FINANCIAL REPORT

FOR THE PERIOD JANUARY 1 TO MARCH 31, 2008

TDS
a Fujitsu company

CONTENTS

AN OVERVIEW OF TDS GROUP PERFORMANCE

Key Group figures according to IFRS		
	Jan 1 - March 31, 2008 € thousands	2007 € thousands
Total revenues	**29,008**	**106,178**
Revenues by region		
Revenues in Germany	27,204	100,173
Revenues in other countries	1,804	6,005
Revenues by division		
Revenues for IT Outsourcing	13,604	50,738
Revenues for HR Services & Solutions	11,090	38,929
Revenues for IT Consulting	4,314	16,511
Gross profit	**6,845**	**31,493**
in % of revenues (gross return on sales)	23.6	29.7
EBITDA	**4,396**	**18,815**
in % of revenues (EBITDA margin)	15.2	17.7
EBIT	**1,828**	**9,655**
in % of revenues (EBIT margin)	6.3	9.1
Net income	**1,039**	**3,747**
Net income per share (€) (basic)	0.04	0.13
Net income per share (€) (diluted)	0.04	0.13
Total assets	**92,120**	**90,915**
Shareholders' equity	36,832	35,754
Equity-to-total-assets ratio (in %)	40.0	39.3
Share capital	29,296	29,296
Liabilities	42,545	41,790
Number of employees at March 31, 2008	986	952

Note: Due to the adjustment of the fiscal year of TDS AG in line with the fiscal year of the majority shareholder, Fujitsu Services Overseas Holding Limited, London, UK (Fujitsu Services), reporting is based on the three-month period from January 1 to March 31, 2008 (short fiscal year). Figures provided for comparison are for full-year 2007.

CORPORATE GOVERNANCE

Corporate Governance at TDS

The Executive Board and Supervisory Board of TDS AG report on corporate governance at TDS AG in each annual report, pursuant to Section 3.10 of the German Corporate Governance Code (the Code).

TDS AG is committed to transparent, responsible and value-driven management and control of the Company. The Executive Board and Supervisory Board of TDS AG continue to implement the German Corporate Governance Code.

The declaration made by the Executive Board and Supervisory Board of TDS refers to the German Corporate Governance Code as published on June 14, 2007. Declarations for the short fiscal year January 1 to March 31, 2008 and preceding fiscal years are available to shareholders and other stakeholders via the TDS Website.

In the short fiscal year January 1 to March 31, 2008, TDS complied with all of the Code's recommendations, with two exceptions. Furthermore, the Company observed the majority of the Code's suggestions.

Declaration of compliance with the German Corporate Governance Code

Pursuant to Section 161 of the German Stock Corporation Act (AktG), the Executive Board and the Supervisory Board of TDS Informationstechnologie AG declare that, since the last declaration of compliance of December 12, 2007, the Company has complied with the recommendations of the June 14, 2007 version of the German Corporate Governance Code published by the German Ministry of Justice in the electronic Federal Gazette, with the following exceptions:

In Section 3.8, the Code recommends that Directors' and Officers' (D&O) insurance include an appropriate deductible for the Executive Board and Supervisory Board. However, TDS cover for its Executive and Supervisory Board does not.

In Section 5.1.2, Subsection 2 (3), the Code recommends that an age limit be defined for Executive Board members. There is no such age limit defined at TDS AG.

Furthermore, the Executive and Supervisory Board declare that the Company will comply with the recommendations of the revised version of June 14, 2007 in the future, with the following exceptions:

In Section 3.8, the Code recommends that Directors' and Officers' (D&O) insurance include an appropriate deductible for the Executive Board and Supervisory Board. However, TDS cover for its Executive and Supervisory Board does not.

There is no age limit defined for Executive Board members (as described in Section 5.1.2, Subsection 2 (3) of the Code).

Neckarsulm, Germany, May 12, 2008

TDS Informationstechnologie AG

signed Winfried Holz
Chairman of the Executive Board

signed Dr. Heiner Diefenbach
Member of the Executive Board

signed Andrew MacNaughton
Chairman of the Supervisory Board

TDS does not comply with the recommendation in Section 3.8 of the Code because a general consensus has not been reached as to the usefulness of defining an appropriate deductible.

There is no age limit defined for Executive Board members because this would restrict the choice of suitable candidates available.

Compensation report

The TDS compensation report describes the principles for defining Executive and Supervisory Board remuneration. Disclosures regarding the amounts of compensation and the number of shares held by Executive and Supervisory Board members can be found in the notes to the consolidated financial statements (note 45 "Further relevant information concerning the Executive and Supervisory Board").

Executive Board compensation

The Supervisory Board is responsible for defining Executive Board compensation. The HR Committee of the Supervisory Board was responsible for this prior to its dissolution through a Supervisory Board resolution of March 12, 2008. During the short fiscal year 2008, the HR Committee initially comprised Andrew MacNaughton, the Chairman of the Supervisory Board, as well as Supervisory Board members Karl Heinz Achinger and Dr. Martin Schütte. Both Karl Heinz Achinger and Dr. Martin Schütte resigned from their positions on the Supervisory Board, effective after February 29, 2008.

The compensation system was reviewed and adjusted effective from January 1, 2008. Executive Board compensation remains performance related and can be broken down into several components: fixed compensation, variable compensation, and compensation for additional roles and responsibilities. For fixed and variable compensation, a target income is defined and subject to regular examination. Examinations comprise assessment of personal performance, of the economic development of TDS, and of Executive Board compensation at comparable companies.

Executive Board compensation breaks down as follows:

- Fixed compensation is paid as a monthly salary.

- In addition, Executive Board members receive compensation for additional roles and responsibilities in the form of company cars for private use, and insurance premiums. Because Winfried Holz already has access to a company car via another Fujitsu Group subsidiary, he has no claim to a TDS company car.

- Variable compensation is in the form of an annual, performance-related bonus. Calculation of the bonus is based on the individual performance of Executive Board members and the performance of the Company, comparing actual performance to the targets set for each Executive Board member at the beginning of the year. The definition of targets and the extent to which they are achieved are subject to the discretion of the Supervisory Board. Executive Board member Dr. Heiner Diefenbach receives an additional bonus, regardless of whether mid-term targets for increasing the Company's value are achieved. This bonus is based on the extent to which the Company achieves targets defined at the start of each fiscal year on the basis of mid-term planning.

- In the past, Executive Board members were granted subscription rights to shares (share options) and virtual share options, within the scope of compensation. The current compensation system does not employ share-based payment as a long-term incentive; no share-based compensation was granted to Executive Board members during the reporting period. Disclosures on the structure and fair value of share options granted in the past can be found in the notes to the consolidated financial statements. The key features of these instruments are described below.

Compensation for active Executive Board members totaled €288 thousand in the short fiscal year from January 1 to March 31, 2008. Details of Executive Board compensation in the short fiscal year 2008 can be found in the table in note 45 "Further relevant information concerning the Executive and Supervisory Board".

Share options
On May 23, 2002, the annual shareholders' meeting authorized a share-option plan, enabling Executive Board members and employees of the TDS Group to be granted share options in the Company. These share options were granted in 2002 (2002 tranche) and 2004 (2004 tranche).

Share options granted in fiscal 2002 expired in fiscal 2006 and can no longer be exercised.

Options granted in 2004 can be exercised as follows:

	Term of share options	Service period	Exercise period
Tranche 1 (50 percent)	2004 to 2007 (Nov – Nov)	2 years	Nov 2006 – Nov 2007
Tranche 2 (50 percent)	2004 to 2008 (Nov – Nov)	3 years	Nov 2007 – Nov 2008

The Black-Scholes pricing model is used to calculate the fair value of each option upon the date of grant.

The following weighted-average assumptions were made for the 2004 tranche: Share price €2.69, exercise price €2.96, average dividend yield 0 percent, risk-free interest rate of 3.5 percent, volatility 40.0 percent and a term of three years for 50.0 percent of the options and four years for the remaining 50.0 percent. The Black-Scholes fair value was €0.74 and €0.88 on the date of grant.

At March 31, 2008, the former Chairman of the Executive Board, Ralf Klemisch, held 25,000 subscription rights to shares.

Virtual share options
The Supervisory Board granted the Executive Board 125,000 virtual share options in both 2006 and 2005. For virtual share options granted in 2006, Executive Board members were to receive a cash bonus in 2008 that would have been based on the difference between the average prices of TDS shares in June 2006 and June 2008. For virtual share options granted in 2005, Executive Board members were to receive a cash bonus in 2007 that would have been based on the difference between the average prices of TDS shares in June 2005 and June 2007. The increase in value would be multiplied by the number of options granted, and paid by the Company in cash. Advanced calculation and payment of the bonus would be possible if, for example, the majority of TDS shares are transferred to a new shareholder, and this majority shareholder then issues a mandatory offer to all remaining TDS shareholders. In this case, the price cited in the mandatory offer is used as the basis for bonus calculation.

The fair value of virtual share options is calculated in line with IFRS 2. This is for "Asian options" that, in contrast to "European options", are not valued at one balance-sheet date, but on the basis of the average market value over a period of time. For two "European options", fair value was calculated at the grant date using the average value determined via the Black-Scholes method.

Fair value, calculated at the grant date using the Black-Scholes method, was €0.80 per share for virtual share options granted in 2006, and €0.31 for those granted in 2005.

The following weighted-average assumptions were made for virtual share options granted in 2006: Share price €2.84, exercise price €2.44, average dividend yield 0 percent, risk-free interest rate of 3.71 percent, volatility 34.0 percent, and a term of 23.3 months.

The following weighted-average assumptions were made for virtual share options granted in 2005: Share price €2.06, exercise price €2.33, average dividend yield 0 percent, risk-free interest rate of 2.80 percent, volatility 37.45 percent, and a term of 18.5 months.

On February 26, 2007, Fujitsu Services Overseas Holdings Limited, London, UK (Fujitsu Services) issued a mandatory offer to remaining TDS shareholders in the amount of €2.80 per share, pursuant to the German Securities Acquisition and Takeover Act (WpÜG). As a result, all requirements for advanced calculation and payment of the bonus were met. The value per virtual share is based on the difference between the exercise price and the price cited in the mandatory offer. In fiscal 2007, Executive Board members received €0.36 per share for virtual options granted in 2006 (€45 thousand in total), and €0.47 per shares for virtual options granted in 2005 (€59 thousand in total).

Other business

TDS has a Directors and Officers Insurance (D&O insurance) for Executive and Supervisory Board members that covers personal liability for a defined group of people. No deductible exists as defined by Subsection 3.8 of the German Corporate Governance Code. A general consensus has not been reached at TDS as to the usefulness of defining an appropriate deductible, and, as before, no recognizable standard practice been established.

Should an Executive Board member be dismissed from his position for reasons other than gross misconduct, and should his employment contract with the Company come to an end prematurely as a result of this dismissal, the corresponding member shall receive compensation based on his basic salary for the total remaining term of his employment contract, plus bonuses.

If no mutual agreement is reached by December 31, 2011 with regards to the continuation or termination of the employment contract of Executive Board member Dr. Heiner Diefenbach, and, as a result, his employment contract with the Company comes to an end on December 31, 2012, Dr. Heiner Diefenbach shall receive additional compensation provided the contract is not terminated due to gross misconduct. This compensation shall amount to one month of his gross salary for each year of his employment contract since January 1, 2005, including bonuses based on his salary for the previous year's salary. This compensation shall also be paid if the employment contract is terminated by mutual agreement before the end of its term, as described above.

Furthermore, this compensation shall be paid if the Company changes its legal form before December 31, 2012 and Dr. Heiner Diefenbach is not offered a position on the Executive Board or in senior management, or if the Company is acquired by or merged with Fujitsu before December 31, 2012. In the same way, Dr. Heiner Diefenbach is entitled to this compensation if there is a change of control at TDS. A change of control exists if a majority holding in the Company is purchased by a legal entity outside of the Fujitsu Services group.

No loans or advanced payments were granted to Executive Board members in the short fiscal year 2008; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In the short fiscal year 2008, third-party services were neither promised nor granted to Executive Board members, for their activities on the Executive Board.

Supervisory Board compensation

Supervisory Board remuneration is defined in Section 17 of the Articles of Incorporation, whereby each Supervisory Board member receives the following:

a) fixed compensation in the amount of €8,000.00, payable at the end of the fiscal year;

b) a bonus payable after the Company's consolidated financial statements have been approved, in the amount of €500.00 for each €0.01 net income per share (fully diluted), or part thereof, over and above net income per share of €0.09;

c) a fee for attending Supervisory Board meetings or committee meetings, in the amount of €1,250.00 per meeting/day.

The amounts given above for the fixed compensation and bonus are doubled for the Chairman of the Supervisory Board, multiplied by a factor of 1.5 for the Deputy Chairman of the Supervisory Board and for the Chairmen of Supervisory Board committees, and multiplied by a factor of 1.25 for selected members of Supervisory Board committees. Should a Supervisory Board member exercise more than one of these functions, compensation is paid on the basis of the function with the highest compensation.

Supervisory Board members also receive reimbursement for expenses incurred when performing their tasks. The Company also reimburses VAT on payments they have received from TDS.

Compensation for Supervisory Board members totaled €34 thousand in the short fiscal year from January 1 to March 31, 2008. A detailed overview can be found in note 45 "Further relevant information concerning the Executive and Supervisory Board".

In the short fiscal year 2008, the Company did not pay any compensation or grant any benefits for services delivered in person by Supervisory Board members, in particular for consulting or brokerage services.

SUPERVISORY BOARD REPORT

Dear shareholders,

During the period January 1 to March 31, 2008, the Supervisory Board fulfilled its obligations and tasks defined by law and by the Articles of Incorporation. Within the scope of its oversight role, the Supervisory Board worked closely with the Executive Board to monitor its work and provide advice on Company management and strategy.

The Executive Board duly submitted comprehensive, regular reports to the Supervisory Board - both orally and in writing - on all relevant issues relating to corporate planning, including current business situation and development, strategic development, and risks and risk management. In particular, Executive Board reports focused on the development of revenues and earnings, order intake, the acquisition of new customers, revenues by segment, liquidity, and planning for the short fiscal year January 1 to March 31, 2008. The Supervisory Board was informed in detail about any deviation between actual business development and planning. All transactions of material importance were addressed by Executive Board reports, and discussed in detail and reviewed critically by the Supervisory Board. Where required by law, and by the Articles of Incorporation, the Supervisory Board reviewed and passed resolutions on Executive Board reports and proposals. For transactions and actions requiring its approval, the Supervisory Board carefully examined the proposed resolutions of the Executive Board before reaching a decision.

The Executive Board kept Andrew MacNaughton (Chairman of the Supervisory Board) regularly informed of the current business situation, and of important developments.

The Supervisory Board discussed the organization of TDS AG and the TDS Group with the Executive Board and was satisfied with the outcome, especially with regard to compliance and risk management, and Company management, which it deemed to be in accordance with good business practice and legal requirements.

Focus of Supervisory Board work during the reporting period

Three Supervisory Board meetings were held in the short fiscal year 2008. At its meetings, the Supervisory Board regularly discussed revenues and earnings development within the TDS Group and at its divisions, as well as issues of general corporate planning, strategy, the financial position and collaboration between the TDS Group and the Fujitsu Group.

At the meeting on January 11, 2008, which took the form of a conference call, the Supervisory Board looked at key points regarding the conclusion and content of the subordination agreement between the Company (the dependent company) and Fujitsu Services Overseas Holdings Limited with headquarters in London, UK (the controlling company). This included detailed discussion of the valuation of the Company, which was crucial for calculation of the compensation and guaranteed dividends defined in the subordination agreement. Executive Board members and, intermittently, Mr. Albrecht Bacher, the representative of the court-appointed auditor, were available to discuss matters related to the subordination agreement and valuation. The Supervisory Board then approved conclusion of the subordination agreement. In addition, the Supervisory Board approved the agenda and proposed resolutions for the extraordinary shareholders' meeting on February 29, 2008, and determined that the meeting would take place in the Frankenhalle in Untereisesheim, Germany.

At the meeting on February 28, 2008, the Executive Board reported on preliminary figures for fiscal 2007, the current status of the annual financial statements, current business development in 2008, and risk management. Furthermore, preparations were made for the extraordinary shareholders' meeting on February 29, 2008.

At the meeting on March 12, 2008, after in-depth discussion and review of submitted documents, the Supervisory Board approved the 2007 financial statements of TDS AG and consolidated statements for the TDS Group, including the management report. The auditor attended the meeting and reported on his key findings, with reference to his own documents. Following their own examination of the documents, the Supervisory Board did not find any cause for objection, and approved the findings of the independent auditor. In addition, the Supervisory Board discussed the dependency report, and approved the Supervisory Board report for the shareholders' meeting. The Executive Board reported on the latest business development, and the Supervisory Board also reviewed and approved the Executive Board's proposal regarding the appropriation of earnings for fiscal 2007. In view of the resolution passed at the extraordinary shareholders' meeting on February 29, 2008 to reduce the size of the Supervisory Board from six to three members, and the subsequent resignations of Karl Heinz Achinger, Dr. Martin Schütte and Günter Steffen following conclusion of this meeting, the Supervisory Board passed a resolution to dissolve the HR Committee (Compensation Committee), Finance/Audit Committee and Nomination Committee, without replacements.

Committee work

The Finance/Audit Committee met once during the reporting period, on February 21, 2008. In the presence of the auditor and the Executive Board, it reviewed the current status of the audit of the 2007 annual financial statements, and discussed individual audit-related questions. In addition, the Executive Board reported on preliminary figures for fiscal 2007 and current business development for the short fiscal year in 2008. The Finance/Audit Committee also reviewed the Company's risk-management system, with the aid of the Company's risk report.

Changes to the composition of the Supervisory Board

Karl Heinz Achinger, Dr. Martin Schütte and Günter Steffen resigned from their positions on the Supervisory Board, effective from midnight on February 29, 2008. At the extraordinary shareholders' meeting on February 29, 2008, Yves Le Gelard, a temporary member at that point, was elected as a permanent member of the Supervisory Board. The Supervisory Board is very grateful to Günter Steffen for his hard work during his many years as a Supervisory Board member, and his willingness to moderate the extraordinary shareholders' meeting on February 29, 2008. The Supervisory Board would also like to thank Karl Heinz Achinger and Dr. Martin Schütte for their reliable, constructive and expert contributions.

Annual financial statements for TDS AG and consolidated financial statements

The financial statements of TDS Informationstechnologie AG presented by the Executive Board on March 31, 2008, the consolidated financial statements of the TDS Group, and the management reports, were examined by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, appointed as independent auditor at the shareholders' meeting on February 29, 2008. KPMG certified these documents without qualification.

Prior to being proposed as independent auditor to the annual shareholders' meeting by the Supervisory Board, KPMG submitted a statement to the Chairman of the Supervisory Board confirming that their independent status was not compromised in any way.

During the reporting period, the audit focused on:

- the preparation of consolidated financial statements, the scope of consolidation, and the financial statements of companies included in the consolidated financial statements
- capitalization and impairment testing of intangible assets pursuant to IAS 36 *Impairment of Assets* and IAS 38 *Intangible Assets*
- accounting for deferred taxes
- the principles of consolidation
- the accuracy of the statement of cash flows for the TDS Group, and of the development of shareholders' equity for the TDS Group and segment reporting
- the completeness and accuracy of information given in the notes to the consolidated financial statements and the compensation report
- the plausibility of forecasts and projections in the management report

The financial statements of TDS Informationstechnologie AG and the consolidated financial statements of the TDS Group, presented by the Executive Board on March 31, 2008, the management reports, the proposal by the Executive Board with regard to appropriation of retained earnings and the audit reports were submitted to Supervisory Board members in due time. The Supervisory Board then reviewed these documents and discussed them with the auditor, taking into account the audit reports. The independent auditor attended the Supervisory Board meeting on May 13, 2008, where he presented his key findings and was available to answer questions and provide additional information.

The Supervisory Board reviewed the audit reports, which are in accordance with Sections 317 and 321 of the German Commercial Code (HGB). Following their own examination of the documents, the Supervisory Board did not find any cause for objection, and approved the findings of the independent auditor.

Following its own examination of the annual financial statements and the consolidated financial statements, the Supervisory Board did not find any cause for objection. On May 13, 2008, the Supervisory Board confirmed and endorsed the annual financial statements and the consolidated financial statements. The annual financial statements are therefore officially approved.

On the basis of its own examination, the Supervisory Board also acknowledged and approved the management reports for TDS AG and the TDS Group, which correspond to its own opinion.

The Supervisory Board reviewed and approved the Executive Board's proposal regarding the appropriation of earnings, with a focus on liquidity and financial planning, and taking into account shareholders' interests.

The independent auditor also examined the risk-management system in place at TDS, and confirmed that it is suitable for risk-management tasks in accordance with German law.

Disclosure of relationships with related companies (dependency report)

The auditor also examined the Executive Board's disclosure of relationships with related companies (dependency report), mandatory under Section 312 of the German Stock Corporation Act (AktG). The independent auditor certified the report without qualification as follows:

> "Having examined and assessed the Executive Board's disclosure of relationships with related companies (dependency report) in accordance with German law, we can confirm that
>
> - the report includes no material misstatements
> - and the products and services provided by the Company for the transactions listed in the report were not excessive."

After examining the dependency report, including the Executive Board's concluding remarks, the Supervisory Board did not find any cause for objection, and unreservedly approved the findings of the independent auditor.

The members of the Supervisory Board wish to thank Executive Board members and all TDS employees for successful and close cooperation during the reporting period.

Neckarsulm, Germany, May 13, 2008

The Supervisory Board

Andrew MacNaughton
- Chairman of the Supervisory Board -

SUPERVISORY BOARD AND EXECUTIVE BOARD MEMBERS' MANDATES ON SIMILAR BODIES

Supervisory Board members
The following persons are members of the Supervisory Board of TDS Informationstechnologie AG:

Andrew MacNaughton
Managing Director, Fujitsu Services Overseas Holdings Limited
Member of the Supervisory Board/Chairman
Member of the HR Committee (until March 12, 2008)
Member of the Nomination Committee (until March 12, 2008)

- Director and Chairman of the Board, ICL KME CS, Kazan, Russia
- Director and President, Fujitsu Services Italia SpA, Milan, Italy
- Director, Fujitsu Espana SA, Madrid, Spain (until December 31, 2007)
- Director, Fujitsu Espana Services SA, Madrid, Spain (until December 31, 2007)
- Director and President of the Board, Fujitsu Services France, Asnières-sur-Seine, France
- Managing Director, Fujitsu Services Overseas Holdings, London, UK

Günter Steffen (until February 29, 2008)
Self-employed management consultant and fund manager, Heilbronn, Germany
Member of the HR Committee (until February 29, 2008)
Member of the Finance/Audit Committee (until February 29, 2008)

- Chairman of the Supervisory Board, Funk Oase Communications AG, Ellhofen, Germany
- Chairman of the Advisory Board, Panatecs GmbH, Tübingen, Germany
- Chairman of the Advisory Board, greenovation Biotech GmbH, Freiburg, Germany
- Managing Director, GS Beteiligungs-GmbH, Heilbronn, Germany
- Managing Director, GS Holding GmbH, Heilbronn, Germany
- Managing Director, SG-Consult GmbH & Co. KG, Heilbronn, Germany
- Managing Director, HM Systemberatung und Finanzkonzepte GmbH, Neckargemünd, Germany
- Owner, Günter Steffen Management Consultants, Heilbronn, Germany
- Fund Manager, Zukunftsfonds-Beteiligungs-GmbH & Co. KG, Heilbronn, Germany
- Chairman, Haus der Familie e. V., Heilbronn, Germany
- Deputy Chairman, Faszination Technik e. V., Heilbronn, Germany
- Member of the Board, Berufsakademie Mosbach (University of Cooperative Education), Mosbach, Germany

Karl Heinz Achinger (until February 29, 2008)
Management consultant, Seefeld, Germany
Member of the HR Committee (until February 29, 2008)

- Chairman of the Supervisory Board, Magix AG, Munich, Germany
- Member of the Supervisory Board, RWE Systems AG, Dortmund, Germany
- Member of the Supervisory Board, teleson AG, Munich, Germany
- Member of the Supervisory Board, Euro-Product-Services AG, Munich, Germany
- Member of the Supervisory Board, BWI Informationstechnik GmbH, Meckenheim, Germany
- Member of the Supervisory Board, Inverto AG, Cologne, Germany

Yves Le Gelard
Corporate Development Director, Paris, France
Member of the Finance/Audit Committee (until March 12, 2008)
Member of the Nomination Committee (until March 12, 2008)

- Corporate Development Director, Fujitsu Services Ltd., London, UK

Jason Paul Nield
Head of Legal, Continental Europe Business Unit, Surrey, UK
Member of the Finance/Audit Committee (until March 12, 2008)
Member of the Nomination Committee (until March 12, 2008)

- Director, Fujitsu Services, Asnières-sur-Seine, France
- Director, Goldeneye Sp. Z o.o., Warsaw, Poland

Dr. Martin Schütte (until February 29, 2008)
Member of the Executive Board, HVB AG i.R., Lochham, Germany
Member of the HR Committee (until February 29, 2008)

- Member of the Supervisory Board, STRATOS Business Solutions AG, Pforzheim, Germany
- Member of the Administrative Board, 1. SICAV (Fondsgesellschaft der H.C.M. Capital Management AG in Munich), Luxembourg

Executive Board members
The following persons are members of the Executive Board of TDS Informationstechnologie AG:

Winfried Holz
Chairman of the Executive Board

- Managing Director, Fujitsu Services GmbH, Düsseldorf, Germany

Dr. Heiner Diefenbach
Member of the Executive Board

- Member of the Advisory Board, CORIVUS Management Consulting GmbH, Neustadt, Germany
- Chairman of the Supervisory Board, Hexagon AG, Wiesbaden, Germany
- Managing Director, ROSEA Trendpark Objektverwaltung Beteiligungs-GmbH, Neckarsulm, Germany
- Secretary, TDS Systemhouse plc, Chesterfield, UK
- Director, TDS Systemhouse plc, Chesterfield, UK
- Member of the Administrative Board, TDS MultiVision AG, St. Gallen, Switzerland (since January 14, 2008)

MANAGEMENT REPORT

1 General information on the TDS Group

The figures and statements in the consolidated financial statements of TDS Informationstechnologie AG, Neckarsulm, Germany (hereinafter "TDS AG") and its subsidiaries (hereinafter "TDS", "the Company", "the Group" or "the TDS Group") are compiled pursuant to Section 315a of the German Commercial Code (HGB) and in accordance with International Financial Reporting Standards (IFRS, formerly International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), as applicable in the European Union.

