 3.8% to €706 million with an EBITDA margin of 46.9%
- Regular Capex increased to €400 million (versus €329 million in the previous year's first nine months). In addition, the Company spent €101 million on program Alpha, overall representing a Capex to sales ratio of 33.3% in the first nine months (versus 27.3% in the first nine months of last year)
- Operating free cash flow amounted to €205 million (previous year: €294 million)
- The Company posted a net profit of €187 million for the nine months ended December 31, 2014 (versus a net loss of €67 million in the same period last fiscal year), representing an EPS of €2.11 (versus minus €0.76 last year)

Operational Performance

In the third quarter of fiscal year 2014/15, momentum in Kabel Deutschland's Internet business continued to be strong with 136 thousand net additions quarter on quarter. Year-to-date, managed migrations from Vodafone DSL amount to approximately 48 thousand net additions. Over the last twelve months, the Company added 417 thousand Internet RGUs and reports a total RGU base of 2.5 million as of December 31, 2014. The total blended Internet & Phone ARPU amounted to €26.94 for the third quarter.

In Premium TV, Kabel Deutschland recorded 55 thousand RGU net additions in the third quarter of fiscal year 2014/15. Both Pay TV and DVRs contributed to the increasing overall RGU base, which reached 2,480 thousand as of December 31, 2014. HD Private⁽¹³⁾ increased to 1,991 thousand activated smartcards (versus 1,610 thousand one year earlier). As a result of a better subscriber mix and growing Premium TV penetration, the total blended TV ARPU per subscriber improved to €11.09 in the third quarter.

Kabel Deutschland's direct subscriber base expanded to 7.7 million (growth of 65 thousand net adds year on year) out of a total of 8.3 million unique subscribers. The overall RGU base increased by 824 thousand or 5.6% from the previous year to 15.6 million at the end of December 2014. Due to the increasing penetration of our growth business activities, the RGU per subscriber ratio climbed to 1.87 (1.76 one year ago) and the total blended ARPU per subscriber increased to €18.52, up by €1.22 or 7.1% year on year.

Financial Results

In the third quarter of the current fiscal year, revenue went up by 6.5% year on year to €513 million. TV Business revenue increased by 0.5% to €295 million while Internet & Phone Business revenue grew strongly by 15.8% to €218 million.

EBITDA for the third quarter amounted to €236 million compared to €231 million one year earlier (up 2.4%) with an EBITDA margin of 46.0% (47.8% in the third quarter of fiscal year 2013/14).

To support subscriber growth and network enhancements the Company spent €184 million on Capex with €148 million or 28.9% of revenues on regular Capex and €36 million or 7.0% on program Alpha. €105 million or 70% of the regular Capex was success-based.

Kabel Deutschland generated €52 million of operating free cash flow, which translates into an operating free cash flow margin of 10.1%.

The Company posted a net profit of €73 million in the third quarter of the current fiscal year, representing earnings per share of €0.82 (€33 million and EPS of €0.37 in the same period of last fiscal year).

Business Outlook

The Management of Kabel Deutschland does not provide an operational outlook for the fiscal year 2014/15 as the takeover by Vodafone is expected to materially change the scope of operations of Kabel Deutschland. Shareholder remuneration will be independent of operating performance as a consequence of the domination and profit and loss transfer agreement, which provides for a recurring compensation payment per share of €3.77 gross (€3.17 net based on current taxation), payable after the Annual General Meeting in 2015.

Recent Developments

- On November 25, 2014, Vodafone Deutschland together with Kabel Deutschland, announced the launch of Vodafone All-in-One, bundling Vodafone Red mobile tariffs, fixed line Internet and Phone and Premium TV, converging mobile and fixed line communications. In these bundles, Kabel Deutschland focuses on its Internet & Phone 100 and Komfort 100 products.
- On January 12, 2015, Kabel Deutschland Holding AG announced that it had received a request by Cornwall 2 GmbH & Co. KG to invite to an extraordinary general meeting. This extraordinary general meeting will take place on March 20, 2015 in Munich.