In the past, the TDS fiscal year was equivalent to the calendar year. In the future, it shall be correspond to the fiscal year of Fujitsu Services Overseas Holdings Limited, London, UK (hereinafter "Fujitsu Services"), which ends on March 31 of each year. To this effect, this report was produced for the short fiscal year January 1 to March 31, 2008.

All currency amounts are given in thousand euros (€ thousands), unless otherwise stated.

Actual development may deviate significantly from expectations expressed in forward-looking statements.

Structure of the TDS Group
TDS Informationstechnologie AG and its subsidiaries offer IT outsourcing, HR services and solutions and IT consulting to mid-size enterprises and major corporations, as well as charity and church organizations, and local-government agencies. Activities are concentrated in Germany, Austria and Switzerland. In Germany, business operations are shared between TDS AG, and its subsidiaries HR Services & Solutions GmbH, Neckarsulm, Germany, and TDS IT Consulting GmbH, Neckarsulm, Germany. IT outsourcing services are delivered by TDS Informationstechnologie AG, which, as the parent company, also manages the Company's subsidiaries and is responsible for all additional tasks within the TDS Group.

TDS AG has the following significant indirect and direct subsidiaries:

Subsidiaries	Holding in percent
Germany	
TDS HR Services & Solutions GmbH, Neckarsulm, Germany	100 %
TDS IT Consulting GmbH, Neckarsulm, Germany	100 %
Outside Germany	
effect Personalmanagement GmbH, Pasching, Austria	100 %
TDS MultiVision AG, St. Gallen, Switzerland	100 %
TDS Systemhouse plc., Chesterfield, UK	100 %

Shares in TDS AG are listed on the Frankfurt stock exchange and all other German bourses.

Fujitsu Services is the majority shareholder of TDS AG, having purchased the majority of shares (79.42 percent) in the Company from the previous majority shareholder with effect from January 18, 2007. On January 11, 2008, TDS AG and Fujitsu Services concluded a subordination agreement. The agreement was approved by the Supervisory Board on January 11, 2008, and by shareholders at an extraordinary shareholders' meeting on February 29, 2008. At the time of publishing this report, the subordination agreement had not yet been entered into the commercial register.

Offices and main operational sites
TDS has its headquarters in Neckarsulm, Germany, as well as three central data centers it employs to deliver computing/hosting services. In the short fiscal year January 1 to March 31, 2008, TDS maintained offices in Hanover, Iserlohn, Hamburg, Düsseldorf, Munich and Würzburg.

TDS IT Consulting GmbH, Neckarsulm, Germany has further sites in Munich, Hamburg, Eschborn, Bielefeld, Berlin and Düsseldorf.

TDS HR Services & Solutions GmbH, Neckarsulm, Germany has offices in Munich, Wiesbaden, Berlin, Düsseldorf, Neuss, Röhrsdorf, Würzburg, Cologne, Butzbach, Magdeburg, Stenn/Zwickau, Bonn and Hamburg.

ROSEA Trendpark Objektverwaltung Beteiligungs-GmbH, Neckarsulm, Germany and ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG, Neckarsulm, Germany in each of which TDS has a 50-percent holding, have no further sites.

Significant products, services and processes
TDS has named its segments after the services it provides: IT Outsourcing, HR Services & Solutions and IT Consulting.

a) IT Outsourcing

The IT Outsourcing division provides application hosting at its state-of-the-art data centers, and assumes responsibility for customers' entire IT infrastructures.

Within the scope of application hosting, TDS operates and maintains customers' applications. These include both standardized and customized solutions, providing the customer with exclusive access to a company-specific IT environment. TDS makes hardware and software available in line with customers' specific requirements. Standard applications include SAP software, e-business solutions, data-warehousing solutions, and Electronic Data Interchange (EDI) solutions. TDS can also manage a customer's entire IT landscape, and streamline operations.

b) HR Services & Solutions

The HR Services & Solutions segment provides end-to-end payroll-accounting solutions within the scope of Business Process Outsourcing (BPO), and many other employee-management services. It also develops and markets software for HR, the non-profit sector, and for financial accounting. These solutions are geared to the specific needs of charity and church organizations, and local-government agencies.

c) IT Consulting

TDS has a comprehensive offering in the IT Consulting division, with a focus on consulting and management services for SAP applications and Enterprise Content Management (ECM) solutions, and on marketing ECM and SAP licenses. As a long-standing SAP partner, TDS specializes in the selection, implementation and operation of SAP software. Its comprehensive SAP consulting portfolio ranges from planning and implementation, to maintenance and ongoing enhancement of SAP systems, to made-to-measure solutions for industry-specific needs and challenges - particularly in the pharmaceutical and chemical sectors, and financial services and logistics.

Markets and competitive position
TDS is represented in Germany, Austria, Switzerland and the UK. The Company generates 93.8 percent of revenues in Germany, its main market.

Thanks to its strong, long-term customer relationships, TDS is able to rapidly adapt its IT portfolio to customer requirements, and respond flexibly to new market trends and developments, such as selective outsourcing. As a result, the Company is able to continually improve its market position.

Based on the number of payroll transactions, TDS is the market leader for payroll services and HR BPO (Business Process Outsourcing). In addition, the Company offers SAP-related consulting services.

Management and monitoring activities
TDS is managed by an Executive Board, a Supervisory Board and via annual shareholders' meetings. The Executive Board is responsible for day-to-day operational management and represents the Company in dealings with third parties. There are two Executive Board members: Winfried Holz (Chairman of the Executive Board) and Dr. Heiner Diefenbach.

The Supervisory Board is responsible for appointing Executive Board members. In addition, it monitors the work of the Executive Board and provides advice on Company management. At the extraordinary shareholders' meeting on February 29, 2008, a resolution was passed to reduce the size of the Supervisory Board from six to three members. At March 31, 2008, the Supervisory Board comprised Andrew MacNaughton (Chairman of the Supervisory Board), Jason Paul Nield, and Yves Le Gelard.

A shareholders' meeting is held at least once a year. Shareholders pass resolutions on the composition of the Supervisory Board, and changes to statutes and dividend payments. Other agenda items include the endorsement of Supervisory Board and Executive Board activities, and the election of auditors. The last ordinary TDS annual shareholders' meeting was held on July 24, 2007. All proposals tabled on the agenda were adopted.

Value-driven management
TDS takes a value-driven approach to management. Sustainable increases in shareholder value will be achieved by focusing on attractive segments of the IT market.

This aim is supported by an integrated monitoring system, which enables effective control and coordination of all business operations. The corresponding key performance indicators are revenues, EBITDA (earnings before interest, taxes, depreciation and amortization), EBIT (earnings before interest and taxes), net income, order intake, cash flows, capital expenditure, and receipt of payments (days sales outstanding - DSO).

Via monthly Group-wide reporting, actual results are compared to targets, and any deviations are analyzed. In addition, management is also based on qualitative goals, such as the development of new solutions, winning new reference customers, and certification by customers, suppliers, and external organizations and companies.

The personal targets of employees are aligned with corporate goals by means of individual performance-related agreements. Material qualitative and quantitative parameters remained unchanged in the short fiscal year January 1 to March 31, 2008, and are comparable with previous years.

Code of conduct in place
In fiscal 2006, the Executive Board introduced a Company-wide code of conduct. This code is a binding set of rules for all employees, and will ensure sustainable financial success, and provide visibility into staff conduct. The aim of the code is to minimize risk, ensure compliance with legal requirements, and safeguard the reputation of the Company among customers, partners, shareholders, and the general public.

Declaration pursuant to Section 312, Subsection 3 of the German Stock Corporation Act (AktG)
Pursuant to Section 312, Subsection 3 of the German Stock Corporation Act (AktG), the Executive Board declares that "the Company received appropriate consideration for all transactions with related companies, based on the circumstances known to the Company at that time. No measures were taken at the request or in the interest of the controlling company that must be reported."

2 Economic parameters and business development

General economic fundamentals

The European economy continued to pick up in 2007. According to the Statistical Office of the European Communities (Eurostat), aggregated gross domestic product (GDP) in the Eurozone was up 2.9 percent in 2007 in comparison to 2006. Growth was 3.4 percent in the first quarter of 2007, marking a strong first three months, followed by 2.8 percent, 2.9 percent and 2.5 percent in subsequent quarters.

The business climate index of the Ifo institute for economic research offers an early indication of economic development. The Ifo again forecast a significant deterioration in the Eurozone's economic climate for the first quarter of 2008, with the lowest value since mid 2005. This is based on the deteriorating sentiment with regard to the current economic situation, and a fall in expectations for the next six months. However, overall sentiment in the Eurozone remains largely positive.

The German economy also grew in the fourth quarter of 2007. GDP was up by 1.6 percent in the fourth quarter in comparison to the same period in 2006. However, increases of 3.3 percent in the first quarter of 2007, 2.5 percent in the second quarter and 2.5 percent in the third quarter reveal that growth has slowed.

In accordance with developments in the Eurozone, the Ifo business climate index also fell in Germany for the first few months of 2008, after a temporary high at the start of the year. This is also because the companies surveyed are more skeptical about their current business situation and development for the next six months, although they are positive overall.

Industry-specific fundamentals

In April 2008, industry association BITKOM estimated that the European ICT market would grow by 3.0 percent to €761 billion in 2008. This was based on a study by the European Information Technology Observatory (EITO).

IT is expected to be a key driver, with revenues of €313 billion in 2008, equivalent to 4.3 percent growth. In particular, software and IT services are expected to increase by 5.2 percent and 5.7 percent respectively, with growth highest in the IT outsourcing market (7.4 percent).

According to a survey published by BITKOM in April 2008, sentiment in the German high-tech sector remains positive. 73 percent of companies polled expected revenues to climb in fiscal 2008, in comparison with 2007, while 17 percent expected business to remain stable, and 10 percent forecast a decrease. Software vendors and IT service providers are to experience particularly high demand. Furthermore, BITKOM forecast that the IT market will expand by 4.6 percent in fiscal 2008.

Assessment by the Executive Board

In the short fiscal year January 1 to March 31, 2008, TDS benefited from the favorable development of the ICT industry, and the positive development expected for 2008 overall. Strong demand for HR outsourcing and other outsourcing services contributed significantly to business expansion.

Overview of TDS business development

The TDS Group posted net income of €1,039 thousand in the short fiscal year 2008. This figure was €3,747 thousand in fiscal 2007, and €555 thousand for the first quarter of 2007 (unaudited).

This corresponds to an increase of €484 thousand over the first quarter of 2007, which is mainly due to the expansion of business volume and resulting €454 thousand rise in earnings before interest and taxes (EBIT), as well as a €297 thousand improvement in financial income (interest). However, this was counteracted by a €267 thousand increase in income taxes.

The TDS Executive Board is satisfied with the Company's business development in the short fiscal year 2008. All segments grew, and both IT Outsourcing and HR Services & Solutions were profitable.

Comparison of actual business development with forecasts
TDS generated revenues of €29 million in the short fiscal year 2008, exceeding the projected figure of around €27 million. As forecast, all three segments contributed to growth. TDS also achieved its goal of EBIT margin of between 6 percent and 7 percent, with a margin of 6.3 percent.

Earnings

Comparative figures in the consolidated financial statements are taken from the period January 1 to December 31, 2007. However, earnings have been compared to unaudited figures for the first quarter of 2007 where these offer a better basis for comparison.

Germany remains main driver of revenues and earnings
TDS Group activities focus on Germany, Austria and Switzerland. However, the Group also has a presence in the United Kingdom. In fiscal 2007, TDS generated 93.8 percent of revenues in Germany (94.3 percent in 2007).

The TDS Group maintained its strong position in the short fiscal year 2008, particularly with regard to IT Outsourcing and HR Services & Solutions. Strong, long-term customer relationships in these segments enable the Group to leverage growth in the market to its advantage.

Development of earnings
Overview of earnings at TDS:

	Q1 2008		2007		Q1 2007*	
	€ thousands	%	€ thousands	%	€ thousands	%
Revenues	29,008	100.0	106,178	100.0	22,755	100.0
Cost of sales	-22,163	-76.4	-74,685	-70.3	-16,449	-72.3
Gross profit	**6,845**	**23.6**	**31,493**	**29.7**	**6,306**	**27.7**
Operating income/expenses	-5,017	-17.3	-21,838	-20.6	-4,932	-21.7
EBIT	**1,828**	**6.3**	**9,655**	**9.1**	**1,374**	**6.0**
Financial income/expense	-144		-1,976		-441	
Earnings before taxes	**1,684**		**7,679**		**933**	
Tax expense	-645		-3,932		-378	
Net income	**1,039**		**3,747**		**555**	

* = unaudited

According to the overview, EBIT margin rose slightly by 0.3 percent in comparison to the first quarter of 2007, from 6.0 percent to 6.3 percent. However, this corresponds to a 2.8 percent decrease in comparison to EBIT margin for fiscal 2007 (9.1 percent). This is mainly due to high-margin licensing in late 2007, and high-margin revenues in connection with the new structure of the Neckarsulm offices in 2007.

Earnings before interest and taxes (EBIT)
The development of EBIT for individual segments was as follows:

	IT Outsourcing		HR Services & Solutions		IT Consulting		Group (consolidated)	
	Q1 2008 € thousands	Q1 2007* € thousands	Q1 2008 € thousands	Q1 2007* € thousands	Q1 2008 € thousands	Q1 2007* € thousands	Q1 2008 € thousands	Q1 2007* € thousands
External revenues	13,604	11,274	11,090	8,097	4,314	3,384	29,008	22,755
Intersegment revenues	1,094	902	51	69	945	549		
Revenues	**14,698**	**12,176**	**11,141**	**8,166**	**5,259**	**3,933**	**29,008**	**22,755**
Cost of sales	10,998	-8,195	-8,920	-6,438	-4,595	-3,321	-22,163	-16,449
Gross profit	**3,700**	**3,981**	**2,221**	**1,728**	**664**	**612**	**6,845**	**6,306**
Operating expenses	-1,924	-2,360	-1,909	-1,684	-924	-903	-5,017	-4,932
EBIT	**1,776**	**1,621**	**312**	**44**	**-260**	**-291**	**1,828**	**1,374**
EBIT margin (in %)	12.1	13.3	2.8	0.5	-4.9	-7.4	6.3	6.0
Depreciation and amortization	1,794	1,414	602	506	172	212	2,568	2,132
EBITDA	**3,570**	**3,035**	**914**	**550**	**-90**	**-79**	**4,396**	**3,506**
EBITDA margin (in %)	24.2	24.9	8.2	4.9	-1.7	-2.0	15.2	15.4

* = unaudited

IT Outsourcing
In IT Outsourcing, TDS generated revenues of €14,698 thousand in the short fiscal year 2008, up 20.7 percent over the first quarter of 2007 (€12,176 thousand). This is mainly thanks to projects with new customers won during fiscal 2007, and additional projects with existing customers.

In the short fiscal year 2008, order intake amounted to €11,522 thousand. Order backlog was €111,826 thousand at March 31, 2008, down 1.8 percent in comparison with December 31, 2007. Order backlog is equivalent to approximately two years.

Earnings before interest and taxes (EBIT) rose by 9.6 percent to €1,776 thousand, which is only a slight increase in comparison to revenues, and marks a drop in EBIT margin from 13.3 percent in the first quarter of 2007 to 12.1 percent in the short fiscal year. EBITDA margin fell from 24.9 percent to 24.2 percent, due to increased HR-related costs for acquiring new staff.

At March 31, 2008, the IT Outsourcing segment had 320 employees.

HR Services & Solutions
In HR Services & Solutions, revenues rose from €8,097 thousand in the first quarter of 2007 to €11,090 thousand in the short fiscal year 2008, an improvement of €2,993 thousand (37.0 percent). This increase is mainly thanks to the acquisition of dsoftware GmbH, Neuss, Germany (hereinafter “dsoftware”) on June 1, 2007. Revenues from consulting and software maintenance also grew.

In the short fiscal year January 1 to March 31, 2008, order intake amounted to €3,451 thousand. Order backlog was €71,452 thousand at March 31, 2008. This corresponds to a decrease of 9.7 percent in comparison to 2007. Order backlog is equivalent to approximately two years.

EBIT margin improved from 0.5 percent in the first quarter of 2007 to 2.8 percent in the short fiscal year 2008. This is mostly attributable to fewer third-party services and the reversal of write-downs for receivables.

At March 31, 2008, 507 staff were employed in this segment.

IT Consulting
In IT Consulting, the TDS Group posted revenues of €4,314 thousand in the short fiscal year January 1 to March 31, 2008, up 27.5 percent over the first quarter of 2007 (€3,384 thousand). In particular, revenue growth in this segment can be attributed to the positive development of business outside Germany.

In the short fiscal year January 1 to March 31, 2008, order intake amounted to €8,053 thousand. Order backlog totaled €10,018 thousand at March 31, 2008, equivalent to an increase of 59.5 percent over 2007.

EBIT improved from minus €291 thousand (margin: minus 7.4 percent) to minus €260 thousand (margin: minus 4.9 percent), mainly thanks to lower travel expenses.

At March 31, 2008, the TDS Group employed 159 staff in this segment.

Financial income (interest)
Negative financial income (interest) improved from minus €441 thousand in the first quarter of 2007 by €297 thousand to minus €144 thousand. This is mainly due to one-time income from associated companies in the amount of €373 thousand in the short fiscal year 2008. However, this was offset by higher interest expenses of around €100 thousand in connection with third-party financing for the purchase price of dsoftware (€7,500 thousand) in May 2007.

Income taxes
Income taxes increased from minus €378 thousand by €267 thousand to minus €645 thousand. This is mainly due to the €751 thousand increase in earnings before taxes. The tax rate fell from 40.5 percent in the first quarter of 2007 to 38.3 percent.

Assets and financial situation

Consolidated balance sheet: assets

Assets	March 31, € thousands	Dec 31, 2007 € thousands
Non-current assets		
Intangible assets	45,538	45,415
Property, plant and equipment	14,677	13,931
Other assets	4,302	4,528
	64,517	**63,874**
Current assets		
Trade receivables	20,995	22,284
Cash and cash equivalents	192	2,063
Other assets	6,416	2,694
	27,603	**27,041**
Total assets	**92,120**	**90,915**

Intangible assets were almost unchanged with €45,538 thousand at March 31, 2008, in comparison to €45,415 thousand at December 31, 2007. These include concessions, intellectual property and licenses (mainly for software) of €9,064 thousand (€8,819 thousand at December 31, 2007), capitalized software development costs of €4,033 thousand (€4,006 thousand at December 31, 2007), rented software in the amount of €1,143 thousand (€1,292 thousand at December 31, 2007) and goodwill in the amount of €31,298 thousand (€31,298 thousand at December 31, 2007).

Property, plant and equipment rose by €746 thousand due to an increase in rented hardware in connection with higher order intake at IT Outsourcing.

The €1,289 thousand decrease in trade receivables, from €22,284 thousand to €20,995 thousand is mainly attributable to a €2,224 thousand increase in receivables from license sales in December 2007, which did not exist in this amount in the short fiscal year 2008.

Other non-current assets comprise inventories to the value of €110 thousand (€122 thousand at December 31, 2007), current tax assets in the amount of €210 thousand (€187 thousand at December 31, 2007), receivables due from Fujitsu Services in the amount of €3,510 thousand (€756 thousand at December 31, 2007), prepaid expenses in the amount of €2,236 thousand (€1,292 thousand at December 31, 2007) and other assets to the value of €350 thousand (€337 thousand at December 31, 2007).

The €2,754 thousand increase in receivables due from Fujitsu Services is due to receivables from costs/services to third parties, which were up by €954 thousand, and a loan receivable in the short fiscal year 2008 in the amount of €1,800 thousand (see "Net financial liabilities").

The €944 thousand rise in prepaid expenses is contingent upon the balance-sheet date. Prepaid expenses are usually paid at the start of the year, so that they are higher at the start of the year than at the end of the year.

Consolidated balance sheet: shareholders' equity and liabilities

Shareholders' equity and liabilities	**March 31,** € thousands	**Dec 31, 2007** € thousands
Shareholders' equity	**36,832**	**35,754**
Non-current liabilities		
Financial liabilities	25,269	26,692
Provisions for pensions	5,283	5,174
Other liabilities	100	130
	30,652	**31,996**
Current liabilities		
Financial liabilities	3,612	4,222
Trade payables	3,742	3,131
Provisions	7,460	8,197
Other liabilities	9,822	7,615
	24,636	**23,165**
Total shareholders' equity and liabilities	**92,120**	**90,915**

Financial liabilities break down as follows:

	March 31, € thousands	**Dec 31, 2007** € thousands
Amounts due to the majority shareholder	15,500	17,500
Amounts due to banks	5,001	5,007
Finance leases	8,380	8,407
	28,881	**30,914**
Of which are non-current liabilities	25,269	26,692
Of which are current liabilities	3,612	4,222

For the development of financial liabilities not including finance leases, see "Net financial liabilities".

Finance leases exist mainly in connection with leased hardware and remain almost unchanged at €8,380 thousand, compared with €8,407 thousand at December 31, 2007.

Provisions for pensions rose by €109 thousand, from €5,174 thousand to €5,283 thousand, due to contributions to existing pension plans.

Net financial liabilities
Minimizing financial risks and continuously optimizing financing arrangements are key tasks of Company management. Through long-term financial planning, the Group has established a system of liquidity planning covering a period of twelve months, offering high visibility into its financial situation and liquidity. Credit lines made available by Fujitsu Services and improved profitability ensure that TDS management always has sufficient cash reserves at its disposal.

Net financial liabilities developed as follows:

	March 31, € thousands	Dec 31, 2007 € thousands
Amounts due to Fujitsu Services	15,500	17,500
Corporate bond	5,000	5,000
Amounts due to banks	1	7
Gross financial liabilities	**20,501**	**22,507**
Receivables due from Fujitsu Services	1,800	0
Cash and cash equivalents	192	2,063
Net financial liabilities	**18,509**	**20,444**

Within the scope of the intercompany loan arrangement concluded between TDS and Fujitsu Services on April 25, 2007, a non-amortizing loan in the amount of €17,000 thousand and with a term of 36 months was granted by Fujitsu Services Overseas Holdings Limited, London, UK (Fujitsu Services) on December 28, 2007. The interest rate is 6.35 percent per annum for the entire term of the loan, with interest due for payment on a quarterly basis. An unscheduled repayment of €1,500 thousand was made in the short fiscal year January 1 to March 31, 2008.

In addition, TDS was granted a current-account credit line of up to €2,500 thousand, also within the scope of the intercompany loan arrangement. TDS had used €0 thousand of this amount at March 31, 2008 (€500 thousand at December 31, 2007). Interest for used credit line is defined each month based on the applicable Libor rate, plus a premium of 2.0 percent.

Statement of cash flows (executive summary)

	Q1 2008 € thousands	Q1 2007* € thousands
Cash flows from operating activities	**3,397**	**-1,000**
Purchase of intangible assets, property, plant and equipment	-2,454	-1,197
Changes in financial assets	180	23
Cash flows from investing activities	**-2,274**	**-1,174**
Cash flows from financing activities	**-2,995**	**-838**
Currency translation effects	1	-12
Change in cash and cash equivalents	-1,871	-3,024
Cash and cash equivalents	**192**	**1,123**

* = unaudited

Cash flows from operating activities climbed by €4,397 thousand, from minus €1,000 thousand to €3,397 thousand. This is mainly attributable to increased days sales outstanding (DSO) for trade receivables and higher bonus payments in the first quarter of 2007.

In the short fiscal year January 1 to March 31, 2008, the TDS Group invested €3,379 thousand in intangible assets and property, plant and equipment (€4,128 thousand in the first quarter of 2007). Total capital expenditure included actual payments of €2,417 thousand (€1,803 thousand in the first quarter of 2007), with €962 thousand due for future payment under leasing agreements (€2,325 thousand in the first quarter of 2007). Capital expenditure was offset by proceeds from the disposal of non-current assets amounting to €1 thousand (€636 thousand in the first quarter of 2007) and currency translation effects totaling minus €38 thousand (minus €30 thousand in the first quarter of 2007), leading to net capital expenditure of €2,454 thousand (minus €1,197 thousand in the first quarter of 2007).

Capital expenditure in property, plant and equipment totaled €2,408 thousand (€3,275 thousand in the first quarter of 2007), and was largely attributable to computer and office equipment for customer projects. The Group invested €971 thousand in intangible assets (€853 thousand in the first quarter of 2007). This was mainly for in-house software development in the amount of €184 thousand (€507 thousand in the first quarter of 2007) and new concessions and licenses in the amount of €787 thousand (€166 thousand in the first quarter of 2007).

The decrease in cash flows from financing activities, from minus €838 thousand to minus €2,995 thousand, is mainly due to the repayment of amounts due to the majority shareholder in the short fiscal year 2008, totaling €2,000 thousand.

Other performance indicators

IT outsourcing and HR services are handled at state-of-the-art TDS data centers in Neckarsulm, Germany, and St. Gallen, Switzerland. The facilities meet all the latest security standards. The Neckarsulm centers are certified in accordance with ISO 9001:2000 and ISO 27001:2005, and VDA prototype protection requirements. Furthermore, they are validated in accordance with EU-cGMP (Good Manufacturing Practice), and Section 25a, Subsections 1 and 2 of the German Banking Law (KWG).

There is no dependency on suppliers because the Company ensures access to at least two suppliers for all key products and services. However, a certain dependency exists at IT Consulting due to the focus on the SAP space; this is actively managed and monitored. TDS evaluates key suppliers annually, with a rating of delivery capability, strategy, problem solving, willingness to collaborate, and communications. If the overall rating is only "satisfactory", the Company switches supplier.

Summary of business development in the short fiscal year January 1 to March 31, 2008

Overall, we are satisfied with business development in the short fiscal year 2008. Key performance indicators for finances and earnings improved.

4 Research and development (R&D)

TDS is an IT service provider, and as such has no dedicated R&D department. However, the Company regularly reviews its service portfolio, and takes steps to accommodate changing market and customer requirements, in line with overall Company strategy. In addition, the HR Services & Solutions and IT Consulting segments carry out development work to ensure the successful evolution of the Company's software products.

5 Employees

The TDS Group employed 986 staff at March 31, 2008 (952 at December 31, 2007), of which 320 were employed at IT Outsourcing (305 at December 31, 2007), 507 in the HR Services & Solutions segment (500 at December 31, 2007), and 159 at IT Consulting (147 at December 31, 2007). The average age was 39.7. At March 31, 2008, there were 22 trainees (26 at December 31, 2007). Staff turnover, expressed in terms of the number of employees leaving the Company in relation to the headcount at the beginning of the year plus new appointments, was 3.2 percent in the short fiscal year 2008.

In the short fiscal year 2008, the Company invested €228 thousand in the external training and development of staff (€731 thousand in fiscal 2007). TDS also organized many in-house training sessions.

TDS promotes the high commitment of its staff, and rewards good performance by means of variable salaries. The variable salary should generally account for at least 10 percent, or sometimes more than 30 percent, of an employee's total salary. Employee performance is assessed on the basis of personal goals, and the underlying goals of the Company - for example, TDS operating earnings.

TDS is committed to developing its own people, and has high expectations of its staff. To compensate for the lack of executive recruits and skilled professionals on the open market, TDS employs a defined career-development model. In total, there are ten positions defined at TDS: consultants, systems administrators, sales staff, clerks, senior professionals, assistants, administrative staff, project managers, developers, and support agents. Each position has its own career-development path along which employees can progress as they acquire more skills and experience. TDS offers training and development programs for both hard skills (sales, consulting, project management), and soft skills (motivation and success, speaking and presentation skills, chairing meetings, and management).

6 Compensation report

The TDS compensation report describes the principles for defining Executive and Supervisory Board remuneration. Disclosures regarding the amounts of compensation and the number of shares held by Executive and Supervisory Board members can be found in the notes to the consolidated financial statements (note 45 "Further relevant information concerning the Executive and Supervisory Board").

Executive Board compensation
The Supervisory Board is responsible for defining Executive Board compensation. The HR Committee of the Supervisory Board was responsible for this prior to its dissolution through a Supervisory Board resolution of March 12, 2008. During the short fiscal year 2008, the HR Committee initially comprised the Chairman of the Supervisory Board, Andrew MacNaughton, as well as Supervisory Board members Karl Heinz Achinger and Dr. Martin Schütte. Both Karl Heinz Achinger and Dr. Martin Schütte resigned from their positions on the Supervisory Board, effective after February 29, 2008.

The compensation system was reviewed and adjusted effective from January 1, 2008. Executive Board compensation remains performance related and can be broken down into several components: fixed compensation, variable compensation, and compensation for additional roles and responsibilities. For fixed and variable compensation, a target income is defined and subject to regular examination. Examinations comprise assessment of personal performance, of the economic development of TDS, and of Executive Board compensation at comparable companies.

Executive Board compensation breaks down as follows:

- Fixed compensation is paid as a monthly salary.

- In addition, Executive Board members receive compensation for additional roles and responsibilities in the form of company cars for private use and insurance premiums. Because Winfried Holz already has access to a company car via another Fujitsu Group subsidiary, he has no claim to a TDS company car.

- Variable compensation is in the form of an annual, performance-related bonus. Calculation of the bonus is based on the individual performance of Executive Board members and the performance of the Company, comparing actual performance to the targets set for each Executive Board member at the beginning of the year. The definition of targets and the extent to which they are achieved are subject to the discretion of the Supervisory Board. Executive Board member Dr. Heiner Diefenbach receives an additional bonus, regardless of whether mid-term targets for increasing the Company's value are achieved. This bonus is based on the extent to which the Company achieves targets defined at the start of each fiscal year on the basis of mid-term planning.

- In the past, Executive Board members were granted subscription rights to shares (share options) and virtual share options, within the scope of compensation. The current compensation system does not employ share-based payment as a long-term incentive; no share-based compensation was granted to Executive Board members during the reporting period. Disclosures on the structure and fair value of share options granted in the past can be found in the notes to the consolidated financial statements. The key features of these instruments are described below.

Compensation for active Executive Board members totaled €288 thousand in the short fiscal year from January 1 to March 31, 2008. Details of Executive Board compensation in the short fiscal year 2008 can be found in the table in note 45 “Further relevant information concerning the Executive and Supervisory Board”.

Share options

On May 23, 2002, the annual shareholders’ meeting authorized a share-option plan, enabling Executive Board members and employees of the TDS Group to be granted share options in the Company. These share options were granted in 2002 (2002 tranche) and 2004 (2004 tranche).

Share options granted in fiscal 2002 expired in fiscal 2006 and can no longer be exercised.

Options granted in 2004 can be exercised as follows:

	Term of share options	Service period	Exercise period
Tranche 1 (50 percent)	2004 to 2007 (Nov – Nov)	2 years	Nov 2006 – Nov 2007
Tranche 2 (50 percent)	2004 to 2008 (Nov – Nov)	3 years	Nov 2007 – Nov 2008

The Black-Scholes pricing model is used to calculate the fair value of each option upon the date of grant.

The following weighted-average assumptions were made for the 2004 tranche: Share price €2.69, exercise price €2.96, average dividend yield 0 percent, risk-free interest rate of 3.5 percent, volatility 40.0 percent and a term of three years for 50.0 percent of the options and four years for the remaining 50.0 percent. The Black-Scholes fair value was €0.74 and €0.88 on the date of grant.

At March 31, 2008, the former Chairman of the Executive Board, Ralf Klemisch, held 25,000 subscription rights to shares.

Virtual share options

The Supervisory Board granted the Executive Board 125,000 virtual share options in both 2006 and 2005. For virtual share options granted in 2006, Executive Board members were to receive a cash bonus in 2008 that would have been based on the difference between the average prices of TDS shares in June 2006 and June 2008. For virtual share options granted in 2005, Executive Board members were to receive a cash bonus in 2007 that would have been based on the difference between the average prices of TDS shares in June 2005 and June 2007. The increase in value would be multiplied by the number of options granted, and paid by the Company in cash. Advanced calculation and payment of the bonus would be possible if, for example, the majority of TDS shares are transferred to a new shareholder, and this majority shareholder then issues a mandatory offer to all remaining TDS shareholders. In this case, the price cited in the mandatory offer is used as the basis for bonus calculation.

The fair value of virtual share options is calculated in line with IFRS 2. This is for “Asian options” that, in contrast to “European options”, are not valued at one balance-sheet date, but on the basis of the average market value over a period of time. For two “European options”, fair value was calculated at the grant date using the average value determined via the Black-Scholes method.

Fair value, calculated at the grant date using the Black-Scholes method, was €0.80 per share for virtual share options granted in 2006, and €0.31 for those granted in 2005.

The following weighted-average assumptions were made for virtual share options granted in 2006: Share price €2.84, exercise price €2.44, average dividend yield 0 percent, risk-free interest rate of 3.71 percent, volatility 34.0 percent, and a term of 23.3 months.

The following weighted-average assumptions were made for virtual share options granted in 2005: Share price €2.06, exercise price €2.33, average dividend yield 0 percent, risk-free interest rate of 2.80 percent, volatility 37.45 percent, and a term of 18.5 months.

On February 26, 2007, Fujitsu Services Overseas Holdings Limited, London, UK (Fujitsu Services) issued a mandatory offer to remaining TDS shareholders in the amount of €2.80 per share, pursuant to the German Securities Acquisition and Takeover Act (WpÜG). As a result, all requirements for advanced calculation and payment of the bonus were met. The value per virtual share is based on the difference between the exercise price and the price cited in the mandatory offer. In fiscal 2007, Executive Board members received €0.36 per share for virtual options granted in 2006 (€45 thousand in total), and €0.47 per shares for virtual options granted in 2005 (€59 thousand in total).

Other business

TDS has a Directors and Officers Insurance (D&O insurance) for Executive and Supervisory Board members that covers personal liability for a defined group of people. No deductible exists as defined by Subsection 3.8 of the German Corporate Governance Code. A general consensus has not been reached at TDS as to the usefulness of defining an appropriate deductible, and, as before, no recognizable standard practice been established.

Should an Executive Board member be dismissed from his position for reasons other than gross misconduct, and should his employment contract with the Company come to an end prematurely as a result of this dismissal, the corresponding member shall receive compensation based on his basic salary for the total remaining term of his employment contract, plus bonuses.

If no mutual agreement is reached by December 31, 2011 with regards to the continuation or termination of the employment contract of Executive Board member Dr. Heiner Diefenbach, and, as a result, his employment contract with the Company comes to an end on December 31, 2012, Dr. Heiner Diefenbach shall receive additional compensation provided the contract is not terminated due to gross misconduct. This compensation shall amount to one month of his gross salary for each year of his employment contract since January 1, 2005, including bonuses based on his salary for the previous year's salary. This compensation shall also be paid if the employment contract is terminated by mutual agreement before the end of its term, as described above.

Furthermore, this compensation shall be paid if the Company changes its legal form before December 31, 2012 and Dr. Heiner Diefenbach is not offered a position on the Executive Board or in senior management, or if the Company is acquired by or merged with Fujitsu before December 31, 2012. In the same way, Dr. Heiner Diefenbach is entitled to this compensation if there is a change of control at TDS. A change of control exists if a majority holding in the Company is purchased by a legal entity outside of the Fujitsu Services group.

No loans or advanced payments were granted to Executive Board members in the short fiscal year 2008; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In the short fiscal year 2008, third-party services were neither promised nor granted to Executive Board members, for their activities on the Executive Board.

Supervisory Board compensation

Supervisory Board remuneration is defined in Section 17 of the Articles of Incorporation, whereby each Supervisory Board member receives the following:

a) fixed compensation in the amount of €8,000.00, payable at the end of the fiscal year;

b) a bonus payable after the Company's consolidated financial statements have been approved, in the amount of €500.00 for each €0.01 net income per share (fully diluted), or part thereof, over and above net income per share of €0.09;

c) a fee for attending Supervisory Board meetings or committee meetings, in the amount of €1,250.00 per meeting.

The amounts given above for the fixed compensation and bonus are doubled for the Chairman of the Supervisory Board, multiplied by a factor of 1.5 for the Deputy Chairman of the Supervisory Board and for the Chairmen of Supervisory Board committees, and multiplied by a factor of 1.25 for selected members of Supervisory Board committees. Should a Supervisory Board member exercise more than one of these functions, compensation is paid on the basis of the function with the highest compensation.

Supervisory Board members also receive reimbursement for expenses incurred when performing their tasks. The Company also reimburses VAT on payments they have received from TDS.

Compensation for Supervisory Board members totaled €34 thousand in the short fiscal year from January 1 to March 31, 2008. A detailed overview can be found in note 45 "Further relevant information concerning the Executive and Supervisory Board".

In the short fiscal year 2008, the Company did not pay compensation or grant benefits for services delivered in person by Supervisory Board members, in particular for consulting or brokerage services.

7 Disclosures pursuant to Section 315, Subsection 4 of the German Commercial Code (HGB)

As a stock corporation with publicly traded voting shares, as defined under Section 2 Subsection 7 of the German Securities Acquisition and Takeover Act (WpÜG), TDS is obliged to disclose the following:

Breakdown of share capital
The share capital of the Company consists entirely of voting shares, each with a nominal value of €1.00.

Restrictions on voting rights or the transfer of shares
There are no restrictions on voting rights or the transfer of shares.

Direct and indirect holdings with more than 10 percent of voting rights
At March 31, 2008, Fujitsu Services Overseas Holdings Limited, 22 Baker Street, London W1U 2BW, UK, directly held over 80 percent of shares in TDS.

Bearers of shares with special rights
There are no bearers of shares with special rights.

Type of control in the case of voting rights for employee shares
There are no employee shares. There are no controls through voting rights for free-float shares.

Legal provisions and provisions in the Articles of Incorporation for the appointment of Executive Board members and termination of their membership, and for changes to the Articles of Incorporation
The appointment of Executive Board members and the termination of their membership, and changes to the Articles of Incorporation are based on the corresponding legal provisions. There are no provisions in the Articles of Incorporation that deviate from legal provisions.

Authority of the Executive Board to issue and buy back shares
Through a resolution passed at the ordinary annual shareholders' meeting on July 24, 2007, the Executive Board is authorized to purchase shares with a value of up to 10 percent of equity on one or multiple occasions, until January 23, 2009, and to sell these shares on the stock exchange, with the agreement of the Supervisory Board. Furthermore, with the agreement of the Supervisory Board, the Executive Board is authorized to sell previously purchased shares, while excluding shareholders' statutory subscription rights, by means other than the stock exchange or offering them to all shareholders. In addition, the Executive Board is authorized to sell shares acquired through mergers or investments in other companies, and to use purchased shares to fulfill subscription rights. The Executive Board is permitted, with the agreement of the Supervisory Board, to withdraw some or all of the shares acquired as a result of this resolution.

The Executive Board is authorized to increase the Company's share capital with the agreement of the Supervisory Board on one or multiple occasions by up to a total of

€14,589,308.00 until July 2, 2011, by means of issuing new bearer shares against cash or non-cash contributions (authorized capital).

The Executive Board is authorized to increase share capital by up to €504,500.00 by means of issuing up to 504,500 bearer shares (authorized-but-contingent capital IV). Furthermore, the Executive Board is authorized to increase share capital by up to €7,750,000.00 by means of issuing up to 7,750,000 bearer shares (authorized-but-contingent capital V).

Material agreements relating to a change of control in the event of a takeover bid
There are no agreements that lead to a mandatory offer in accordance with Section 35 of the German Securities Acquisition and Takeover Act (WpÜG). Change-of-control clauses are included in certain contracts with customers, suppliers and banks. At March 31, 2008, there was not a single case where a contractual partner has invoked such a clause.

Compensation agreements
There are no compensation agreements for the Supervisory Board.

Should the Executive Board contract of Dr. Heiner Diefenbach be terminated in connection with a change in control at TDS, he shall be entitled to compensation in the amount of one month of his gross salary for each year of his employment contract since January 1, 2005, plus a bonus payment based on his salary for the previous year.

8 Risk report

Shareholder value: a key company goal
The TDS Group is committed to systematically and continuously increasing shareholder value. The Company takes appropriate and manageable risks where this enables opportunities arising from TDS' core competencies to be exploited, and where there is potential for corresponding value added. However, aggregate exposure must not exceed aggregate potential cover. Moreover, the Company does not engage in any speculative business activities. As an integral part of value-driven management, risk management reports are submitted directly to the Executive Board. Exposure is subject to ongoing scrutiny, with regular identification, evaluation and monitoring of the uncertainties inherent to all business activities and processes, in all segments. Systematic risk management supports the effective discovery, assessment, management and minimization of exposure, as well as the exploitation of opportunities.

Professional risk management
TDS has implemented a Group-wide risk-management system that enables early detection and professional evaluation of risks, and permits their control and minimization by means of adequate tools. It includes a wide range of control mechanisms, e.g. for the identification, monitoring and control of internal company processes and business risks. By defining Group-wide standards and requirements, the Executive Board has created the framework for systematic and effective risk management. The risk-management system supports the assessment and management of risks, as well as the exploitation of opportunities. Close cooperation between the Supervisory Board and the Executive Board is an integral part of this system.

The operational managers of individual divisions are responsible for early detection, control and communication of exposure. The next highest level of management is responsible for monitoring these activities. There is regular reporting on exposure, including the first occurrence, the status and material changes to significant risks. This also entails regular reporting on current exposure to the Executive Board by heads of the divisions (segments). Moreover, where it is a matter of urgency, significant new risks are communicated directly and immediately to the Executive Board outside the scope of normal regular reporting.

Implementation of the risk-management system and controls is verified by external auditors. The insights gained through this independent review are employed to refine procedures for early detection and control.

Operational risk
The demand for IT products and services depends on the development of the economy as a whole. A fall in domestic German demand may negatively impact spending. Against this background, it is possible that the call for IT services may fall, and investment in new projects may be postponed, or fail to materialize.

Low growth may cause competition to intensify in the IT market, particularly in the consulting and outsourcing segments. Mergers, and the arrival of new competitors, could negatively impact profitability, and prevent TDS from reaching targets for IT Consulting and HR Services & Solutions, as well as for IT Outsourcing. TDS' customer base is sufficiently diversified in all three segments, so TDS is not overly dependent on specific price or industry developments.

Competitive pressures remain high in the IT consulting market. SAP AG is developing its own sales organization, and will therefore be an additional competitor in the mid-term. This makes it more difficult for TDS to achieve high daily rates with new customers or in new projects with existing customers, despite our expertise in specific industries and applications.

HR is a growth market, attracting players with a variety of core competencies, such as management consultants, telcos, and hardware vendors. This may lead to fiercer competition. Possibly, the Company will not succeed in persuading customers of the value and benefits of TDS services. Overall, the HR segment is primarily exposed to market change. Risks are limited and reasonably calculable in nature, as BPO, ASP and maintenance services are delivered in 90 percent of cases via long-term contracts, ensuring the long-term viability of the segment. At present, there are no identifiable material risks that would threaten the future of the segment.

There is a certain dependency on major customers at IT Outsourcing. 80 percent of total revenues in this segment are generated with 25 percent of customers. Furthermore, it is not possible to entirely rule out unexpected errors or defects that could cause additional costs or damage the Company's image. Equally, the possibility of customers filing claims for damages cannot be fully excluded.

As a result of expected growth in the IT Outsourcing segment, there is a risk that TDS data centers may reach maximum capacity in the course of 2008. TDS is currently examining various ways to counter this risk, including the construction of a new IT services center.

TDS' success relies heavily on the availability of employees with excellent IT and interpersonal skills, and the Company will continue to position itself as an attractive employer. With a dedicated program for the recognition of specialist and management skills, TDS hopes to increase the long-term loyalty of senior managers.

Levels of receivables may conceal risks relating to their realization in individual regions or subsidiaries. TDS counters this risk with strict receivables management and rapid risk classification.

There may be certain risks associated with the financial structure of the Company. As a result, TDS has implemented measures to improve its bank credit ratings, and reduce borrowing costs in previous years.

The success of an acquisition largely depends on the subsequent integration of the acquired company. There is a risk that the purchase of the Company by the Fujitsu Group may lead to difficulties with the integration of employees, or the integration of operations with regard to marketing and customer services. There is also a danger that customer relationships cannot be continued or extended to the degree planned. To minimize these risks, TDS and Fujitsu Services established a dedicated integration team, with its own steering committee. The team's aim is to ensure successful integration, and achieve the desired results.

With a multinational player such as Fujitsu Services, TDS has the opportunity to secure cross-border projects, and to bid for projects from larger companies. Combining the offerings of TDS and Fujitsu Services will open up many new market opportunities.

Financial instruments
The goal of financial instruments is to minimize risks arising from the negative development of financial markets on the financial situation and earnings of TDS, insofar as this is possible. These include derivative financial instruments that are employed by the Company exclusively to hedge underlying transactions. In fiscal 2007, TDS held interest-rate swaps to hedge liabilities from the pooled loan facility against interest-rate increases. Following repayment of this loan using a loan from the majority shareholder, these swaps were terminated on December 6, 2007, prior to maturity. Off-balance-sheet financial instruments, such as the sale of receivables (factoring), asset-backed securities transactions, and sale-and-lease-back arrangements were not applied.

Conclusion
TDS is confident that the risks identified here neither individually nor in their totality are of a type that threatens the viability of the Company. The market and financing risks described are limited and reasonably calculable. At present, there are no identifiable material risks that would threaten the future of the Company.

9 Events after the balance-sheet date

There were no transactions of particular significance that could negatively impact the Company's assets, financial position, or earnings.

The Company has not identified any serious macroeconomic or industry-related changes since March 31, 2008 that could lead to a change in the assessment of the Company's situation.

Remaining minority shareholders of TDS objected to the minutes taken by a notary public of the extraordinary shareholders' meeting on February 29, 2008, which saw a resolution passed approving the subordination agreement concluded between TDS AG and Fujitsu Services on January 11, 2008. Challenges were also mounted against the resolution itself, and a corresponding hearing is pending.