Additional Information

The full financial report for the nine months and third quarter ended December 31, 2014 of fiscal year 2014/15 ending March 31, 2015 is available for download on the website at www.kabeldeutschland.com. This financial report includes amongst others, the consolidated statement of financial position as of December 31, 2014 and March 31, 2014, the consolidated statement of income for the periods from April 1, and October 1, 2014 to December 31, 2014 (and respective prior year periods) and the consolidated statement of cash flows for the period from April 1, 2014 to December 31, 2014 (and the respective prior year period).

The financials for Kabel Deutschland Holding AG's fiscal year ending on March 31, 2015 will be released on May 18, 2015.

About Kabel Deutschland – A Vodafone Company

The Vodafone Company Kabel Deutschland ('KD'), Germany's largest cable operator, offers its customers high definition (HD), digital (SD) and analog TV, Pay TV and DVR offerings, Video on Demand, broadband Internet (up to 200 Mbit/s), WiFi services and fixed-line Phone services via cable. Kabel Deutschland also distributes mobile services. Situated in Unterfoehring near Munich, the publicly listed company (MDAX, MSCI Europe, Stoxx 600 Europe) operates cable networks in 13 German federal states and supplies its services to approximately 8.3 million connected households. As of March 31, 2014, Kabel Deutschland had approximately 3,700 employees. For the fiscal year ended March 31, 2014, Kabel Deutschland reported revenues of €1,900 million and an Adjusted EBITDA of €910 million.

Contact:

Kabel Deutschland Holding AG
Investor Relations
Betastrasse 6-8
85774 Unterfoehring
Germany

Michael Frank: +49 89 / 960 10 - 142; michael.frank@kabeldeutschland.de

This release is also available at www.kabeldeutschland.com.

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This Investor Relations release may contain references to certain non-GAAP financial measures, such as Adjusted EBITDA and Capex, and operating measures, such as RGUs, ARPU, Unique subscribers pro forma calculation. These supplemental financial and operating measures should not be viewed in isolation as alternatives to measures of Kabel Deutschland's financial condition, results of operations or cash flows as presented in accordance with IFRS in its Consolidated Financial Statements. The non-GAAP financial and operating measures used by Kabel Deutschland may differ from, and not be comparable to, similarly titled measures used by other companies. For further information please see in particular the footnotes in this Investor Relations release and the financial statements.

We disclaim any obligation to publicly update or revise any forward-looking statements or other information contained in this Investor Relations release. It is pointed out that the present Investor Relations release may be incomplete or condensed, and it may not contain all material information concerning Kabel Deutschland Holding AG or the Kabel Deutschland Group.

Kabel Deutschland Holding AG, Unterfoehring
Network data, Subscribers, Revenue Generating Units and ARPUs