10 Outlook

Outlook for TDS
The outlook for TDS and its subsidiaries for the coming months remains positive. In the long-term, the takeover by Fujitsu Services will have a positive impact on Group development.

All three segments are expected to contribute to growth. IT Outsourcing, which offers a selective outsourcing portfolio geared towards customers' specific needs, anticipates further expansion. New services will ensure growth in the volume of business with existing customers. Outsourcing remains an attractive option for companies, as underlined by leading global sourcing advisors TPI, and Forrester Research. Forrester Research expects the European outsourcing market to continue to expand over the coming quarters, and to become more diverse and competitive. It also foresees market consolidation. According to TPI and Forrester Research, the EMEA region (Europe, Middle East, Africa) will see particularly high growth.

HR Services & Solutions will reap the benefits of the Business Process Outsourcing (BPO) trend, as more companies choose to outsource HR tasks - such as managing and billing travel expenses, recruitment, etc. As a result, this segment can expect revenues to increase in the future. According to a study by Gartner, the global BPO market is the fastest growing IT services segment - with sales set to increase from 144 billion US dollars in 2006 to 235 billion US dollars in 2011.

IT Consulting is also expected to develop positively, through a continuation of the positive trend in Germany, and new impulses in Switzerland. Business with mid-size enterprises will be fuelled by SAP's new solutions for this target group.

TDS anticipates particularly strong growth in Switzerland, following the change in management in the fourth quarter of 2007. In conjunction with the reorganization of sales and the recruitment of around 20 new consultants, we expect a significant increase in revenues.

New markets, new opportunities

With the help of its parent company Fujitsu Services, TDS will be better placed to offer IT outsourcing and consulting services outside of Germany in the future. Together, Fujitsu Services and TDS can build on their positions in the European market.

In 2007, SAP introduced SAP Business ByDesign - a completely new software concept for the midmarket. TDS is well prepared for this development, and will enhance the SAP offering with its own consulting services. Building on the Company's extensive experience with SAP solutions, the TDS Executive Board expects the IT Consulting segment to benefit, provided that the market accepts the new software.

General economic outlook

Forecast for economic development

In April 2008, the Ifo institute for economic research estimated moderate economic growth in Germany in 2008, with a 1.8 percent increase in GDP. Ifo anticipates that international trade will grow at rates of 5.0 percent and 5.5 percent in 2008 and 2009 respectively. World economic growth of 2.9 percent is projected for 2008, after 3.6 percent for fiscal 2007.

This assumes a slight improvement in the situation on the financial markets, following the disruptions caused by the subprime mortgage crisis in the US.

The Executive Board of TDS expects the economy to remain stable, exerting positive impact on the Company's development.

Industry-specific outlook

In March 2008, industry association BITKOM forecast that the German IT market will grow by 4.6 percent to €67 billion in fiscal 2008, following expansion of 5.0 percent in 2007. (In 2008, BITKOM adjusted its market segmentation for forecasts. As a result, comparisons with information in the management report for the 2007 annual report are only possible to a limited extent).

In general, the trend toward IT outsourcing remains strong: according to a Gartner study, market volume will climb from €12.1 billion in 2006 to €18.3 billion in 2010. In Germany, outsourcing demand from German companies is expected to grow from 10 percent to 27 percent.

Earnings and financial situation

Overall, the Executive Board assumes that TDS will continue to develop positively. We expect revenues of €115 million and EBIT margin of 8 to 9 percent for fiscal 2009 (April 1, 2008 to March 31, 2009), and revenues of €128 million and EBIT margin of 10 to 11 percent for fiscal 2010.

Compensation payments due to shareholders as a result of the subordination agreement concluded with Fujitsu Services in 2008 will affect net income accordingly.

In order to meet expectations of future growth, TDS plans to increase headcount in 2008.

Expected capital expenditure

Projected growth in the IT Outsourcing segment suggest that TDS data centers will reach maximum capacity in the course of 2008, requiring construction of a new IT services center.

The volume of capital expenditure is expected to total around €10 million over the next two years.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement for the short fiscal year January 1 to March 31, 2008

	Notes	Jan 1, 2008 to March 31, 2008 € thousands	2007 € thousands
Revenues	7	29,008	106,178
Cost of sales	8	-22,163	-74,685
Gross profit		**6,845**	**31,493**
Selling and marketing costs		-2,241	-9,990
General and administrative expenses		-2,924	-12,502
Other operating income and expenses	10	148	654
Earnings before financial income (interest), taxes and minority interest (EBIT)		**1,828**	**9,655**
Financial income (interest)	12	-144	-1,976
Earnings before taxes and minority interest (EBT)		**1,684**	**7,679**
Income taxes	13	-645	-3,932
Consolidated net income		**1,039**	**3,747**
Earnings per share (basic)	14	**0.04**	**0.13**
Earnings per share (diluted)	14	**0.04**	**0.13**

The accompanying notes are an integral part of the consolidated financial statements.

Consolidated balance sheet at March 31, 2008

Assets	Notes	March 31, 2008 € thousands	Dec 31, 2007 € thousands
Non-current assets			
Intangible assets	15	45,538	45,415
Property, plant and equipment	17	14,677	13,931
Investment property	18	844	864
Investments in associated companies	20	626	252
Other financial assets	21	60	240
Other assets	22	537	492
Deferred tax assets	23	2,235	2,680
		64,517	**63,874**
Current assets			
Inventories	24	110	122
Trade receivables	25	20,995	22,284
Current tax assets		210	187
Other assets	26	6,096	2,385
Cash and cash equivalents	27	192	2,063
		27,603	**27,041**
Total assets		**92,120**	**90,915**

The accompanying notes are an integral part of the consolidated financial statements.

Shareholders' equity and liabilities	Notes	March 31, 2008 € thousands	Dec 31, 2007 € thousands
Shareholders' equity			
Share capital	28	29,296	29,296
Additional paid-in capital	28	35,681	35,681
Accumulated comprehensive income	28	153	114
Retained earnings	28	-28,163	-29,202
Treasury shares	28	-135	-135
		36,832	**35,754**
Non-current liabilities			
Provisions for pensions	29	5,283	5,174
Other provisions	30	0	0
Financial liabilities	31	25,269	26,692
Other liabilities	33	100	130
		30,652	**31,996**
Current liabilities			
Other provisions	30	7,460	8,197
Customer downpayments	32	3,465	3,188
Trade payables	32	3,742	3,131
Financial liabilities	31	3,612	4,222
Current tax liabilities		0	0
Other liabilities	33	6,357	4,427
		24,636	**23,165**
Total shareholders' equity and liabilities		**92,120**	**90,915**

The accompanying notes are an integral part of the consolidated financial statements.

Statement of cash flows for the short fiscal year January 1 to March 31, 2008

	January 1 to March 31, 2008		2007	
	€ thousands	€ thousands	€ thousands	€ thousands
Consolidated net income		1,039		3,747
Non-cash items				
Write-ups/depreciation of property, plant and equipment	2,568		9,160	
Cost of share-option plans	0		5	
Changes in				
Provisions for pensions	109		397	
Other provisions	-737		-563	
Profit/loss from investments in associated companies	-374		-73	
Profit/loss from disposal of non-current assets	-1		-35	
Net change in deferred taxes	445	**2,010**	2,883	**11,774**
Changes in operating assets and liabilities				
Inventories	12		233	
Receivables, other assets, and prepaid expenses	-2,452		-5,748	
Liabilities and deferred income	2,788	**348**	-2,562	**-8,077**
Cash flows from operating activities		**3,397**		**7,444**
Purchase of intangible assets, property, plant and equipment	-2,455		-8,978	
Proceeds from disposal of non-current assets	1		1,285	
Acquisition of consolidated subsidiaries, net cash and cash equivalents acquired	0		-6,353	
Proceeds from lendings repaid	180		1,655	
Cash flows from investing activities		**-2,274**		**-12,391**
Proceeds from borrowings	0		6	
Repayments of amounts due to banks	-6		-11,775	
Repayments of obligations under finance leases	-989		-2,879	
Proceeds from share issues	0		15	
Repayments of (in fiscal 2007: Proceeds from) loans granted by the majority shareholder	-2,000		17,500	
Cash flows from financing activities		**-2,995**		**2,867**
Currency translation effects		1		-4
Change in cash and cash equivalents		-1,871		-2,084
Cash and cash equivalents at the beginning of the period		2,063		4,147
Cash and cash equivalents at the end of the period		**192**		**2,063**

Additional information	**Jan 1 to March 31, 2008**	**2007**
Interest payments	-469	-1,728
Proceeds from interest	27	211
Tax payments	-37	-672
Proceeds from taxes	52	9
Dividend payments (incoming)	0	5

The accompanying notes are an integral part of the consolidated financial statements.

Reconciliation of shareholders' equity

	Share capital		Additional paid-in capital	Accumulated comprehensive income	Retained earnings	Treasury shares		Shareholders' equity
	Shares	€ thousands	€ thousands	€ thousands	€ thousands	Number of shares	€ thousands	€ thousands
January 1, 2007	29,291,116	29,291	35,666	24	-32,859	56,214	-135	31,987
Correction to retained earnings for 2006*					-90			-90
Consolidated net income					3,747			3,747
Currency translation				90				90
Comprehensive profit/loss				90	3,747			3,837
Exercise of share options	5,000	5	10					15
Cost of share-option plans			5					5
December 31, 2007	29,296,116	29,296	35,681	114	-29,202	56,214	-135	35,754
Consolidated net income					1,039			1,039
Currency translation				39				39
Comprehensive profit/loss				39	1,039			1,078
March 31, 2008	29,296,116	29,296	35,681	153	-28,163	56,214	-135	36,832

* Correction pursuant to IAS 8 of an error in 2006. This correction was not recognized in profit or loss. Due to the insignificant nature of this error, and to maintain clarity and ease of comparison, this item was not adjusted in the 2006 balance sheet.

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF TDS INFORMATIONSTECHNOLOGIE AG

1 Accounting policies and practices

Description of business operations
TDS Informationstechnologie Aktiengesellschaft, Konrad-Zuse-Strasse 16, 74172 Neckarsulm, Germany (hereinafter "TDS AG" or "the Company") and its subsidiaries (hereinafter "the TDS Group" or "the Group") offers IT outsourcing, IT consulting, and HR services and solutions, with a focus on the German, Austrian and Swiss markets. The IT Outsourcing division provides application hosting at its state-of-the-art data centers, and assumes responsibility for entire customer IT infrastructures. The HR Services & Solutions division provides end-to-end payroll-accounting solutions and many other employee-management services. The IT Consulting division offers one-stop advice and assistance for SAP and Enterprise Content Management (ECM).

Principles of reporting
Pursuant to Section 315a of the German Commercial Code (HGB), the consolidated financial statements of TDS AG at March 31, 2008 are compiled in accordance with International Financial Reporting Standards (IFRS, formerly International Accounting Standards - IAS) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC, formerly the Standing Interpretations Committee - SIC), as applicable in the European Union. Due to the adjustment of the fiscal year of TDS AG in line with the fiscal year of the majority shareholder, Fujitsu Services Overseas Holding Limited, London, UK (Fujitsu Services), this report is based on the three-month period from January 1 to March 31, 2008 (short fiscal year). Figures provided for comparison are for full-year 2007. The consolidated financial statements of TDS at March 31, 2008 will be disclosed in the electronic Federal Gazette, and also available at www.unternehmensregister.de

Application of the provisions of Section 264, Subsection 3 of the German Commercial Code (HGB)
TDS HR Services & Solutions, GmbH, Neckarsulm, Germany, a subsidiary of TDS Informationstechnologie AG as defined by Section 290 of HGB, for which the reporting requirements are satisfied by the consolidated financial statements of its parent company, and TDS IT Consulting GmbH, Neckarsulm, Germany, make use of the exemption afforded by Section 264, Subsection 3 of HGB from the requirement for stock corporations to produce annual financial statements, and to subject these statements to audit.

Changes in accounting and valuation principles
The accounting and valuation methods used in the short fiscal year 2008 correspond to those used in 2007. The following interpretations came into force in the short fiscal year 2008. However, they did not have any impact on the TDS consolidated financial statements.

- IFRIC 11 *IFRS 2 - Group and Treasury Share Transactions*
- IFRIC 12 *Service Concession Arrangements*
- IFRIC 14 *IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

2 Principles of accounting, valuation and consolidation

The following principles of accounting, valuation and consolidation have been applied consistently for all periods. The same principles were also applied consistently by all companies included in the consolidated financial statements.

The consolidated financial statements are presented in euros (€). All amounts are given in thousands of euros.

Principles of consolidation

Annual financial statements of subsidiaries are drawn up according to the same date as the consolidated balance sheet, i.e. March 31, 2008 for the short fiscal year, and December 31, 2007 last year.

The consolidated financial statements include all significant subsidiaries.

A joint venture is included in equity. Because the fiscal year of the joint venture corresponds to the calendar year, an interim report was produced at February 29, 2008. Significant changes at March 31, 2008 have been taken into account.

All additional holdings are included at cost due to their less significant role with regard to the Group's assets, finances and income (see note 21 “Other financial assets”, and the table of subsidiaries and holdings). If the fair value of an investment in a company included at cost in the financial statements falls below the book value, the book value is written down accordingly. The write-down is recognized in profit or loss.

Pursuant to IFRS 3 *Business Combinations*, capital is consolidated using the purchase method. According to this method, the cost of acquired shares is offset against the parent company's holding in shareholders' equity at the time of purchase. The difference in the cost of acquisition and equity holding is allocated to the subsidiary's assets, liabilities and contingent liabilities at their fair values, regardless of the stake held by the parent company. Any difference between acquisition price and fair value of equity is recognized as goodwill.

All significant receivables and liabilities, revenues, expenses and income between companies included in the consolidated financial statements are netted and intercompany profits eliminated, unless they are realized by third parties. In accordance with IAS 12 *Income Taxes*, deferred taxes are formed for the elimination of intercompany transactions.

Foreign-currency translation

The balance sheets of foreign subsidiaries where the functional currency is not the euro are translated using the functional currency method (IAS 21 *The Effects of Changes in Foreign Exchange Rates*). For all foreign subsidiaries, this is the local currency, as it is the currency of the primary economic environment in which they operate. As a general rule, income and expenses are translated into euros using average exchange rates for the year, assets and liabilities are translated using official exchange rates at the balance-sheet date, and shareholders’ equity using the respective historical exchange rate. Differences arising from the translation of shareholders' equity are netted and included as a separate component of shareholders' equity, and not recognized in profit or loss. On the date of initial consolidation, the accumulated exchange difference is eliminated and reported in the income statement.

For the income statement, profit/loss is translated using average exchange rates for the year.

In the separate financial statements of consolidated companies, receivables, cash and cash equivalents and liabilities in foreign currencies are translated using exchange rates applicable at the balance-sheet date. All gains and losses arising from currency exchange effected before the balance-sheet date are recognized in profit or loss. This also applies to gains from exchange differences that are not realized by the balance-sheet date.

Exchange differences arising in connection with the consolidation of debt are recognized in profit or loss and reported under other operating income and expenses in the income statement.

In the schedule of consolidated assets, the value is translated at the beginning and the end of each fiscal year using the rate applicable at the respective dates. All other items are translated at average exchange rates. For the cost of acquisition and manufacture, and for accumulated depreciation, differences are listed in a separate column as currency translation effects.

The exchange rates of major currencies applied for currency translation developed as follows (in relation to the euro):

	March 31, 2008 Balance-sheet rate	March 31, 2008 Average rate for income statement	2007 Balance-sheet rate	2007 Average rate for income statement
US dollars	1.58100	1.49995	1.47160	1.37026
Swiss francs	1.57150	1.59986	1.65570	1.64271
Pounds sterling	0.79500	0.75784	0.7360	0.6844

Revenue recognition

Revenues are recognized upon delivery of services, or upon the transfer of risk to the customer. At this point in time, the amount of revenues can be measured reliably, and it is probable (more likely than not) that the economic benefits associated with the transaction will flow to the Company. Sales deductions and cash discounts are taken into account. Provisions for discounts and rebates granted to customers, including returns and other adjustments, are generally recognized during the same period in which revenues are posted.

Revenues for consulting are recognized once a service has been delivered - generally on the basis of man-hours at the applicable rates, and refundable expenses. Revenues for fixed-price consulting services are recognized according to the percentage-of-completion method: The ratio of costs already incurred to estimated total costs is used to calculate the percentage of completion. Corresponding profits from consulting are recognized on the basis of the calculated percentage of completion. Where the estimated costs exceed revenues, provisions are formed for expected losses on the basis of the cost of manufacture.

Revenues from licensing are recognized once the customer is in possession of the software and the installation key, and if payment is probable (more likely than not).

Costs of research and development

Research costs are recognized in the income statement when they occur. Development costs are capitalized, provided that they satisfy the requirements of IAS 38.

Financial income and expense

Financial income includes interest income, dividend income, and - until fiscal 2007 - profit from the valuation of derivatives. Interest income is included when the interest occurs, by means of the effective interest method (i.e. the interest rate that exactly discounts estimated future cash inflows through the expected life of the financial instrument or, when appropriate, a shorter period to the net book value of the financial asset or liability). Dividend income is included at the date of entitlement.

Financial expense includes interest expense from borrowing, interest expense for discounted provisions, and - until fiscal 2007 - losses from the valuation of derivatives. All borrowing costs are reported in the income statement by applying the effective interest method.

Income taxes

Income taxes owed or paid in the respective countries, including deferred taxes, are reported in the financial statements. They are calculated on the basis of expected local tax rates applicable at the time of deferred-tax realization; these rates are generally based on tax laws applicable or known at the balance-sheet date.

Earnings per share
Earnings per share are determined pursuant to IAS 33 *Earnings per Share*. Basic earnings per share are calculated by dividing consolidated net income (adjusted where necessary) by the weighted average number of shares outstanding. Undiluted earnings per share are calculated by dividing consolidated net income by the sum of the weighted average number of shares outstanding and the weighted average number of share options.

Intangible assets
Pursuant to IAS 38 *Intangible Assets*, intangible assets with finite useful lives are posted at the cost of acquisition or cost of manufacture and subject to scheduled amortization. Accordingly, the Company amortizes capitalized development costs and other intangible assets with finite useful lives on a straight-line basis over their useful lives. Intangible assets with finite useful lives are largely software licenses (between three and six years), in-house developed software (up to five years), customer bases gained through acquisitions (between five and seven or five and twenty years), and order backlog gained through acquisitions (seven years).

Under IAS 38, intangible assets with indefinite useful lives need not be regularly amortized, but are subject to annual impairment testing and must be written down to their lower recoverable amount, where necessary. With the exception of goodwill, TDS held no intangible assets with indefinite useful lives at the balance-sheet date, or in fiscal 2007.

Goodwill
In accordance with IFRS 3 *Business Combinations*, goodwill arising from business combinations is not regularly amortized, but subject to annual impairment testing pursuant to IAS 36 *Impairment of Assets*. Goodwill is tested for impairment at the level of the cash-generating units to which it is attributed, by comparing the book value of the unit with its recoverable amount. If the book value exceeds the recoverable amount, an impairment loss must be recognized. The recoverable amount is equivalent to the higher of the fair value less cost to sell, or the value in use. A cash-generating unit's value in use is defined as the present value of estimated future cash flows derived by the Company. Later write-up of an amount that was previously subject to an unscheduled write-down is not permissible.

Capitalized software development costs
Pursuant to IAS 38 *Intangible Assets*, costs for software developed in-house are capitalized and amortized. Development costs for new software products and significant updates to existing software are posted as expenses at the time the costs are incurred, until the technological feasibility of the software has been proven. Once this feasibility has been proven, and assuming that all other capitalization criteria pursuant to IAS 38 are met, further development costs are capitalized until the product is ready for general release. Cost of manufacture includes costs that are attributable directly or indirectly to development. In each period, capitalized software development costs for completed software are amortized according to the straight-line method over their estimated useful life of five years. On the balance-sheet date, capitalized costs for software under development are tested for impairment pursuant to IAS 36 *Impairment of Assets*, and the recoverable amount written down where appropriate.

Property, plant and equipment
Property, plant and equipment are stated at the cost of acquisition or manufacture less accumulated straight-line depreciation. Depreciation is calculated according to the straight-line method. Property, plant and equipment held under finance leases and leasehold improvements are depreciated according to the straight-line method over the shorter of the lease term or estimated useful life of the asset. The following useful lives are assumed:

- Leasehold buildings	20 years
- Technical plant and equipment	3 to 14 years
- Computer peripherals and accessories	3 to 5 years
- Other office equipment	3 to 14 years

Investment property
Investment property held by TDS mainly comprises leased buildings. In accordance with the option provided in IAS 40 *Investment Properties*, these are valued at depreciated cost of acquisition/manufacture. The buildings are depreciated using the straight-line method over 50 years. Land is valued at the cost of acquisition and is not depreciated.

Unscheduled write-downs of intangible assets with finite useful lives and property, plant and equipment
At each balance-sheet date, non-current assets are tested for impairment. If there is evidence of impairment, the asset's recoverable amount is determined and compared with the book value. If the recoverable amount is less than the book value, the asset is written down to the lower recoverable amount**.** The recoverable amount is the higher of the asset's fair value less costs to sell, and its value in use. The latter is the discounted present value of future cash flows that can be derived from the asset. If reasons for write-downs carried out in the past no longer apply, the value of the asset is written-up.

Leasing
Within the scope of finance leases, ownership is allocated to the lessee where all significant risks and rewards associated incidental to the ownership are borne by the lessee (IAS 17 *Leases*). If the ownership is allocable to TDS, the lower of the fair value and the present value of the minimum lease payments is capitalized at commencement of the term of the lease agreement (i.e. the point in time at which the lessee is entitled to exercise his rights of use over the leased asset). The lease is depreciated over the shorter of the lease term or the useful life of the asset. Discounted payment obligations from leases are recognized as liabilities, and reported as obligations under finance leases.

For any existing operating lease agreements within the TDS Group, lease payments or rental payments are recognized as expense in the income statement.

Financial assets (investments in other companies and lendings)
Investments in other companies are recognized at the cost of acquisition or the lower fair value. The first time they are recorded, lendings are posted as financial assets at their fair value; they are subsequently carried at their amortized cost of acquisition. Interest-free and low-interest lendings are recorded at their present value.

At each balance-sheet date, TDS decides whether there is a need for impairment testing of financial assets. If such a need exists, the fair value of the financial asset is determined and compared to its book value. If the fair value is lower than the book value, the fair value is subject to an unscheduled write-down. Fair value is preferably based on stock exchange or market prices or other methods of valuation, taking into account all available information on the company in which the investment is held.

Investments in associated companies
Investments in associated companies are valuated using the equity method. This means investments are recognized initially at their cost of acquisition, and recorded thereafter in accordance with their share of income, and changes to shareholder's equity in the corresponding associated company.

Inventories
Inventories are recognized at the lower of cost of acquisition/manufacture or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

Impairment losses are reversed should the reasons for the write-down no longer exist.

Financial instruments

Non-derivative financial instruments
At TDS, non-derivative financial instruments include lendings, trade receivables, certain other receivables, cash and cash equivalents, securities, financial liabilities, trade payables and certain other liabilities.

The Group considers liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are posted at amortized cost of acquisition.

The first time they are recorded, non-derivative financial instruments are posted at their fair value. Current liabilities are broken down by repayment or settlement amounts. Non-current liabilities are recorded at amortized cost of acquisition.

Financial assets are valuated as follows. The Group classifies its financial assets the first time they are recorded, and reviews this classification at the end of each fiscal year.

Financial assets classified for trading purposes are included under "financial assets recognized at their fair value in profit or loss". Profit/loss from these financial assets are included in the income statement.

Non-derivative financial assets with fixed or at least determinable payments and fixed maturity are classified as held-to-maturity investments if the Group has the positive intention and ability to hold these assets to maturity. Held-to-maturity investments are carried at amortized cost of acquisition. This is the cost of acquisition less repayments, plus or less accumulated amortization of any differences between the original amount and the amount repayable at maturity, calculated by means of the effective interest method. Profit/loss resulting from this is recognized in profit for the year.

Loans to other companies and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost of acquisition using the effective interest method. Profit/loss resulting from this is recognized in profit for the year.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and are not classified as one of the three categories above. The first time they are recorded, available-for-sale financial assets are posted at their fair value, although profit/loss is recognized in equity. When the financial asset is derecognized, or an impairment loss is defined, the cumulative profit or loss previously recognized in equity is recognized in profit or loss.

The fair value of financial assets traded on active markets is calculated on the basis of the bid price at the balance-sheet date. For financial assets without an active market, the fair value is estimated using other methods of valuation.

A financial asset is derecognized if one three of the following requirements are met:

- Contractual rights to the cash flows from the financial asset expire.
- The Group retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions in IAS 39 paragraph 19.
- The Group transfers its contractual rights to receive cash flows of the financial asset and (a) transfers substantially all the risks and rewards associated with ownership of the financial asset or (b) neither transfers nor retains substantially all the risks and rewards associated with ownership of the financial asset, but transfers control of the financial asset.

Derivative financial instruments
TDS held no derivative financial instruments at March 31, 2008.

According to IAS 39 *Financial Instruments*, derivative financial instruments are to be reported at market value. Market values correspond to the income/expense of a (hypothetical) cancellation of derivative contracts at the balance-sheet date.

Treasury shares
Treasury shares are posted at their cost of acquisition under equity.

Provisions
Provisions for pensions are accounted for in accordance with IAS 19 *Employee Benefits*. Pensions and similar obligations include the Group's obligations under defined benefit plans (benefit plans based on employees' salary and period of service). Pension obligations are calculated using the projected unit credit method. In addition to current pensions and vested benefits known at the balance-sheet date, this method also accounts for expected future increases in salary and pension benefits. Calculation is based on annual actuarial reports that make use of assumptions of demographic developments. Actuarial gains and losses are only recognized when they fall outside of the 10 percent corridor for the value of the obligation. They are subsequently recognized in the income statement over the average remaining service period. In financial income, current service cost is included under payroll and related costs, while the interest on provisions and the return on plan assets are included under financial income/expense. Pension obligations are primarily considered to be non-current liabilities.

Provisions for tax and other provisions are formed if the present obligation to a third party results from a past event, is likely to lead to a future outflow of resources, and if this future outflow can be reliably estimated. This estimate must then be regularly reviewed and adjusted. If one of the above criteria is not fulfilled and a provision cannot be formed, the corresponding obligations are included under contingent liabilities. Non-current provisions with a term of more than one year are discounted at the balance-sheet date on the basis of the corresponding interest rates, provided that the interest effect is significant.

Share-based payment
Under the Company's 2002 share-option plan, share options were granted in 2002 (2002 tranche) and 2004 (2004 tranche). The exercise period for the 2002 tranche ended in September 2006. The exercise period for the 2004 tranche will conclude in November 2008.

The Company applied IFRS 2 *Share-based Payment* to the 2004 tranche, whereby expense from share options is recognized across the service period until the exercise date. Additional paid-in capital increases in line with the expense posted.

Expense from share-option plans is determined by the market value of the share-options at the date of grant. Market value is calculated using the Black-Scholes pricing model.

Deferred taxes
In accordance with IAS 12 *Income Taxes*, deferred taxes are formed for all temporary differences between the book values in the consolidated balance sheet and the tax-relevant values (tax base) of assets and liabilities (liability method), as well as for tax loss carryforwards. Deferred tax assets and deferred tax liabilities are established for future tax effects resulting from the differences balance-sheet values of assets and liabilities, their tax base, and usable tax loss carryforwards. All deferred taxes are calculated using the respective tax rates applicable to taxable income in the year that these temporary differences are expected to reverse. The effects of tax rate changes on deferred taxes are recorded in profit or loss in the year the amended tax law is passed. If necessary, the Company can form valuation allowances for deferred tax assets to align them with the realizable amounts.

Deferred tax assets are only formed for accounting and valuation differences, and for tax loss carryforwards, if there is sufficient reason to believe that these differences will be, in all probability, realized in the future. Deferred tax assets and deferred tax liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are only offset if the Group has a legally enforceable right to set off current tax assets against current tax liabilities, or if these deferred tax assets and deferred tax liabilities relate to income taxes on the same taxable entity and levied by the same tax authority.

Statement of cash flows
Cash flows are broken down according to cash inflows and outflows from operating, investing and financing activities, in line with IAS 7 *Cash Flow Statements*. Cash flows are calculated using the indirect method.

Cash and cash equivalents in the statement of cash flows include all bank deposits, checks, etc. in the balance sheet that have a maturity period of three months or less. Cash and cash equivalents are not subject to restrictions on their access by the Company.

Cash flows from operating activities are derived indirectly from consolidated net income.

Under the indirect method, changes accounted for in the balance sheet and related to current operating activities are adjusted to account for currency translation effects and any changes in the scope of consolidation.

Assumptions, estimates, and the exercise of discretion

To a certain extent, the consolidated financial statements necessitate assumptions, estimates and the exercise of discretion that may influence assets and liabilities in the balance sheet, the disclosure of contingent liabilities at the balance-sheet date, or of income and expenses during the reporting period. Actual amounts can differ from these estimates. Assumptions made on the basis of estimates are subject to ongoing review. Adjustments to estimates are reported in the period in which the estimate was revised, and also in following periods, if the revision impacts current and subsequent periods.

In particular, there are risks associated with assumptions, estimates and the exercise of discretion for the following items:

- Note 13 "Income tax": Future applicability of tax loss carryforwards
- Note 16 "Goodwill": Calculation of the recoverable amount of a cash-generating unit that is assigned to goodwill
- Note 18 "Investment property": Estimate of future lease income
- Note 19 "Leased assets": Classification of lease agreements
- Note 20 "Investments in associated companies": Inclusion of a joint venture in equity in the consolidated financial statements
- Note 25 "Trade receivables": Valuation of receivables from ongoing projects not yet invoiced
- Note 29 "Provisions for pensions": Valuation of the present value of pension obligations
- Note 30 "Other provisions": Estimate of future losses arising from non-profitable contracts
- Note 35 "Share-based payment": Calculation of share-based payment

New accounting standards

The following standards and interpretations have been published. However, they were not mandatory at March 31, 2008, and were not taken into consideration when compiling TDS consolidated financial statements:

IFRS 8 *Operating Segments* adopts the management approach to segment reporting. It requires the publication of segment information that is usually used internally to evaluate segment performance. IFRS 8 is to be applied in all fiscal years starting on or after January 1, 2009. Earlier application is encouraged. IFRS 8 is not expected to have a significant impact on the future consolidated financial statements of TDS because the Company's segment reporting is already based on the management approach.

Due to the revision of IAS 23 *Borrowing costs*, it is no longer permissible to post borrowing costs that can be capitalized as expenses in the period in which they occur. Borrowing costs that can be directly attributed to the purchase or production of an asset must be capitalized as part of the cost of acquisition or cost of manufacture of the asset. The revised version of IAS 23 is to be applied in all fiscal years starting on or after January 1, 2009. Earlier application is encouraged. In some cases, the revised version of IAS 23 will lead to the inclusion of directly attributable borrowings costs in the capitalized costs for in-house developed software.

In accordance with IFRIC 13 *Customer Loyalty Programs*, credits or points awarded within the scope of customer loyalty programs must be recognized as future sales transactions, separate from current sales transactions. Such programs represent a contract with multiple components pursuant to IAS 18 paragraph 13. IFRIC 13 is to be applied in all fiscal years starting on or after July 1, 2008. Earlier application is encouraged. IFRIC 13 is not expected to have an impact on the future consolidated financial statements of TDS.

3 Principles of consolidation

Group-wide tax rate for deferred taxes
The tax rate applied to deferred taxes for elimination totaled 29.035 percent in the short fiscal year 2008 (29.035 percent in 2007).

Capital consolidation
The capital consolidation of investments led to differences between book value and share of equity in the amount of €17,403 thousand in the short fiscal year 2008 (€17,149 thousand in 2007).

Consolidation of debt
During the short fiscal year 2008, lendings to related parties of €12,995 thousand (€11,870 thousand in 2007) and internal Group receivables totaling €23,107 thousand (€16,079 thousand in 2007) were netted against internal Group liabilities in the amount of €36,480 thousand (€28,358 thousand in 2007); of this amount, €31 thousand (€25 thousand in 2007) were eliminated and recognized in net income for the period.

Elimination of intercompany profits
Elimination of intercompany profits relates to transfers of intangible assets, property, plant and equipment, financial assets, leased items and inventories between consolidated companies. There were no intercompany profits requiring elimination during the short fiscal year 2008, as in 2007.

Elimination of income and expense
During the short fiscal year 2008, intercompany revenues of €2,090 thousand (€7,197 thousand in 2007) were netted against intercompany expenses, and intercompany interest income of €474 thousand (€1,105 thousand in 2007) was netted against intercompany interest expense. In addition, expenses and income from the transfer of losses totaling €356 thousand (€2,199 thousand in 2007) were eliminated.

Deferred taxes
Calculation of deferred taxes for temporary differences led to a net decrease in deferred tax assets – excluding tax loss carryforwards – of €68 thousand (€398 thousand in 2007).

4 Changes to corporate structure and to consolidation

2008
In the short fiscal year 2008, there were no changes to corporate structure or consolidation.

2007
Effective retrospectively from June 1, 2007, the Group acquired all shares in dsoftware GmbH, Neuss, Germany (hereinafter "dsoftware"). dsoftware developed and marketed HR-management software, operated data centers, and offered corresponding consulting services.

The fair value of dsoftware's identifiable assets and liabilities on the date of acquisition, and the corresponding book values directly before the acquisition, break down as follows:

	Fair value on date of acquisition	**Book value**
	€ thousands	**€ thousands**
Intangible assets	1,355	78
Property, plant and equipment	197	197
Inventories	149	149
Trade receivables	808	808
Other assets	166	166
Cash and cash equivalents	1,744	1,744
	4,419	**3,142**
Provisions for tax liabilities	299	299
Other provisions	242	242
Deferred tax liabilities	493	8
Amounts due to banks	246	246
Trade payables	111	111
Obligations under finance leases	142	142
Other liabilities	1,487	1,487
	3,020	**2,535**
Net assets	1,399	**607**
Goodwill from acquisition	6,698	
Total cost of acquisition	**8,097**	

Cost of acquisition includes the purchase price of €7,500 thousand, and costs attributable directly to the acquisition in the amount of €597 thousand.

Cash flows in fiscal 2007 resulting from the acquisition break down as follows:

	€ thousands
Total cash and cash equivalents acquired (dsoftware)	1,744
Total outflow of cash and cash equivalents	-8,097
Net outflow of cash and cash equivalents	**-6,353**

Goodwill of €6,698 thousand was allocated to the HR Services & Solutions segment. This amount mainly comprises the fair value of expected synergy from the acquisition, which does not fulfill the criteria of IAS 38 and therefore cannot be capitalized separately.

dsoftware contributed €59 thousand to consolidated net income in fiscal 2007. If the acquisition had taken place at the start of fiscal 2007, consolidated revenues would have increased by €3,401 thousand to €109,579 thousand, and consolidated net income by €162 thousand to €3,909 thousand.

dsoftware was merged with TDS HR Services & Solutions GmbH, Neckarsulm, Germany (TDS HR) through a merger agreement of July 26, 2007, effective retrospectively from June 1, 2007.

5 Financial-risk management

Material financial instruments used by the Group to finance business operations comprise: Loans and current-account credit lines granted by the majority shareholder, bank loans, finance-lease arrangements and trade payables. In addition, the Group has various financial assets, such as trade receivables, and cash and cash equivalents, resulting directly from operating activities.

Through the use of financial instruments, the Group is exposed to the following risks:

- Credit risk
- Liquidity risk
- Market risk (related to interest rates and foreign currencies)

Credit risk
Credit risk exists for financial assets. It is the risk of financial loss insofar as a contractual party fails to fulfil its payment obligations.

To assess and manage credit risk, levels of receivables are subject to ongoing monitoring. Furthermore, TDS verifies the credit worthiness of all new customers.

Maximum credit risk for financial assets is equivalent to the book value of the corresponding asset, and broke down as follows at the balance-sheet date:

	March 31, 2008 € thousands	2007 € thousands
Lendings	0	180
Trade receivables - Germany	14,528	16,728
Trade receivables - other countries	1,190	1,041
Cash and cash equivalents	192	2,063
Other receivables	1,835	907
	17,745	**20,919**

Trade receivables of €20,995 thousand (€22,284 thousand in 2007) include receivables for ongoing projects not yet invoiced (PoC) in the amount of €5,277 thousand (€4,515 thousand in 2007). Other receivables allocated to financial assets, in the amount of €1,835 thousand (€907 thousand in 2007), are included under "Other assets".

At the balance-sheet date, there was nothing to suggest that any financial assets that were not overdue and not impaired cannot be recovered.

Valuation allowances for financial assets:

	Lendings		Trade receivables		Cash and cash equivalents		Other receivables	
	March 31, 2008 € thousands	2007 € thousands	March 31, 2008 € thousands	2007 € thousands	March 31, 2008 € thousands	2007 € thousands	March 31, 2008 € thousands	2007 € thousands
Cost of acquisition	811	991	16,196	18,234	192	2,063	1,835	907
Valuation allowances	-811	-811	-478	-465	0	0	0	0
Book value	**0**	**180**	**15,718**	**17,769**	**192**	**2,063**	**1,835**	**907**

Valuation allowances are mainly based on the credit rating of the debtor for the corresponding receivable.

At March 31, 2008, financial liabilities that were overdue but not impaired broke down as follows:

Trade receivables

	Total	Not overdue	Overdue but not impaired Less than 30 days	31-60 days	61-90 days	91-120 days	More than 121 days
March 31, 2008	15,718	8,614	3,998	972	791	493	850
2007	17,769	11,710	3,357	1,284	424	193	801

Other receivables

	Total	Not overdue	Overdue but not impaired Less than 30 days	31-60 days	61-90 days	91-120 days	More than 121 days
March 31, 2008	1,835	432	844	38	132	316	73
2007	907	500	334	22	24	2	25

There were no lendings or cash and cash equivalents that were overdue but not impaired.

Liquidity risk
Liquidity risk is the risk that the Group may not be able to fulfill its financial obligations when they fall due for payment. TDS liquidity management aims to ensure that the Group always has sufficient liquidity at its disposal to meet its payment obligations, insofar as this is possible. Continuous cover is achieved through the flexible use of various financing methods with different maturities (see note 31 “Financial liabilities”).

At March 31, 2008, the Group’s financial liabilities had the following maturities. Figures are based on contractual, non-discounted payment amounts.

March 31, 2008	Book value € thousands	Payments € thousands	2008/ 2009 € thousands	2009/ 2010 € thousands	2010/ 2011 € thousands	2011/ 2012 € thousands	2012/ 2013 € thousands
Amounts due to the majority shareholder	15,500	18,207	984	984	16,239	0	0
Amounts due to banks	5,001	6,108	321	320	320	5,147	0
Finance leases	8,380	8,874	3,950	2,671	1,536	599	118
Trade payables	3,742	3,742	3,742	0	0	0	0
Other liabilities	214	214	214	0	0	0	0
Total	**32,837**	**37,145**	**9,211**	**3,975**	**18,095**	**5,746**	**118**

2007 figures for comparison

December 31, 2007	Book value	Payments	2008	2009	2010	2011	2012 onwards
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Amounts due to the majority shareholder	17,500	20,739	1,580	1,080	18,080	0	0
Amounts due to banks	5,007	6,355	344	337	337	5,337	0
Obligations under finance leases	8,407	9,116	4,102	2,649	1,576	539	250
Trade payables	3,131	3,131	3,131	0	0	0	0
Other liabilities	489	489	489	0	0	0	0
Total	**34,534**	**39,830**	**9,646**	**4,066**	**19,993**	**5,876**	**250**

Interest-rate-related risk

TDS is mainly financed via a long-term loan arrangement with the majority shareholder, with a fixed interest rate, and a capital-market financed corporate bond in the amount of €5,000 thousand, with a variable interest rate. As a result, risks associated with fluctuations in market interest rates arise solely from the corporate bond.

The following tables show how sensitive consolidated earnings before taxes are to plausible changes in interest rates. All other variables remain the same.

March 31, 2008	**Increase/ decrease in interest rate**	**Change in earnings before taxes**
	in base points	**€ thousands**
	+ 100	+ 13
	- 100	- 13

2007	**Increase/ decrease in interest rate**	**Change in earnings before taxes**
	in base points	**€ thousands**
	+ 100	+ 163
	- 100	- 163

Currency-related risk

Foreign-currency transactions are mainly carried out by the TDS AG subsidiaries in Switzerland and the UK. The resulting exchange-rate risks are of little significance for the Group's overall risk evaluation in the context of financial instruments.

6 Segment reporting

Figures in financial statements are broken down by business and geographical segments. The breakdown is based on internal reporting (management approach). Segment reporting provides visibility into profitability, future outlook, opportunities and risks for the Company's various types of business operations.

During fiscal 2007 and the period up to March 31, 2008, the TDS Group operated in three key segments:

- IT Outsourcing
- HR Services & Solutions
- IT Consulting

TDS evaluates performance and allocates resources based on earnings before interest, tax and minority interest (EBIT). Internal Group management and reporting is essentially based on the principles and methods described in note 1.

Segment reporting according to business segments

January 1 to March 31, 2008	IT Outsourcing	HR Services & Solutions	IT Consulting	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Revenues				
External revenues	13,604	11,090	4,314	29,008
Intersegment revenues	1,094	51	945	2,090
Total segment revenues	14,698	11,141	5,259	31,098
Profit/loss				
EBIT	1,776	312	-260	1,828
Assets and liabilities				
Assets	27,101	46,882	15,006	88,989
Liabilities	9,225	11,627	5,555	26,407
Other segment information				
Capital expenditure *	2,471	204	704	3,379
Scheduled amortization and depreciation	1,794	602	172	2,568

2007	IT Outsourcing	HR Services & Solutions	IT Consulting	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Revenues				
External revenues	50,738	38,929	16,511	106,178
Intersegment revenues	3,842	252	3,103	7,197
Total segment revenues	54,580	39,181	19,614	113,375
Profit/loss				
EBIT	8,232	1,781	-358	9,655
Assets and liabilities				
Assets	26,514	47,357	13,684	87,555
Liabilities	9,143	8,956	6,148	24,247
Other segment information				
Capital expenditure *	10,982	10,624	885	22,491
Scheduled amortization and depreciation	6,146	2,297	717	9,160

* Capital expenditure without financial assets

In the short fiscal year 2008 and in 2007, there were no non-cash expenses of particular significance for individual segments.

Segment reporting according to geographical segments
The following figures are attributable to geographical areas.

January 1 to March 31, 2008	**Germany**	**Rest of Europe**	**Total**
	€ thousands	**€ thousands**	**€ thousands**
External revenues	27,204	1,804	29,008
Assets	86,777	2,212	88,989
Capital expenditure	2,796	583	3,379

2007	**Germany**	**Rest of Europe**	**Total**
	€ thousands	**€ thousands**	**€ thousands**
External revenues	100,173	6,005	106,178
Assets	85,973	1,582	87,555
Capital expenditure	22,330	161	22,491

Revenues are attributed to the country in which the corresponding subsidiary is headquartered. From the point of view of the corresponding subsidiary, revenues are only posted in their own countries.

External revenues indicate a segment's contribution to consolidated revenues. Intersegment sales and transfers are recognized at the cost of manufacture or, where sold to end customers, are recognized at the cost of manufacture plus profit markup. However, there were no significant intersegment transactions. Revenues for the individual segments include revenues from third parties and from other segments within the Group.

EBIT is the main parameter used for judging and managing segments. As a result, interest income and expense is not included because the segments are financed mostly by TDS AG, and external interest income and expenses are posted primarily at TDS AG.

Segment assets comprise those deployed in usual segment operations. Financial assets, deferred tax assets and current tax assets are not included. Similarly, segment liabilities comprise liabilities and provisions, in so far as these can be assigned to the segment's operations. These do not include amounts due to banks, amounts due to the majority shareholder, or obligations under finance leases. Capital expenditure includes spending on property, plant and equipment, and intangible assets. Amortization and depreciation apply to property, plant and equipment, and intangible assets.

Notes to the consolidated income statement

The consolidated income statement is compiled according to the cost-of-sales method.

7 Revenues

Revenues of €29,008 thousand (€106,178 thousand in 2007) comprise amounts invoiced to customers for goods and services - minus sales deductions, contractual penalties and cash discounts. The breakdown of revenues according to business and geographical segments is described in segment reporting.

Within the scope of long-term manufacturing contracts, revenues totaling €986 thousand were generated from customer-specific contracts during the short fiscal year 2008 (€2,526 thousand in *2007*) according to the percentage-of-completion method.

8 Cost of sales

	Jan 1 to March 31, 2008 **€ thousands**	**2007** **€ thousands**
Expenditure for services received	3,820	13,021
Expenditure for finished goods and products	131	1,099
Cost of materials	**3,951**	**14,120**
Personnel costs	11,842	39,229
Depreciation and amortization	2,333	8,133
Other expenditures	4,037	13,203
Cost of sales	**22,163**	**74,685**

9 Depreciation and amortization

Scheduled amortization and depreciation of intangible assets and property, plant and equipment totaled €2,568 thousand (€9,160 thousand in 2007). A breakdown of depreciation and amortization is given in the corresponding notes. Depreciation and amortization are included in cost of sales, selling and marketing costs, and in general and administrative expenses.

10 Other operating income and expenses

This item includes all other operating income and expenses that cannot be directly attributed to cost of sales, selling and marketing costs or general and administrative expenses.

	Jan 1 to March 31, 2008 € thousands	**2007 € thousands**
Income from other general costs charged to customers	142	751
Income from general costs charged to the majority shareholder	628	499
Income from the disposal of non-current assets	1	66
Income from share-price gains	1	0
Other operating income	38	502
	810	**1,818**

	Jan 1 to March 31, 2008 € thousands	**2007 € thousands**
	810	**1,818**
Expenses for other general costs charged to customers	140	572
Expenses for general costs charged to the majority shareholder	485	423
Other tax expenses	1	4
Expenses for share-price losses	31	25
Expenses from the disposal of non-current assets	0	31
Expenses from valuation allowance for loan receivable	0	83
Other operating expenses	5	26
	662	**1,164**
Other operating income and expense, net	**148**	**654**

Income from and expenses for general costs charged to customers are primarily attributable to costs for services provided to customers by suppliers within the scope of projects.

All exchange differences recognized in profit or loss in the short fiscal year 2008 are reported under other operating income and expenses.

In connection with changes to the lease arrangement for TDS HR offices in Würzburg, Germany, TDS waived its loan receivable from the lessor in fiscal 2007, in the amount of €83 thousand.

Income and expenses from other fiscal years

During the short fiscal year January 1 to March 31, 2008, income from other fiscal years totaled €495 thousand (€1,477 thousand in 2007), including €476 thousand for the reversal of provisions, €1 thousand for proceeds from the disposal of assets, €14 thousand in tax refunds from previous years, and €4 thousand for other items. Expenses from other fiscal years totaled €64 thousand (€229 thousand in 2007), including €44 thousand for back taxes for previous years, and €20 thousand for other items not attributable to fiscal 2007.

11 Personnel costs

Payroll and related costs reported in the consolidated income statement include the following:

	Jan 1 to March 31, 2008 € thousands	2007 € thousands
Salaries and wages	13,257	45,256
Social security costs	1,752	6,361
Net periodic pension costs	80	393
Other pension costs	29	47
	15,118	**52,057**

The average headcount during the short fiscal year 2008 was as follows:

	Jan 1 to March 31, 2008 Total	2007 Total
Number of employees, production	794	670
Number of employees, sales and marketing	75	64
Number of employees, administration	83	80
	952	**814**

12 Financial income/ expense

This item comprises the following:

	Jan 1 to March 31, 2008 € thousands	2007 € thousands
Income from associated companies	373	164
Income from other investments	0	5
Net income/loss from investments	373	**169**
Interest and similar income	27	421
Interest and similar expense	-537	-2,207
Interest income/loss, net	**-510**	**-1,786**
Other financial income	0	6
Other financial expense	-7	-365
Other financial income/expense, net	**-7**	**-359**
	-144	**-1,976**

The items “interest and similar income”, and “interest and similar expense” comprise interest for financial assets and liabilities that are not recognized in profit or loss and are posted at their fair value, in the amount of €27 thousand (€225 thousand in 2007) and minus €469 thousand (minus €1,762 thousand in 2007) respectively.