| | December 31, 2013 | September 30, 2014 | December 31, 2014 | qoq change | qoq change % | yoy change | yoy change % |
|---|----------------------|-----------------------|----------------------|---------------|--------------------|---------------|--------------------|
| Network (in thousands) | | | | | | | |
| Homes Passed | 15,189 | 15,256 | 15,269 | 13 | 0.1% | 80 | 0.5% |
| Homes Passed upgraded for two-way communication | 14,033 | 14,410 | 14,530 | 120 | 0.8% | 497 | 3.5% |
| <i>Upgraded homes as % of Homes Passed</i> | | 94.5% | 95.2% | | | | |
| Homes upgraded for two-way communication being marketed ⁽¹⁴⁾ | 11,659 | 11,914 | 11,987 | 73 | 0.6% | 328 | 2.8% |
| Subscribers (in thousands) | | | | | | | |
| Direct Basic Cable subscribers | 7,149 | 7,111 | 7,114 | 3 | 0.0% | -35 | -0.5% |
| Internet & Phone 'Solo' subscribers | 441 | 510 | 541 | 31 | 6.1% | 100 | 22.7% |
| Total direct subscribers | 7,590 | 7,621 | 7,655 | 34 | 0.4% | 65 | 0.9% |
| Indirect Basic Cable subscribers | 798 | 708 | 690 | -18 | -2.5% | -108 | -13.5% |
| Total unique subscribers (homes connected) | 8,389 | 8,329 | 8,345 | 16 | 0.2% | -44 | -0.5% |
| <i>Thereof Internet & Phone subscribers</i> | 2,185 | 2,449 | 2,579 | 130 | 5.3% | 394 | 18.0% |
| RGUs (in thousands) | | | | | | | |
| Premium TV | 2,235 | 2,425 | 2,480 | 55 | 2.3% | 245 | 11.0% |
| <i>Thereof Pay TV</i> | 1,343 | 1,402 | 1,417 | 15 | 1.1% | 74 | 5.5% |
| <i>Thereof DVR</i> | 892 | 1,023 | 1,063 | 40 | 3.9% | 171 | 19.2% |
| Internet | 2,088 | 2,369 | 2,505 | 136 | 5.7% | 417 | 20.0% |
| Phone | 2,050 | 2,302 | 2,428 | 126 | 5.5% | 378 | 18.4% |
| Subtotal Growth Business | 6,373 | 7,096 | 7,412 | 316 | 4.5% | 1,039 | 16.3% |
| <i>In % of total RGUs</i> | 43.2% | 46.4% | 47.5% | | | | |
| Basic Cable | 8,392 | 8,210 | 8,176 | -34 | -0.4% | -216 | -2.6% |
| Total RGUs | 14,765 | 15,306 | 15,589 | 283 | 1.8% | 824 | 5.6% |
| RGUs per subscriber (in units) | 1.76 | 1.84 | 1.87 | 0.03 | 1.6% | 0.11 | 6.3% |
| Penetration | | | | | | | |
| <i>Premium TV RGUs as % of total Basic Cable subscribers</i> | 28.1% | 31.0% | 31.8% | | | | |
| <i>Internet RGUs as % of total unique subscribers</i> | 24.9% | 28.4% | 30.0% | | | | |
| <i>Phone RGUs as % of total unique subscribers</i> | 24.4% | 27.6% | 29.1% | | | | |
| ARPU per subscriber for the quarter ended (in €/month) | | | | | | | |
| Total blended TV ARPU | 10.83 | 11.05 | 11.09 | 0.04 | 0.4% | 0.26 | 2.4% |
| Total blended Internet & Phone ARPU | 27.51 | 26.99 | 26.94 | -0.05 | -0.2% | -0.57 | -2.1% |
| Total blended ARPU for the quarter | 17.30 | 18.16 | 18.52 | 0.36 | 2.0% | 1.22 | 7.1% |

Footnotes

- (1) **RGU** (revenue generating unit) relates to sources of revenue, which may not always be the same as subscriber numbers. For example, one subscriber may subscribe to two different services, in which case two RGUs would be assigned to that one subscriber.
- (2) **Premium TV** consists of RGUs for our Pay TV products (Kabel Premium HD and Kabel International) as well as our DVR products Kabel Komfort HD and Kabel Komfort Premium HD.
- (3) **Total blended ARPU per subscriber** is calculated by dividing recurring TV and Internet and Phone subscription revenue including usage dependent fees (excluding installation fees and other non-recurring revenue) 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.
- (4) **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 / acquisitions and changes in norms and expenses related to restructuring / legal reorganization.
- (5) **EBITDA margin** is a calculation of Adjusted EBITDA as a percentage of total revenues.
- (6) **Capital expenditure (Capex)** consists of cash paid for investments in intangible assets as well as property and equipment and does not include cash paid for acquisitions.
- (7) **Internet & Phone 'Solo' subscribers** are non-Basic Cable service customers subscribing to Internet and / or Phone services only.
- (8) **Growth Business** consists of Premium TV as well as Internet & Phone.
- (9) **Basic Cable RGUs:** The difference between the number of Basic Cable subscribers and Basic Cable RGUs is due to the additional digital product component, 'Kabel Digital'. Until the end of fiscal year 2012/13, it was 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).
- (10) **Total blended TV ARPU per subscriber** is calculated by dividing the subscription revenue (excluding installation fees and other non-recurring revenue) 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.
- (11) **Total blended Internet & Phone ARPU per subscriber** is calculated by dividing the Internet and Phone subscription revenue including usage dependent fees (excluding installation fees and other non-recurring revenue) generated in the relevant period by the sum of the monthly average number of Internet and Phone subscribers of these products in that period.
- (12) **Operating free cash flow:** Adjusted EBITDA less Capex.
- (13) **HD Private** is not counted as RGU.
- (14) **Homes upgraded for two-way communication being marketed** are those homes to which we currently sell our Internet and / or Phone products.