Other financial income/expense is primarily attributable to bank charges.

Interest is treated as an expense in the period in which it is incurred, in line with the benchmark method defined by IAS 23, *Borrowing Costs* (IAS 23.29). Net interest income/loss includes interest earned on pension fund assets to the value of €13 thousand (€51 thousand in 2007).

13 Income taxes

Income taxes breaks down as follows:

	Jan 1 to March 31, 2008 € thousands	2007 € thousands
Current tax expense	-203	-1,263
Income from the reversal of provisions for income taxes	14	209
Deferred tax attributable to temporary differences	-69	-2,854
Deferred tax on loss carryforwards	-387	-24
Tax in the consolidated income statement	**-645**	**-3,932**

For German companies, deferred taxes were calculated at a German corporation tax rate of 15 percent at March 31, 2008 (15 percent in 2007). A "solidarity surcharge" of 5.5 percent for the costs of German reunification was also added to the corporation tax burden, as well as effective trade tax of 13.21 percent (13.21 percent in 2007). Taking into account the solidarity surcharge and trade tax, a deferred tax rate of 29.04 percent applied during the short fiscal year 2008 (29.04 percent in 2007).

Changes to fiscal law in Germany, effective from 2004, led to greater restrictions being placed on the use of tax loss carryforwards. As a result, corporation-/trade-tax loss carryforwards may only be netted in full against €1,000 thousand of total positive earnings, and by up to 60 percent above this amount.

The table below reconciles the Company's expected and actual tax expense for the short fiscal year 2008. Expected tax expense was calculated by multiplying the average total tax rate of 29.04 percent at March 31, 2008 (37.6 percent in 2007) by pre-tax earnings. The total tax rate consists of an effective German corporation tax rate of 15.825 percent (26.375 percent in 2007) plus effective trade tax, applied on the basis of the effective corporation tax rate, of 13.21 percent (11.225 percent in 2007).

	Jan 1 to March 31, 2008 € thousands	**2007 € thousands**
Expected tax expense	-489	-2,887
Effect of foreign operations taxed at various rates	-38	-128
Change in tax rate	0	-769
Non-tax-relevant expense	-27	-48
Non-tax-deductible impairment write-downs of goodwill	0	45
Trade-tax deviation	-41	-136
Valuation allowance for deferred tax assets	5	117
Tax from previous reporting periods	-46	-160
Other additions	-9	34
Actual tax expense	**-645**	**-3,932**

The effect of the change in tax rate in fiscal 2007 is due to the fact that, effective from January 1, 2008, the corporation-tax rate was reduced from 25 percent to 15 percent, so that deferred taxes has to be adjusted accordingly.

Trade-tax deviation mainly comprises tax expenses arising from trade-tax additions.

Tax assets and provisions are netted insofar as they apply to the same tax authority and the offsetting of such amounts is permissible.

Deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to temporary differences to deferred tax assets on loss carryforwards, and break down as follows:

	March 31, 2008 € thousands	Dec 31, 2007 € thousands
Deferred tax assets		
Tax loss carryforwards	6,489	6,903
Intangible assets	109	112
Provisions	30	16
Receivables	26	26
Property, plant and equipment	0	9
Provisions for pensions	438	451
Finance leases	39	36
	7,131	**7,553**
Valuation allowance	-1,722	-1,759
Total deferred tax assets	**5,409**	**5,794**
Deferred tax liabilities		
Provisions	-20	-19
Property, plant and equipment	-3	0
Percentage of completion	-119	-99
Licenses used by customers	-1,540	-1,575
Intangible assets	-1,304	-1,303
Receivables	-188	-118
Total deferred tax liabilities	**-3,174**	**-3,114**
Total net deferred taxes	**2,235**	**2,680**

In assessing the realizability of deferred tax assets, the Executive Board considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible. The valuation allowance for deferred tax assets remained more or less unchanged in comparison to 2007.

There was no valuation allowance for deferred tax assets at TDS AG and TDS ITC in the short fiscal year 2008, as in 2007. Impairment testing for tax loss carryforwards is based on taxable income over a four-year period. The limitations placed by German legislation on the amount of tax loss carryforwards are also taken into account.

At March 31, 2008, TDS AG posted corporation-tax loss carryforwards totaling €17,094 thousand (€18,632 thousand in 2007), and trade-tax loss carryforwards totaling €13,351 thousand (€15,039 thousand in 2007). In Germany, there is no time limit on the use of tax loss carryforwards. As a result, deferred tax assets in the amount of €4,468 thousand were carried in the financial statements (€4,935 thousand in 2007). There was no valuation allowance.

In 2001, TDS AG wrote down €22 million on investments in foreign subsidiaries. During a tax audit, authorities raised objections to this write-down. The Company has mounted a corresponding legal challenge. If the challenge is successful, TDS AG loss carryforwards will increase by €22 million. At present, deferred tax assets are not formed for these tax loss carryforwards.

At March 31, 2008, TDS MultiVision AG, St. Gallen, Switzerland, posted a corporation-tax loss carryforward of €1,394 thousand (€923 thousand in 2007), and deferred tax assets of €287 thousand (€190 thousand in 2007). Tax losses can be carried forward for seven years in Switzerland. Based on the positive earnings forecast, the Company does not expect these tax loss carryforwards to be impaired.

As of March 31, 2008, TDS Systemhouse plc., Chesterfield, UK, posted corporation-tax loss carryforwards of €1,175 thousand (€1,296 thousand in 2007). In the United Kingdom, there is no time limit on the use of tax loss carryforwards. Deferred tax assets of €11 thousand were carried in the financial statements; €341 thousand were subject to a valuation allowance.

TDS ITC has corporation-tax and trade-tax loss carryforwards of €111 thousand. Due to the existing arrangement with TDS AG, where the two companies are treated as a single tax entity, it is not considered likely that these tax loss carryforwards will be realized in the short term. As a result, deferred tax assets in the amount of €32 thousand were subject to a valuation allowance.

TDS HR posted corporation-tax loss carry forwards in the amount of €4,715 thousand (€4,715 thousand in 2007), and trade-tax loss carryforwards in the amount of €4,563 thousand (€4,563 thousand in 2007). Due to the arrangement with TDS AG, where the two companies are treated as a single tax entity, it is not considered likely that these tax loss carryforwards will be realized in the short term. As a result, a valuation allowance was formed for the total amount of deferred tax assets (€1,349 thousand).

14 Earnings per share

Earnings per share are reported in line with IAS 33, and determined by dividing consolidated net income after taxes (adjusted where necessary) by the weighted number of average shares outstanding during the fiscal year.

Earnings per share break down as follows:

	Jan 1 to March 31, 2008 **€ thousands**	**2007** **€ thousands**
Consolidated net income	**1,039**	3,747

	Jan 1 to March 31, 2008 **Number of shares**	**2007** **Number of shares**
Weighted average of all outstanding shares used to calculate basic earnings per share	29,239,902	29,235,527
Dilutive effects of share options	3,941	182
Weighted average of all outstanding shares used to calculate diluted earnings per share	**29,243,843**	**29,235,709**

	Jan 1 to March 31, 2008 **€**	**2007** **€**
Earnings per share (basic)	**0.04**	0.13

	Jan 1 to March 31, 2008 **€**	**2007** **€**
Earnings per share (diluted)	**0.04**	0.13

15 Intangible assets

During the short fiscal year January 1 to March 31, 2008, intangible assets developed as follows:

	Concessions, intellectual property and similar rights and assets and licenses to such rights and assets	Software developed in-house, including software in development	Rented software	Goodwill	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Cost of acquisition					
January 1, 2008	25,623	7,568	3,022	49,199	85,412
Currency translation effects	0	0	0	0	0
Additions	787	184	0	0	971
Reallocations	0	0	3	0	3
Disposals	0	0	0	0	0
March 31, 2008	26,410	7,752	3,025	49,199	86,386
Depreciation and amortization					
January 1, 2008	16,804	3,562	1,730	17,901	39,997
Currency translation effects	-1	0	0	0	-1
Additions	543	157	152	0	852
Disposals	0	0	0	0	0
March 31, 08	17,346	3,719	1,882	17,901	40,848
Book values					
March 31, 2008	9,064	4,033	1,143	31,298	45,538
January 1, 2008	8,819	4,006	1,292	31,298	45,415

TDS does not carry out its own R&D. All development costs, to the value of €184 thousand (€2,035 thousand in 2007), fulfill the criteria of IAS 38 and have been capitalized. No development costs were expensed.

Firm orders to the value of €102 thousand (€5 thousand in 2007) have been placed for intangible assets that are not yet in the possession of the TDS Group.

Amortization of intangible assets is mainly included in cost of sales, and also to a lesser degree in general and administrative expenses.

In fiscal 2007, intangible assets developed as follows:

	Concessions, intellectual property and similar rights and assets and licenses to such rights and assets	Software developed in-house, including software in development	Rented software	Goodwill	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Cost of acquisition					
January 1, 2007	22,998	5,533	2,329	42,501	73,361
As a result of acquisition	1,355	0	0	6,698	8,053
Additions	1,271	2,035	1,058	0	4,364
Disposals	1	0	365	0	366
December 31, 2007	25,623	7,568	3,022	49,199	85,412
Depreciation and amortization					
January 1, 2007	14,941	3,119	1,307	17,901	37,268
Additions	1,864	443	728	0	3,035
Disposals	1	0	305	0	306
December 31, 2007	16,804	3,562	1,730	17,901	39,997
Book values					
December 31, 2007	8,819	4,006	1,292	31,298	45,415
January 1, 2007	8,057	2,414	1,022	24,600	36,093

16 Goodwill

Consolidated goodwill has been assigned to four cash-generating units (CGUs) in line with IFRS 3 *Business Combinations*:

CGU	Legal entity
IT Consulting Germany	TDS IT Consulting GmbH, Neckarsulm, Germany
IT Consulting Switzerland	Consulting activities of TDS MultiVision AG, Regensdorf, Switzerland
HR Germany	TDS HR Services & Solutions GmbH, Neckarsulm, Germany
HR Austria	effect Personalmanagement Ges.m.b.H., Pasching, Austria

Goodwill is subject to impairment testing at the end of each fiscal year. This establishes the recoverable amount at CGU level on the basis of fair value less costs to sell, using a discounted cash-flow method that is based on company planning. The interest rate paid by a typical market participant is applied for discounting cash flow. In the short fiscal year 2008, a pre-tax interest rate of 8.5 percent (8.5 percent in 2007) was used for company-planning period (five years). Perpetuity is calculated on the basis of discounted cash flow. Impairment testing was performed in February 2008, and not in November (as was the case for fiscal 2007).

According to impairment testing at March 31, 2008, there was no need for write-downs.

At March 31, 2008, goodwill broken down by cash-generating unit (CGU) was as follows:

	IT Consulting Germany	IT Consulting Switzerland	HR Germany	HR Austria	Total
	€ thousands	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**
Cost of acquisition					
January 1, 2008	13,954	7,255	26,231	1,759	49,199
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
March 31, 2008	13,954	7,255	26,231	1,759	49,199
Depreciation and amortization					
January 1, 2008	10,763	7,138	0	0	17,901
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
March 31, 2008	10,763	7,138	0	0	17,901
Book values					
March 31, 2008	3,191	117	26,231	1,759	31,298
January 1, 2008	3,191	117	26,231	1,759	31,298

In fiscal 2007, goodwill broken down by cash-generating unit was as follows:

	IT Consulting Germany	IT Consulting Switzerland	HR Germany	HR Austria	Total
	€ thousands	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**
Cost of acquisition					
January 1, 2007	13,954	7,255	19,533	1,759	42,501
Additions	0	0	6,698	0	6,698
Disposals	0	0	0	0	0
December 31, 2007	13,954	7,255	26,231	1,759	49,199
Depreciation and amortization					
January 1, 2007	10,763	7,138	0	0	17,901
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
December 31, 2007	10,763	7,138	0	0	17,901
Book values					
December 31, 2007	3,191	117	26,231	1,759	31,298
January 1, 2007	3,191	117	19,533	1,759	24,600

17 Property, plant and equipment

In the short fiscal year January 1 to March 31, 2008, property, plant and equipment developed as follows:

	Leasehold buildings	Computer and similar equipment	Leased computer equipment, office equipment, etc.	Other computer equipment and office equipment, etc.	Downpayments, plant and equipment under construction	Total
	€ thousands	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**
Cost of acquisition						
January 1, 2008	2,122	35,208	12,890	9,043	549	59,812
Currency translation effects	0	38	0	0	0	38
Additions	32	1,068	962	254	92	2,408
Reallocations	0	0	543	0	-546	-3
Disposals	0	116	74	3	0	193
March 31, 2008	2,154	36,198	14,321	9,294	95	62,062
Depreciation and amortization						
January 1, 2008	1,106	30,587	6,443	7,745	0	45,881
Currency translation effects	0	0	1	0	0	1
Additions	30	632	850	184	0	1,696
Disposals	0	116	74	3	0	193
March 31, 2008	1,136	31,103	7,220	7,926	0	47,385
Book values						
March 31, 2008	1,018	5,095	7,101	1,368	95	14,677
January 1, 2008	1,016	4,621	6,447	1,298	549	13,931

All amounts due to banks within the scope of the pooled loan facility were repaid at the end of 2007. As a result, there were no office equipment, fixtures and fittings used as security against loans at the balance-sheet date.

Firm orders to the value of €439 thousand (€87 thousand in 2007) have been placed for property, plant and equipment not yet in the possession of the TDS Group.

Insurance compensation to the value of €0 thousand (€0 thousand in 2007) was received for damaged tangible assets.

Capital expenditure in the short fiscal year 2008 is detailed in the management report.

In fiscal 2007, property, plant and equipment developed as follows:

	Leasehold buildings	Computer and similar equipment	Leased computer equipment, office equipment, etc.	Other computer equipment and office equipment, etc.	Downpayments, plant and equipment under construction	Total
	€ thousands	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**	**€ thousands**
Cost of acquisition						
January 1, 2007	2,654	32,296	10,622	8,468	13	54,053
Currency translation effects	0	-5	-2	-3	0	-10
As a result of acquisition	0	0	147	50	0	197
Additions	150	3,309	5,102	767	549	9,877
Reallocations	0	12	0	1	-13	0
Disposals	682	404	2,979	240	0	4,305
December 31, 2007	2,122	35,208	12,890	9,043	549	59,812
Amortization						
January 1, 2007	1,370	28,414	5,949	7,161	0	42,894
Currency translation effects	1	4	-1	0	0	4
Additions	130	2,237	2,929	802	0	6,098
Disposals	395	68	2,434	218	0	3,115
December 31, 2007	1,106	30,587	6,443	7,745	0	45,881
Book values						
December 31, 2007	1,016	4,621	6,447	1,298	549	13,931
January 1, 2007	1,284	3,882	4,673	1,307	13	11,159

18 Investment property

The following table shows changes in investment property in the short fiscal year 2008:

	€ thousands
Cost of acquisition	
January 1, 2008	2,491
Additions	0
Disposals	0
March 31, 2008	2,491
Depreciation and amortization	
January 1, 2008	1,627
Current fiscal year	20
March 31, 2008	1,647
Book values	
March 31, 2008	844
January 1, 2008	864

At March 31, 2008, fair value of investment property totaled €861 thousand (€886 thousand in 2007). Due to a lack of comparable property, fair value was not calculated using market data, but using discounted cash flows of the recoverable amount based on fair value less costs to sell. Present value at the balance-sheet date was determined using estimated cash inflows from lease income less operating expenses over the remaining useful life of the investment property. For reasons of economy, and based on a lack of significance, the valuation was not carried out by independent experts.

In the short fiscal year 2008, lease income from investment property amounted to €7 thousand (€38 thousand in 2007). Operating expenses came to €5 thousand (€18 thousand in 2007).

In fiscal 2007, investment property developed as follows:

	€ thousands
Cost of acquisition	
January 1, 2007	2,491
Additions	0
Disposals	0
December 31, 2007	2,491
Depreciation and amortization	
January 1, 2007	1,600
Current fiscal year	27
December 31, 2007	1,627
Book values	
December 31, 2007	864
January 1, 2007	891

19 Leased assets

Finance leases
The Company has obligations under various finance leases for software licenses, and equipment, including computer hardware, concluded for terms of between three and six years.

These finance leases generally include options for an extension at commercially acceptable rates, unless - as in a few instances - the leasing company has the right to oblige TDS to purchase the leased item at the end of the term. The present value of minimum expenses for finance lease contracts is usually calculated with an interest rate of between 2.5 percent and 8 percent, depending on the lease contract.

Future minimum lease payments for finance leasing can be reconciled with the present value as follows:

	March 31, 2008 € thousands		2007 € thousands	
	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments
Less than one year	3,949	3,611	4,102	3,715
Between one and five years	4,924	4,769	4,963	4,641
Longer than five years	0	0	51	51
Total minimum lease payments	**8,873**		**9,116**	
Less interest	-493		-709	
Present value of minimum lease payments	**8,380**		**8,407**	

Operating leases
The Company also leases office space, office equipment, vehicles and certain services under operating leases. Operating leases break down as follows:

	Jan 1 to March 31, 2008 € thousands	2007 € thousands
Lease expenses	976	4,232
Income from subleasing arrangements	-43	-206
	933	**4,026**

At March 31, 2008, future obligations under operating leases for the minimum lease term were as follows:

	March 31, 2008 € thousands	2007 € thousands
Less than one year	3,187	3,006
Between one and five years	6,873	8,138
Longer than five years	17,422	15,216
	27,482	**26,360**

Future minimum income from subleases was as follows at March 31, 2008:

	Jan 1 to March 31, 2008 € thousands	2007 € thousands
Up to one year	42	82
Between one and five years	49	49
Longer than five years	0	0
	91	**131**

20 Investments in associated companies

Investments in associated companies comprise the 50-percent holding in ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG, Neckarsulm, Germany (Rosea KG). The Executive Board elected to exercise the option in IAS 31 paragraph 38, which allow the inclusion of joint ventures in the consolidated financial statements using the equity method.

Rosea KG was included on the basis of an interim report compiled on February 29, 2008. Significant transactions in March 2008 were taken into account.

With regard to the 50-percent holding of TDS, Rosea KG had the following assets and liabilities at March 31, 2008:

	March 31, 2008 € thousands	2007 € thousands
Non-current assets	7	7
Current assets	1,146	898
Non-current liabilities	0	123
Current liabilities	527	605

With regard to the 50-percent holding of TDS, Rosea KG posted the following income and expenses in the short fiscal year 2008:

	January 1 to March 31, 2008 € thousands	2007 € thousands
Income	801	2,410
Expenses	353	2,246

In the short fiscal year 2008, investments in associated companies developed as follows:

	€ thousands
Cost of acquisition	
January 1, 2008	252
Additions	374
Disposals	0
March 31, 2008	626
Depreciation and amortization	
January 1, 08	0
Additions	0
Disposals	0
March 31, 08	0
Book values	
March 31, 2008	626
January 1, 2008	252

Development in 2007:

	€ thousands
Cost of acquisition	
January 1, 2007	179
Additions	73
Disposals	0
December 31, 2007	252
Depreciation and amortization	
January 1, 2007	0
Additions	0
Disposals	0
December 31, 2007	0
Book values	
December 31, 2007	252
January 1, 2007	179

21 Other financial assets

Development in the short fiscal year 2008:

	Investmen ts	Lendings to associated companies	Securities	Other lendings	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Cost of acquisition					
January 1, 2008	1,141	257	16	734	2,148
Additions	0	0	0	0	0
Disposals	0	180	0	0	180
March 31, 2008	1,141	77	16	734	1,968
Depreciation and amortization					
January 1, 2008	1,093	77	4	734	1,908
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
March 31, 2008	1,093	77	4	734	1,908
Book values					
March 31, 2008	48	0	12	0	60
January 1, 2008	48	180	12	0	240

Development in 2007:

	Investments	Lendings to associated companies	Securities	Other lendings	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Cost of acquisition					
January 1, 2007	1,141	257	16	2,389	3,803
Additions	0	0	0	0	0
Disposals	0	0	0	1,655	1,655
December 31, 2007	1,141	257	16	734	2,148
Depreciation and amortization					
January 1, 2007	1,093	77	4	734	1,908
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
December 31, 2007	1,093	77	4	734	1,908
Book values					
December 31, 2007	48	180	12	0	240
January 1, 2007	48	180	12	1,655	1,895

The following companies are included at cost:

Name of company	**Holding in percent**
BFL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn (BFL)	0.32 %
ROSEA Trendpark Objektverwaltungs-Beteiligungs-GmbH, Neckarsulm (ROSEA GmbH)	50.00 %
RATIODATA Rechenzentrum AG, Oberengstingen, Schweiz (Ratiodata)	100.00 %
Villa Rosa gGmbH, Heilbronn (Villa Rosa)	30.00 %
VisionOne Consulting AG, Neuss (VisionOne)	8.55 %

The following table gives figures in accordance with the German commercial code (HGB) for companies included at cost:

	BFL**	ROSEA GmbH*	Villa Rosa*
	€ thousands	€ thousands	€ thousands
Total assets	560,962	29	99
Total liabilities	550,437	1	40
Total revenues	305,097	1	557
Profit for the year	3,174	2	5

* At December 31, 2007
** At December 31, 2006

VisionOne is insolvent. It compiled financial statements for the last time on December 31, 2003. Ratiodata is in liquidation.

A list of subsidiaries and holdings at March 31, 2008 follows these notes. It is, however, an integral part of these notes.

22 Other non-current assets

	March 31, 2008 € thousands	December 31, 2007 € thousands
Cash surrender value of life insurance	414	411
Prepaid expenses	123	81
Other non-current assets	0	0
	537	**492**

Other non-current assets have a remaining term of more than one year. Prepaid expenses primarily comprise prepaid maintenance services for hardware and software.

23 Deferred tax assets

Details of deferred tax assets are provided in note 13 “Income taxes”.

24 Inventories

	March 31, 2008 € thousands	December 31, 2007 € thousands
Consumables	98	107
Commodities	12	15
	110	**122**

Amounts due to banks within the scope of the pooled loan facility were repaid at the end of 2007. As a result, there were no inventories used as security against loans at March 31, 2008, as was the case in 2007.

25 Trade receivables

	March 31, 2008 € thousands	December 31, 2007 € thousands
Trade receivables	16,196	18,234
Less valuation allowances	-478	-465
	15,718	**17,769**
Receivables from ongoing projects not yet invoiced (PoC)	5,277	4,515
Total trade receivables on balance sheet	**20,995**	**22,284**

All amounts due to banks within the scope of the pooled loan facility were repaid at the end of fiscal 2007. As a result, there were no receivables used as security against loans at March 31, 2008, as was the case in 2007.

At March 31, 2008, receivables from ongoing projects not yet invoiced included incurred costs of €5,005 thousand (€4,174 thousand in 2007), gains of €410 thousand (€341 thousand in 2007), and minus €138 thousand in losses (€0 thousand in 2007). Assumptions, risks, and uncertainties associated with application of the percentage-of-completion method impact amounts for revenues and expenses. Numerous internal and external factors have effects on estimations of cost of manufacture.

Trade receivables with a term of between one and five years totaled €193 thousand (€193 thousand in 2007).

At March 31, 2008, an impairment loss was defined for trade receivables with a nominal value of €478 thousand (€465 thousand in 2007). The valuation allowance developed as follows:

	March 31, 2008 € thousands	2007 € thousands
January 1	465	154
As a result of acquisition	0	332
Addition	49	426
Use	-36	-375
Reduction	0	-72
March 31, 2008 (last year: December 31, 2007)	**478**	**465**

Non-impaired but overdue trade receivables break down as follows:

			Overdue bit not impaired				
	Total	Not overdue	Less than 30 days	31-60 days	61-90 days	91-120 days	More than 121 days
March 31, 2008	15,718	8,614	3,998	972	791	493	850
2007	17,769	11,710	3,357	1,284	424	193	801

26 Other current assets

	March 31, 2008 € thousands	December 31, 2007 € thousands
Financial receivables due from the majority shareholder	1,800	0
Receivables due from the majority shareholder	1,710	756
Supplier credit	18	97
Deposit payments	40	37
Receivables from employees	68	19
Downpayments to suppliers	329	348
Other receivables and assets	108	85
Valuation allowance	-213	-249
	3,860	**1,093**
Prepaid expenses	2,236	1,292
	6,096	**2,385**

27 Cash and cash equivalents

The cash and cash equivalents posted here include bank deposits, checks, etc. Cash and cash equivalents in foreign currencies are valued according to the applicable exchange rate at the balance-sheet date. At March 31, 2008, cash and cash equivalents totaled €192 thousand (€2,063 thousand in 2007).

28 Shareholders' equity

Share capital
At March 31, 2008, share capital comprised 29,296,116 outstanding and paid-up shares, each with a nominal value of €1.00. Each share entitles the holder to one vote. For the development of share capital, see the table showing the reconciliation of shareholders' equity.

Additional paid-in capital
The development of additional paid-in capital is given in the table showing the reconciliation of shareholders' equity in the consolidated financial statements. Additional paid-in capital is primarily attributable to the premium from the initial public offering (IPO), and capital increases, less associated costs. Moreover, additional paid-in capital increased by the amount of the premium from the exercise of share options and by the costs for share-based payments, and rose or fell due to increases or decreases from the sale of treasury shares.

Authorized capital
At July 3, 2006, the annual shareholders' meeting authorized the Executive Board to increase share capital, subject to the approval of the Supervisory Board, on one or multiple occasions by up to a total of €14,589 thousand by July 2, 2011, by means of issuing 14,589,308 shares against cash or non-cash contributions. As a result of this resolution, outstanding authorized capital in the amount of €11,548 thousand (11,548,210 shares) was cancelled and replaced by new authorized capital of €14,589 thousand (14,589,308 shares). Authorized capital, and the corresponding change in the Articles of Incorporation, were entered in the commercial register at July 20, 2006.

Authorized-but-contingent capital
By resolution of the annual shareholders' meeting at May 23, 2002, authorized-but-contingent capital for the 2002 share-option plan (see note 35 "Share-based payment") was raised by €1,490 thousand through the issue of up to 1,490,000 new shares (authorized-but-contingent capital IV). Moreover, authorized-but-contingent capital for the issue of new convertible bonds was raised by €7,750 thousand through the issue of 7,750,000 new shares (authorized-but-contingent capital V).

At March 31, 2008, authorized-but-contingent capital totaled €8,255 thousand (€8,255 thousand in 2007). Authorized-but-contingent capital IV and V developed as follows:

	Authorized-but-contingent capital IV	Authorized-but-contingent capital V	Authorized-but-contingent capital (total)
	Number of shares	Number of shares	Number of shares
Resolution of the annual shareholder's meeting of May 23, 2002	1,490,000	7,750,000	9,240,000
Exercise of share-option program in 2004	-92,500	0	-92,500
December 31, 2004	1,397,500	7,750,000	9,147,500
Reduction in accordance with resolution of annual shareholders' meeting of June 9, 2005	-577,500	0	-577,500
Exercise of share-option program in 2005	-198,000	0	-198,000
December 31, 2005	622,000	7,750,000	8,372,000
Exercise of share-option program in 2006	-112,500	0	-112,500
December 31, 2006	509,500	7,750,000	8,259,500
Exercise of share-option program in 2007	-5,000	0	-5,000
December 31, 2007	504,500	7,750,000	8,254,500
Change in short fiscal year 2008	0	0	0
March 31, 2008	504,500	7.750.000	8.254.500

Comprehensive income (loss) from currency translation
This was due entirely to differences in currency translation. The change in income from currency translation can be found in the table showing the reconciliation of shareholders' equity that precedes these notes.

Retained earnings
Retained earnings comprise accumulated gains and losses from past accounting periods, as well as consolidated net income for the current period.

Treasury shares
Through a resolution passed at the ordinary annual shareholders' meeting on July 24, 2007, the Executive Board is authorized to purchase shares with a value of up to 10 percent of equity on one or multiple occasions, until January 23, 2009, and to sell these shares on the stock exchange, with the agreement of the Supervisory Board. Furthermore, with the agreement of the Supervisory Board, the Executive Board is authorized to sell previously purchased shares, while excluding shareholders' statutory subscription rights, by means other than the stock exchange or an offer to all shareholders. In addition, the Executive Board is authorized to sell shares acquired through mergers or investments in other companies, and to use purchased shares to fulfill subscription rights. The Executive Board is permitted, with the agreement of the Supervisory Board, to withdraw some or all of the shares acquired as a result of this resolution.

At March 31, 2008, the number of treasury shares remained the same at 56,214. These shares were valued at unchanged acquisition cost of €135 thousand.

Capital management
The Executive Board is committed to ensuring a healthy equity-to-total-assets ratio, in the interests of shareholders, creditors, customers and suppliers. Against this background, equity-to-total-assets ratio is subject to regular monitoring, so that corresponding measures can be implemented rapidly when necessary.

In the short fiscal year 2008, capital management was again based on consolidated quarterly reporting, using the equity-to-total-assets ratio in the TDS consolidated balance sheet according to IFRS.

Equity-to-total-assets ratio is calculated as follows:

	March 31, 2008 € thousands	December 31, 2007 € thousands
Total shareholders' equity	36,832	35,754
Total assets	92,120	90,915
Equity-to-total-assets ratio	**40.0 %**	**39.3 %**

Neither TDS AG nor its subsidiaries are subject to external capital requirements.

29 Provisions for pensions

At March 31, 2008, provisions for pensions broke down as follows:

	January 1 € thousands	Currency translation adjustments € thousands	Use € thousands	Reduction € thousands	Addition € thousands	March 31 or December 31 € thousands
2008	5,174	19	15	0	105	**5,283**
2007	4,777	-1	68	0	466	**5,174**

Provisions for pensions are formed for liabilities from vested benefits, as well as current benefits paid to entitled and former employees of the TDS Group, or to their surviving dependents, and are based on individual contracts of employment. Benefits are based on the employee's length of service and compensation. The Company's pension plans are partially funded. There are different pension systems, depending on the legal, economic and tax situation in the country concerned.

Until January 1, 2008, these systems were based on defined benefit plans, which oblige the Company to ensure that promised payments are made to current and former employees. The benefit obligations of TDS AG and its German subsidiaries, with the exception of the remaining obligations of dsoftware (acquired in fiscal 2007), are backed by provisions. In the short fiscal year 2008, the vast majority of dsoftware's benefit obligations and corresponding funds were backed by a contributory plan, which is financed exclusively through employee contributions.

The pension plans of TDS Multivision AG, Regensdorf, Switzerland, are financed exclusively by funds.

The amount of pension obligations (present value of defined benefit obligations) has been calculated using actuarial methods, which necessarily involve estimates and assumptions. In addition to assumptions regarding life expectancy, the following assumptions, which depend on the economic environment of the specific country, are important:

	Germany		**Switzerland**	
	March 31, 2008	2007	**March 31, 2008**	2007
Discount rate	6.74/6.09 %*	5.76/5.50 %*	3.50 %	3.50 %
Expected return on assets	4.00 %	3.60 %	3.00 %	3.00 %
Rate of compensation increase	3.00 %	3.00 %	up to 5.00 %	up to 5.00 %
Rate of retirement-benefit increase	1.70 %	1.70 %	0.00 %	0.00 %

*6.74 % (5.76 % in 2007) for employees and 6.09 % (5.50 % in 2007) for retirees.

The rate of compensation increase reflects expected future salary increases. These are estimated annually, taking into consideration factors such as inflation and the economic situation. In Switzerland, the rate of compensation increase is estimated separately for different age groups.

The pension obligations calculated using the projected unit credit method are reduced by the amount of the plan assets. If the plan assets exceed the pension obligations, they are included under other assets in accordance with IAS 19, taking account of the asset ceiling described in this standard. If they do not cover the obligations, the net obligations are recorded under pension provisions.

Increases or decreases in either the present value of the defined benefit plans, or in the fair value of the plan assets can result in actuarial gains or losses. These increases and decreases can be caused by changes in the calculation parameters, in the estimates of risk development for the pension obligations, and by differences between the actual and expected return on plan assets. Checks to determine whether actuarial gains or losses must be recognized in the financial statements were performed on the basis of the individual plans at the balance-sheet date, in accordance with the corridor approach. The sum of actuarial gains or losses that have not yet been taken into consideration, and that exceed 10 percent of the higher value of plan assets or defined benefit obligations, is spread across the average remaining service period of active employees.

Accumulated benefit obligations of defined benefit plans:

	Germany		**Switzerland**		**Total**	
	March 31, 2008 € thousands	2007 € thousands	**March 31, 2008** € thousands	2007 € thousands	**March 31, 2008** € thousands	2007 € thousands
Present value of pension obligations financed by provisions	3,909	4,453	0	0	3,909	4,453
Present value of pension obligations financed by funds	14	178	1,765	1970	1,779	2,148
Present value of defined benefit obligations	3,923	4,631	1,765	1,970	5,688	6,601
Plan assets at market values	-20	-226	-1,206	-1,821	-1,226	-2,047
Net obligations	3,903	4,405	559	149	4,462	4,554
Adjustment due to actuarial gains (+) and losses (-)	1,146	553	-331	51	815	604
Effects of asset ceiling	6	16	0	0	6	16
Balance-sheet value at March 31, 2008	**5,055**	**4,974**	**228**	**200**	**5,283**	**5,174**

In the past five years, the present values of defined benefit obligations not covered by plan assets developed as follows:

	March 31, 2008 **€ thousands**	**2007** **€ thousands**	**2006** **€ thousands**	**2005** **€ thousands**	**2004** **€ thousands**	**2003** **€ thousands**
Present value of pension obligations	5,688	6,601	6,404	6,172	5,250	2,390
Plan assets at market values	-1,226	-2,047	-1,304	-1,007	-1,104	0
Present value of defined benefit obligations not covered by plan assets	**4,462**	**4,554**	**5,100**	**5,165**	**4,146**	**2,390**

Development of the present values of pension obligations:

	Germany		Switzerland		Total	
	2008 € thousands	2007 € thousands	**2008** € thousands	2007 € thousands	**2008** € thousands	2007 € thousands
January 1	4,631	4,879	1,970	1,525	6,601	6,404
Obligations from acquisitions	0	195	0	0	0	195
Transfer of obligations to a contributory plan	-164	0	0	0	-164	0
Currency translation adjustments	0	0	100	-49	100	-49
Current service costs	34	189	47	197	81	386
Interest expense	64	236	16	60	80	296
Allocation of funds	0	0	42	97	42	97
Compensation payments	0	-29	0	0	0	-29
Benefit payments*	-15	-68	-411	327	-426	259
Actuarial gains/losses	-627	-771	1	-187	-626	-958
March 31, 2008 (last year: December 31)	**3,923**	**4,631**	**1,765**	**1,970**	**5,688**	**6,601**

As a result of the merger of dsoftware with TDS HR Services & Solutions in 2007 (see note 4 "Changes to corporate structure and to consolidation"), the Company acquired pension obligations backed by the dsoftware pension fund (dsoftware Unterstützungskasse e.V.).

Development of plan assets:

	Germany		Switzerland		Total	
	2008 € thousands	2007 € thousands	**2008** € thousands	2007 € thousands	**2008** € thousands	2007 € thousands
January 1	226	0	1,821	1,304	2,047	1,304
Obligations from acquisitions	0	204	0	0	0	204
Transfer of obligations to a contributory plan	-206	0	0	0	-206	0
Currency translation adjustments	0	0	84	-7	84	-7
Expected return on plan assets	0	4	13	47	13	51
Actuarial gains/losses	0	6	-385	-42	-385	-36
Employer contributions	0	10	42	95	42	105
Employee contributions	0	31	42	97	42	128
Benefit payments*	0	-29	-411	327	-411	298
March 31, 2008 (last year: December 31)	**20**	**226**	**1,206**	**1,821**	**1,226**	**2,047**

*As a result of features specific to pension plans in Switzerland, benefit payments in this country may include proceeds from pension funds from the former employers of new staff and/or outgoing payments for benefit obligations to former employees of TDS.

TDS MV plan assets are managed by Winterthur, Switzerland, within the scope of a collective insurance agreement. All plan assets are direct 100-percent entitlements vis-à-vis the insurance company.

dsoftware plan assets comprise fixed-interest deposits only. The expected return on plan assets is calculated on the basis of the applicable interest rate in the reporting period.

TDS plans to contribute €191 thousand to plan assets in fiscal 2008/2009.

Pension cost from defined benefit obligations:

	Germany		Switzerland		Total	
	March 31, 2008 € thousands	2007 € thousands	**March 31, 2008** € thousands	2007 € thousands	**March 31, 2008** € thousands	2007 € thousands
Current service costs	34	189	47	197	81	386
Interest expense	64	236	16	60	80	296
Expected return on plan assets	0	-4	-13	-47	-13	-51
Actuarial gains (-) and losses (+)	-1	0	0	7	-1	7
Valuation allowance due to asset ceiling	0	7	0	0	0	7
	97	**428**	**50**	**217**	**147**	**645**

The actual return on plan assets from external pension funds totaled €372 thousand (€16 thousand in 2007).

30 Additional provisions

Provisions for taxes include appropriate amounts for fiscal years for which assessments by the tax authorities have not been finalized, and for other tax risks.

Provisions for payroll and related costs are primarily formed for vacation compensation and special payments. The provisions include €115 thousand (€136 thousand in 2007) for severance costs, lawyers' fees and costs for court proceedings.

Additional provisions are mainly formed for outstanding invoices, the audit of annual financial statements, and other uncertain liabilities.

At March 31, 2008, additional provisions were as follows:

	January 1, 2008 € thousands	Currency-translation adjustments € thousands	Use € thousands	Reduction € thousands	Addition € thousands	March 31, 2008 € thousands
Provisions for taxes	1,278	0	2	0	193	1,469
Other provisions						
Payroll and related costs	3,962	1	3,118	296	3,141	3,807
Warranty obligations and risks from pending transactions	168	2	19	0	6	157
Additional provisions	2,789	-2	1,787	181	1,325	2,027
	8,197	**1**	**4,926**	**477**	**4,665**	**7,460**

At March 31, 2008, the following items were estimated for provisions within individual categories.

	Remaining term less than one year € thousands	Remaining term one to five years € thousands	Remaining term more than five years € thousands
Provisions for taxes	1,469	0	0
Payroll and related costs	2,492	0	0
Warranty obligations and risks from pending transactions	92	0	0
Additional provisions	2,027	0	0
Total	**6,080**	**0**	**0**
Non-cash provisions	1,380	0	0
Total provisions	**7,460**	**0**	**0**

31 Financial liabilities

Financial liabilities break down as follows:

	March 31, 2008 **€ thousands**	**December 31, 2007** **€ thousands**
Amounts due to the majority shareholder	15,500	17,500
Amounts due to banks	5,001	5,007
Obligations under finance leases	8,380	8,407
	28,881	**30,914**

Amounts due to the majority shareholder
Within the scope of the intercompany loan arrangement concluded between TDS and Fujitsu Services Overseas Holdings Limited, London, UK (Fujitsu Services) on April 25, 2007, a non-amortizing loan in the amount of €17,000 thousand and with a term of 36 months was granted by Fujitsu Services on December 28, 2007. The interest rate is 6.35 percent per annum for the entire term of the loan, with interest due for payment on a quarterly basis. In the short fiscal year 2008, the loan was reduced to €15,500 thousand thanks to a one-off repayment in the amount of €1,500 thousand.

In addition, TDS was granted a current-account credit line of up to €2,500 thousand, also within the scope of the intercompany loan arrangement. TDS had used €0 thousand of this amount at the balance-sheet date (€500 thousand in 2007). Interest for used credit line is defined each month based on the applicable Libor rate, plus a premium of 2.0 percent.

Amounts due to banks
Amounts due to banks mainly comprise a capital-market financed corporate bond in the amount of €5,000 thousand. This bond will mature at September 15, 2011. Interest is based on the applicable Euribor rate for the corresponding interest period, plus a premium of 1.8 percent, and is currently 6.406 percent per annum (6.748 percent per annum in 2007). The interest rate is fixed until June 15, 2008, and is adjusted every three months.

In addition, there are amounts due to banks for current-account credit line to the value of €1 thousand (€7 thousand in 2007).

Obligations under finance leases
Finance leases are mainly employed to finance capital expenditure for customer-related projects at TDS data centers. Details of obligations under finance leases can be found in note 19 “Leased assets”.

32 Term of liabilities

March 31, 2008	Remaining term less than one year € thousands	Remaining term one to five years € thousands	Remaining term more than five years € thousands	Total at March 31, 2008 € thousands
Amounts due to the majority shareholder	0	15,500	0	15,500
Amounts due to banks	1	5,000	0	5,001
Obligations under finance leases	3,611	4,769	0	8,380
Financial liabilities	**3,612**	**25,269**	**0**	**28,881**
Customer downpayments	3,465	0	0	3,465
Trade payables	3,742	0	0	3,742
Other liabilities	6,357	100	0	6,457
(for taxes)	(2,762)	(0)	(0)	(0)
(for social security)	(79)	(0)	(0)	(0)
Total	**17,176**	**25,369**	**0**	**42,545**

At March 31, 2008, customer downpayments included downpayments for long-term service contracts in the amount of €3,407 thousand (€3,121 thousand in 2007).

December 31, 2007	Remaining term less than one year € thousands	Remaining term one to five years € thousands	Remaining term more than five years € thousands	Total at December 31, 2007 € thousands
Amounts due to the majority shareholder	500	17,000	0	17,500
Amounts due to banks	7	5,000	0	5,007
Obligations under finance leases	3,715	4,641	51	8,407
Financial liabilities	**4,222**	**26,641**	**51**	**30,914**
Customer downpayments	3,188	0	0	3,188
Trade payables	3,131	0	0	3,131
Other liabilities	4,427	130	0	4,557
(for taxes)	(2,911)	(0)	(0)	(0)
(for social security)	(38)	(0)	(0)	(0)
Total	**14,968**	**26,771**	**51**	**41,790**

33 Other liabilities

Other liabilities break down as follows:

	March 31, 2008 € thousands	**December 31, 2007 € thousands**
Value-added tax and other tax liabilities	2,762	2,911
Liabilities for social security	79	38
Salaries and wages	64	63
Liabilities from the early termination of building leases	0	0
Customer credit	61	83
Other amounts due to the majority shareholder	89	168
Total of other liabilities	65	241
	3,120	**3,504**
Prepaid expenses	3,337	1,053
	6,457	**4,557**

34 Additional information on financial instruments

Book values, approaches to valuation and fair values by category

		Valuation at amortized cost of acquisition in accordance with IAS 39				Valuation in accordance with IAS 17	
Category		Loans and receivables		Financial liabilities valued at amortized cost of acquisition			
Type	**Book value at March 31, 2008**	Book value	Market value	Book value	Market value	Book value	Market value
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Assets							
Lendings							
Trade receivables	15,718	15,718	15,718				
Cash and cash equivalents	192	192	192				
Other receivables	1,835	1,835	1,835				
	17,745	**17,745**	**17,745**				
Shareholders' equity and liabilities							
Amounts due to the majority shareholder	15,500			15,500	15,672		
Amounts due to banks	5,001			5,001	5,001		
Obligations under finance leases	8,380					8,380	8,025
Trade payables	3,742			3,742	3,742		
Other liabilities	214			214	214		
	32,837			**24,457**	**24,629**	**8,380**	**8,025**

		Valuation at amortized cost of acquisition in accordance with IAS 39				Valuation in accordance with IAS 17	
Category		Loans and receivables		Financial liabilities valued at amortized cost of acquisition			
Type	**Book value at Dec 31, 2007**	Book value	Market value	Book value	Market value	Book value	Market value
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Assets							
Lendings	180	180	180				
Trade receivables	17,769	17,769	17,769				
Cash and cash equivalents	2,063	2,063	2,063				
Other receivables	907	907	907				
	20,919	**20,919**	**20,919**				
Shareholders' equity and liabilities							
Amounts due to the majority shareholder	17,500			17,500	17,611		
Amounts due to banks	5,007			5,007	5,007		
Finance leases	8,407					8,407	8,151
Trade payables	3,131			3,131	3,131		
Other liabilities	489			489	489		
	34,534			**26,127**	**26,238**	**8,407**	**8,151**

Cash and cash equivalents, trade receivables and payables, lendings, other receivables and other liabilities have mostly short terms and/or incur variable interest in line with market rates. As a result, the book value at the balance-sheet date corresponds approximately to the fair value.

Amounts due to the majority shareholder and obligations under finance leases are subject to fixed interest rates throughout their terms. Therefore, the market value may fluctuate as a result of changes in actual market interest rates. Market value was estimated on the basis of the present value. We discounted outgoing contractual payments on the basis of interest rates for equivalent terms and risk. These interest rates varied between 6.08 percent and 6.19 percent, depending on the remaining term of the liability.

Trade receivables of €20,995 thousand (€22,284 thousand in 2007) include receivables for ongoing projects not yet invoiced (PoC) in the amount of €5,277 thousand (€4,515 thousand in 2007). These are not recognized here because they are financial assets. Other receivables allocated to financial assets, in the amount of €1,835 thousand (€907 thousand in 2007), are included under "Other assets".

35 Share-based payment

Share-option plan

On May 23, 2002, the annual shareholders' meeting authorized a share-option plan (2002 share-option plan), under which options for up to 1,490,000 Company shares could be granted to TDS Group employees and the Executive Board by December 31, 2004. Of 940,000 share options granted in 2002 (2002 tranche), 885,000 were accepted. A further 415,000 share options were granted and accepted in 2004 (2004 tranche). Each option may be exchanged for one share in the Company at the exercise price. The exercise price is the volume-weighted average closing price of the TDS share in Xetra trading on the Frankfurt Stock Exchange over the ten trading days preceding the issuance of the option, but not less than the portion of share capital allocable to one share, plus a premium of ten percent. The term is three years for 50 percent of the share options, and four years for the remaining 50 percent. Within the scope of each tranche, 50 percent of the share options issued to each individual recipient have a service period of two years and a term of three years, and 50 percent have a service period of three years and a term of four years.

Share options are cancelled when employees leave the Company, provided that the service period has not yet elapsed. However, the Executive Board - or the Supervisory Board if Executive Board members are affected - is authorized to make exceptions to this rule in individual cases.

Options granted in 2002 expired in fiscal 2006.

Options granted in 2004 could/can be exercised as follows:

	Term of options	Service period	Exercise period
Tranche 1 (50 percent)	2004 to 2007 (Nov - Nov)	2 years	Nov 2006 - Nov 2007
Tranche 2 (50 percent)	2004 to 2008 (Nov - Nov)	3 years	Nov 2007 - Nov 2008

The Black-Scholes pricing model is used to calculate the fair value of each option upon the date of grant.

The following weighted-average assumptions were made for the 2002 share-option plan (2004 tranche): Share price €2.69, exercise price €2.96, average dividend yield 0 percent, risk-free interest rate of 3.5 percent, volatility 40.0 percent and a term of three years for 50 percent of the options and four years for the remaining 50 percent. The Black-Scholes fair value was €0.74 and €0.88 on the date of grant.

Volatility in the 2004 tranche was calculated on the basis of fair value, which was based on the price of the TDS share from August to December in Xetra trading on the Frankfurt stock exchange.

Share-option activity during the periods indicated was as follows:

	No. of options, 2002 plan 2004 tranche	Of which can be exercised at year-end	Average exercise price per option (€)
December 31, 2003	0	0	
Granted	415,000		2.96
Exercised	0		
Withdrawn	0		
Expired	0		
Cancelled	0		
December 31, 2004	415,000	0	2.96
Granted	0		
Exercised	0		
Withdrawn	0		
Expired	0		
Cancelled	-10,000		2.96
December 31, 2005	405,000	0	2.96
Granted	0		
Exercised	0		
Withdrawn	0		
Expired	0		
Cancelled	-25,000		2.96
December 31, 2006	380,000	0	2.96
Granted	0		
Exercised	-5,000		2.96
Withdrawn	0		
Expired	-135,000		2.96
Cancelled	-130,000		2.96
December 31, 2007	110,000	0	2.96
Granted	0		
Exercised	0		
Withdrawn	0		
Expired	0		
Cancelled	0		
March 31, 2008	110,000	0	2.96

50 percent of options from the 2004 tranche expired in November 2007, and 50 percent have a remaining term of 8 months.

Cancelled options are attributable to employees who left the Company before the service period ended.

According to IFRS 2, expense amounted to €0 thousand in the short fiscal year 2008 (€5 thousand in 2007).

Virtual share options

2008
There were no virtual share options at TDS in the short fiscal year 2008. As a result, no expenses were incurred in connection with virtual share options.

2007
The Supervisory Board granted the Executive Board 125,000 virtual share options in both 2006 and 2005. For virtual share options granted in 2006, Executive Board members were to receive a cash bonus in 2008 based on the difference between the average prices of TDS shares at June 2006 and June 2008. For virtual share options granted in 2005,

Executive Board members were to receive a cash bonus in 2007 based on the difference between the average prices of TDS shares at June 2005 and June 2007. The increase in value would be multiplied by the number of options granted, and paid by the Company in cash. Advanced calculation and payment of the bonus would be possible if, for example, the majority of TDS shares are transferred to a new shareholder, and this majority shareholder then issues a mandatory offer to all remaining TDS shareholders. In this case, the price cited in the mandatory offer is used as the basis for bonus calculation.

Fair value of virtual share options is calculated in line with IFRS 2. This is for "Asian options" that, in contrast to "European options", are not valued at one balance-sheet date, but on the basis of the average market value over a period of time. For two "European options", fair value was calculated at the grant date using the average value determined via the Black-Scholes method.

Fair value, calculated at the grant date using the Black-Scholes method, was €0.80 per share for virtual share options granted in 2006, and €0.31 for those granted in 2005.

The following weighted-average assumptions were made for virtual share options granted in 2006: Share price €2.84, exercise price €2.44, average dividend yield 0 percent, risk-free interest rate of 3.71 percent, volatility 34.0 percent, and a term of 23.3 months.

The following weighted-average assumptions were made for virtual share options granted in 2005: Share price €2.06, exercise price €2.33, average dividend yield 0 percent, risk-free interest rate of 2.80 percent, volatility 37.45 percent, and a term of 18.5 months.

On February 26, 2007, Fujitsu Services Overseas Holdings Limited, London, UK (Fujitsu Services) issued a mandatory offer to remaining TDS shareholders in the amount of €2.80 per share, pursuant to the German Securities Acquisition and Takeover Act (WpÜG).

As a result, all requirements for advanced calculation and payment of the bonus were met. The value per virtual share is based on the difference between the exercise price and the price cited in the mandatory offer. In fiscal 2007, Executive Board members received €0.36 per share for virtual options granted in 2006 (€45 thousand in total), and €0.47 per shares for virtual options granted in 2005 (€59 thousand in total).

Amounts were added to other liabilities on the basis of fair value until the date when bonuses were paid in fiscal 2007. At December 31, 2006, liabilities for share-based bonuses was €45 thousands. A further €59 thousand was added to other liabilities until the date when bonuses were paid in fiscal 2007.

36 Derivative financial instruments

The derivative financial instruments reported at December 31, 2006 were terminated on December 6, 2007, prior to maturity. This resulted in profit of €9 thousand in fiscal 2007.

37 Related parties

According to IAS 24 *Related Party Disclosure*, any individual or entity that may be expected to influence, or be influenced by, the reporting company, must be disclosed. This excludes companies included in the consolidated financial statements. Relationships between parent companies and subsidiaries must be disclosed. Relationships with related parties must only be disclosed if transactions have taken place. Related parties within the TDS Group include the majority shareholder Fujitsu Services, members of the Executive and Supervisory Boards, as well as unconsolidated and unassociated companies of TDS AG.

Prices and terms for independent business partners also apply to transactions with related persons and entities.

Companies that are not fully consolidated
The following table shows the value of services of a material nature provided to and received from companies that are not fully consolidated:

	Value of services provided € thousands		Value of services received € thousands	
	March 31, 2008	2007	**March 31, 2008**	2007
ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG, Neckarsulm, Germany	31	501	45	2,356
Villa Rosa gGmbH, Heilbronn, Germany	0	0	5	23

In the short fiscal year 2008, €5 thousand was contributed to Villa Rosa gGmbH for day care for TDS employees' children (€23 thousand in 2007).

Effective from September 1, 1999, the Company concluded an operating lease agreement with ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG (Rosea KG), Neckarsulm, Germany for a period of 22 years. This led to lease expenses in the amount of €0 thousand in the short fiscal year 2008 (€1,392 thousand in 2007). The operating lease agreement with Rosea KG was terminated before the end of its term, effective December 18, 2007. At the same time, a new lease agreement was concluded between TDS and AXA GmbH & Co Immobilienbeteiligungs-Kommanditgesellschaft "Merkens fünfundzwanzig", Cologne, Germany (AXA). In fiscal 2007, a further €501 thousand was charged to Rosea KG for internal and external expenses that arose at TDS in connection with the termination of leasing arrangements with Rosea KG and negotiations with AXA. Profits from these additional charges were then eliminated in 2007 when accounting for Rosea KG using the equity method.

At March 31, 2008, receivables and liabilities for companies that are not fully consolidated were as follows:

	Receivables € thousands		Liabilities € thousands	
	March 31, 2008	December 31, 2007	**March 31, 2008**	December 31, 2007
ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG, Neckarsulm, Germany	0	624	0	9
Villa Rosa GmbH, Heilbronn, Germany	0	0	0	5

There are no other business relationships between the Group and subsidiaries that are not fully consolidated.

Majority shareholder
In the short fiscal year 2008, expenses and income for the majority shareholder Fujitsu Services and companies related to Fujitsu Services were as follows:

	Jan 1 to March 31, 2008 € thousands	**2007 € thousands**
Revenues	461	1.221
Other operating income	868	499
Total income	**1,329**	**1,720**

Revenues mainly comprise income from Business Process Outsourcing (BPO) services for a division of Fujitsu Services GmbH , Dusseldorf (Fujitsu Services DE), and income from establishing a shared service center for Fujitsu Services DE.

Other operating income mainly includes income from expenses charged to Fujitsu Services in connection with conclusion of the subordination agreement.

	Jan 1 to March 31, 2008 € thousands	2007 € thousands
Other operating expenses	221	277
Interest expenses	258	330
	479	**607**

Other operating expenses mainly comprise expenses in connection with conclusion of the subordination agreement with Fujitsu Services, as well as lease expenses.

Interest expenses are for liabilities from loans granted by Fujitsu Services (see below).

At March 31, 2008, receivables and liabilities for Fujitsu Services and its related companies were as follows:

	March 31, 2008 € thousands	December 31, 2007 € thousands
Financial receivables	1,800	0
Other receivables from costs/services to third parties	1,710	756
Receivables	**3,510**	**756**

	March 31, 2008 € thousands	December 31, 2007 € thousands
Loan	15,500	17,000
Current-account credit	0	500
Interest	0	19
Other liabilities	89	149
Liabilities	**15,589**	**17,668**

Details of the loan and current-account credit are given in note 31 “Financial liabilities”.

Other related parties
Expenses of €121 thousand were posted in the short fiscal year 2008 (€157 thousand in 2007) for consulting services and commission for brokering customer projects at Insignion Management Consulting GmbH, Wiesbaden, Germany (Insignion), a company in which the wife of Executive Board member Dr. Heiner Diefenbach has a 51-percent holding. The resulting liabilities totaled €66 thousand at March 31, 2008 (€29 thousand in 2007).

For details of other business relationships with TDS Executive and Supervisory Board members, see note 45 “Further relevant information concerning the Executive and Supervisory Board”.

In the short fiscal year 2008, no further revenues of a material nature were generated from transactions with shareholders, members of management, or with companies controlled by these persons.

38 Other financial obligations

Future financial obligations at March 31, 2008, break down as follows:

	€ thousands
Due in less than 1 year	4,698
Due in 1 to 5 years	10,147
Due in more than 5 years	17,540
	32,386

This item primarily consists of rental/lease expenses.

In addition, there are liabilities from purchase obligations totaling €1,178 thousand (€2,022 thousand in 2007).

39 Contingent liabilities

TDS had no contingent liabilities at March 31, 2008.

40 Legal proceedings

TDS AG and its consolidated companies are not involved in any court or arbitration proceedings that may have a significant effect on the economical status of the Group.

41 Declaration of Compliance with the German Corporate Governance Code

The Executive Board and Supervisory Board of TDS issued a declaration of compliance with the German Corporate Governance Code, pursuant to Section 161 of the German Stock Corporation Act (AktG), and made this declaration permanently available to shareholders.

42 Disclosures according to Section 25, Subsection 1 of the German Securities Trading Act (WpHG)

There were no disclosures pursuant to Section 21 and Section 25 of the German Securities Trading Act (WpHG) in the short fiscal year 2008.

In 2007, the following disclosures were made pursuant to Section 21 and Section 25 of the German Securities Trading Act (WpHG) in fiscal 2007. The following information serves as the basis for disclosures pursuant to Section 160, Subsection 1 (8) of the German Stock Corporation Act (AktG).

On January 18, 2007, TDS was informed of the following transactions in accordance with Section 21, Subsection 1, of the German Securities Trading Act (WpHG). These were then disclosed in accordance with Section 25, Subsection 1 of the German Securities Trading Act (WpHG) on January 22, 2007:

"On January 18, 2007, Mayer, Brown, Rowe & Maw LLP legal practice in Frankfurt, Germany, issued the following disclosures pursuant to Section 21, Subsection 1 of the German Securities Trading Act (WpHG):

We hereby declare pursuant to Section 21, Subsection 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of our client, Fujitsu Limited, Shiodome City Center, 1-5-2 Higashi-Shimbashi, Minatoku, Tokyo 105-7123, Japan, that its share of voting rights in TDS Informationstechnologie Aktiengesellschaft exceeded the 75, 50, 25, 10, and 5 percent thresholds on January 18, 2007. Its holding is now 79.42 percent. This corresponds to 23,263,951 votes. All voting rights are to be assigned to Fujitsu Limited pursuant to Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG).

We hereby declare pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of our client, that the share of voting rights of Fujitsu Services Holdings PLC, 22 Baker Street, London W1U 2BW, UK in TDS Informationstechnologie Aktiengesellschaft exceeded the 75, 50, 25, 10, and 5 percent thresholds on January 18, 2007. Its holding is now 79.42 percent. This corresponds to 23,263,951 votes. All voting rights are to be assigned to Fujitsu Services Holdings PLC pursuant to Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG).

We hereby declare pursuant to Section 21, Subsection 1 and Section 24 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of our client, that the share of voting rights of Fujitsu Services Overseas Holdings Limited, 22 Baker Street, London W1U 2BW, UK in TDS Informationstechnologie Aktiengesellschaft exceeded the 75, 50, 25, 10, and 5 percent thresholds on January 18, 2007. Its holding is now 79.42 percent. This corresponds to 23,263,951 votes.

Neckarsulm, January 2007"

On January 18, 2007, TDS was informed of the following transactions in accordance with Section 21, Subsection 1, of the German Securities Trading Act (WpHG). These were then disclosed in accordance with Section 25, Subsection 1 of the German Securities Trading Act (WpHG) on January 22, 2007:

"On January 18, 2007, General Atlantic GmbH, Düsseldorf, Germany, made the following disclosures in accordance with Section 21, Subsection 1 of the German Securities Trading Act (WpHG):

With regard to the complete sale of our shares in TDS Informationstechnologie AG, Neckarsulm, ISIN DE0005085609 (hereinafter 'TDS'), we disclose the following:

1. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of General Atlantic Partners (TERN), L.P., Clarendon House, Church Street, Hamilton, HM 11, Bermuda, that on January 18, 2007 its share of voting rights in TDS in accordance with Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), and its share of voting rights in TDS assigned in accordance with Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

2. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of GAP-W International, LLC, c/o National Corporate Research, Ltd., 615 South Dupont Highway, Dover, Delaware 19901, USA, that on January 18, 2007 its share of voting rights in TDS according to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), and its share of voting rights in TDS assigned in accordance with Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

3. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of GAP (Bermuda) Ltd, Clarendon House, Church Street, Hamilton, HM 11, Bermuda, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1 (1) and Section 22, Subsection 1, Sentence 1(1) of the German Securities Trading Act (WpHG) in conjunction with Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

4. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of GAP 1 SARL, 3, Boulevard Royal, 2449 Luxembourg, Luxembourg, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1(1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) in conjunction with Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

5. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of GAP 2 SARL, 3, Boulevard Royal, 2449 Luxembourg, Luxembourg, that on January 18, 2007 its

share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1(1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) in conjunction with Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

6. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of GAP 3 SARL, 3, Boulevard Royal, 2449 Luxembourg, Luxembourg, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1(1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

7. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of GAP-W International SARL, 3, Boulevard Royal, L-2449, Luxembourg, Luxembourg, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1 (1) and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

8. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of Woodbridge International Holdings S.A., 3, Boulevard Royal, L-2449 Luxembourg, Luxembourg, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1(1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

9. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of WISHA Holdings S.A., 3, Boulevard Royal, L-2449 Luxembourg, Luxembourg, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1(1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

10. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of Woodbridge International Holdings Limited, 65 Queen Street West, Suite 2400, Toronto, Ontario, Canada M5H 2M8, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1 (1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

11. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of The Woodbridge Company Limited, 65 Queen Street West, Suite 2400, Toronto, Ontario, Canada M5H 2M8, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1 (1) in conjunction with Section 22, Subsection 1, Sentence 2 and Section 22, Subsection 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent.

12. We hereby declare pursuant to Section 21, Subsection 1, Sentence 1 of the German Securities Trading Act (WpHG), on behalf of and with the explicit authorization of Mr. Peter L. Bloom, Mr. Peter Currie, Mr. Steven A. Denning, Mr. Mark F. Dzialga, Mr. Erik Engstrom, Dr. Klaus Esser, Mr. William E. Ford, Mr. William O. Grabe, Mr. David C. Hodgson, Mr. Braden R. Kelly, Mr. René M. Kern, Mr. William J. Lansing, Mr. Matthew Nimetz, Mr. Clifton S. Robbins, Mr. Franchon M. Smithson, Mr. Tom C. Tinsley, Mr. Florian Wendelstadt and Mr. John Wong, that on January 18, 2007 its share of voting rights in TDS assigned according to Section 22, Subsection 1, Sentence 1 (1) in conjunction with Section 22, Subsection 1, Sentence 2 of the German Securities Trading Act (WpHG) fell below the 50, 25, 10, and 5 percent thresholds. Its holding is now 0 percent. The address of Mr. Peter L. Bloom, Mr. Steven A. Denning, Mr. Mark F. Dzialga, Mr. Erik Engstrom, Mr. William E. Ford, Mr. William O. Grabe, Mr. David C. Hodgson, Mr. René M. Kern, Mr. Matthew Nimetz, Mr. Clifton S. Robbins, Mr. Franchon M. Smithson and Mr. Tom C. Tinsley is c/o General Atlantic Service Corporation, 3 Pickwick Plaza, Greenwich, Connecticut 06830, US. The address of Dr. Klaus Esser is c/o General Atlantic Partners GmbH, Königsallee 62, 40212 Düsseldorf, Germany. The address of Mr. Florian

Wendelstadt is c/o General Atlantic Partners Limited, 83 Pall Mall, Sixth Floor, London SW1Y 5ES, UK. The address of Mr. Peter Currie, Mr. Braden R. Kelly and Mr. William J. Lansing is c/o General Atlantic Service Corporation, 228 Hamilton Avenue, Palo Alto, California 94301, US. The address of Mr. John Wong is c/o General Atlantic Service Corporation, 24 Raffles Place, 29-04 Clifford Center, Singapore 048621.

Neckarsulm, January 2007“

On March 9, 2007, TDS was informed of the following transactions in accordance with Sections 21, 22 and 24 of the German Securities Trading Act (WpHG). These were then disclosed pursuant to Section 26, Subsection 1, of the German Securities Trading Act (WpHG) on March 9, 2007:

“On March 9, 2007, Mayer, Brown, Rowe & Maw LLP legal practice in Frankfurt, Germany, issued the following disclosures pursuant to Sections 21, 22 and 24 of the German Securities Trading Act (WpHG):

In addition to the disclosure of January 18, 2007 on the voting rights of Fujitsu Limited in accordance with Sections 21, 22 and 24 of the German Securities Trading Act (WpHG), regarding the share of voting rights in TDS Informationstechnologie Aktiengesellschaft, Konrad-Zuse-Strasse 16, 74172 Neckarsulm, Germany (TDS AG), we hereby disclose the following on behalf of and with the explicit authorization of our client, Fujitsu Limited, Shiodome City Center, 1,5,2 Higashi-Shimbashi, Minatoku, Tokyo 105-7123, Japan:

Since January 18, 2007, a further 56,214 shares, equivalent to 0.19 percent of voting rights, have been assigned to Fujitsu Limited, Fujitsu Services Holdings PLC, 22 Baker Street, London W1U 2BW, UK and Fujitsu Services Overseas Holdings Limited, 22 Baker Street, London W1U 2BW, UK, respectively, pursuant to Section 22 Subsection 1 (1) of the German Securities Trading Act (WpHG). However, in accordance with Section 71b of the German Stock Corporation Act (AktG), voting rights from these 56,214 TDS AG treasury shares cannot be exercised.

As a result, the total share of voting rights of Fujitsu Limited, Fujitsu Services Holdings PLC and Fujitsu Services Overseas Holdings Limited in TDS AG is 79.61 percent (23,320,165 shares) for each company. However, in accordance with Section 71b of the German Stock Corporation Act (AktG), 0.19 percent of these voting rights cannot be exercised.

Of the total share of voting rights (79.61 percent), 0.19 percent of voting rights (56,214 shares) are assigned to Fujitsu Services Overseas Holdings Limited in accordance with Section 22, Subsection 1 (1) of the German Securities Trading Act (WpHG), namely the treasury shares of TDS AG, whose voting rights cannot be exercised in accordance with Section 71b of the German Stock Corporation Act (AktG).

All 79.61 percent of voting rights (23,320,165 shares) are assigned to Fujitsu Services Holdings PLC in accordance with Section 22, Subsection 1 (1) of the German Securities Trading Act (WpHG). This share comprises 79.42 percent of voting rights (23,263,951 shares) via Fujitsu Services Overseas Holdings Limited, which directly holds 79.42 percent of voting rights (23,263,951 shares) in TDS AG, and 0.19 percent (56,214 shares) via Fujitsu Services Overseas Holdings Limited and TDS AG, which has treasury shares in this amount.

All 79.61 percent of voting rights (23,320,165 shares) are assigned to Fujitsu Limited in accordance with Section 22, Subsection 1 (1) of the German Securities Trading Act (WpHG). This share comprises 79.42 percent of voting rights (23,263,951 shares) via Fujitsu Services Holdings PLC and Fujitsu Services Overseas Holdings Limited, which directly holds 79.42 percent of voting rights (23,263,951 shares) in TDS AG, and 0.19 percent (56,214 shares) via Fujitsu Services Holdings PLC, Fujitsu Services Overseas Holdings PLC and TDS AG, which has treasury shares in this amount.

Neckarsulm, March 2007”

On July 20, 2007, TDS was informed of the following transactions in accordance with Section 21 of the German Securities Trading Act (WpHG). These were then disclosed pursuant to Section 26, Subsection 1 of the German Securities Trading Act (WpHG) on July 20, 2007:

“On July 20, 2007, Deutsche Balaton Aktiengesellschaft, headquartered in Heidelberg, Germany, issued the following disclosures:

Disclosure of voting rights pursuant to Section 21 of the German Securities Trading Act (WpHG), on behalf of:
1. Deutsche Balaton Aktiengesellschaft, Ziegelhäuser Landstrasse 1, 69120 Heidelberg, Germany
2. VV Beteiligungen AG, Ziegelhäuser Landstrasse 1, 69120 Heidelberg, Germany
3. DELPHI Unternehmensberatung GmbH, Ziegelhäuser Landstrasse 1, 69120 Heidelberg, Germany
4. Mr. Wilhelm Konrad Thomas Zours, Werrgasse 9, 69120 Heidelberg, Germany

Company issuing shares:
TDS Informationstechnologie AG, Konrad-Zuse-Strasse 16, 74172 Neckarsulm, Germany

Pursuant to Section 21, Subsection 1 of the German Securities Trading Act (WpHG), we hereby disclose the following on behalf of and, in the cases of 2 to 4, with the explicit authorization of these entities (a copy of each authorization is attached):

1. The share of voting rights of Deutsche Balaton Aktiengesellschaft in TDS Informationstechnologie AG exceeded the 5 percent threshold on July 19, 2007. Its holding is now 6.2150 percent (1,820,429 voting rights). Of this share of voting rights, 1.3956 percent (408,775 voting rights) is assigned to Deutsche Balaton Aktiengesellschaft in accordance with Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG).

2. The share of voting rights of VV Beteiligungen AG in TDS Informationstechnologie AG exceeded the 5 percent threshold on July 19, 2007. Its holding is now 6.2150 percent (1,820,429 voting rights). These voting rights are assigned to VV Beteiligungen AG in full, in accordance with Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG). Of the total voting rights assigned to VV Beteiligungen AG pursuant to Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG), 4.8194 percent (1,411,654 voting rights) is held by the following company, which is controlled by VV Beteiligungen AG and has a share of voting rights in TDS Informationstechnologie AG of 3 percent or more:
- Deutsche Balaton Aktiengesellschaft

3. The share of voting rights of DELPHI Unternehmensberatung GmbH in TDS Informationstechnologie AG exceeded the 5 percent threshold on July 19, 2007. Its holding is now 6.2150 percent (1,820,429 voting rights). These voting rights are assigned to DELPHI Unternehmensberatung GmbH in full, in accordance with Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG). Of the total voting rights assigned to DELPHI Unternehmensberatung GmbH pursuant to Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG), 4.8194 percent (1,411,654 voting rights) are held by the following companies, which are controlled by DELPHI Unternehmensberatung GmbH (starting with the lowest-level company) and each have a share of voting rights in TDS Informationstechnologie AG of 3 percent or more:
- Deutsche Balaton Aktiengesellschaft
- VV Beteiligungen AG

4. The share of voting rights of Mr. Wilhelm Konrad Thomas Zours in TDS Informationstechnologie AG exceeded the 5 percent threshold on July 19, 2007. Its holding is now 6.2150 percent (1,820,429 voting rights). These voting rights are assigned to Mr. Wilhelm Konrad Thomas Zours in full, in accordance with Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG). Of the total voting rights assigned to Mr. Wilhelm Konrad Thomas Zours pursuant to Section 22, Subsection 1, Sentence 1 (1) of the German Securities Trading Act (WpHG), 4.8194 percent (1,411,654 voting rights) are held by the following companies under his control (starting with the lowest-level company), whose share of voting rights in TDS Informationstechnologie AG each total 3 percent or more:
- Deutsche Balaton Aktiengesellschaft
- VV Beteiligungen AG
- DELPHI Unternehmensberatung GmbH

Sincerely,
Deutsche Balaton Aktiengesellschaft
Jürgen Dickemann
Executive Board

43 Events after the balance-sheet date

There were no transactions of particular significance that may negatively impact the Company's assets, financial position, or earnings.

44 Other information

The following auditors' fees were posted in the short fiscal year 2008:

	March 31, 2008 € thousands	2007 € thousands
Audit of year-end financial statements	129	192
Tax consulting services	66	115
Other valuation, analysis and certification activities	0	75
	195	**382**

45 Further relevant information concerning the Executive and Supervisory Board

Compensation
The total compensation package for members of the TDS AG Executive Board was €288 thousand in the short fiscal year 2008 (€1,994 thousand in 2007), including a fixed-rate component of €88 thousand (€480 thousand in 2007) and a performance-related component of €200 thousand (€210 thousand in 2007). In 2007, Executive Board compensation included a one-off severance payment for Mr. Michael Eberhardt in the amount of €1,200 thousand. Supervisory Board compensation totaled €34 thousand (€133 thousand in 2007).

Executive Board compensation broke down as follows for active individual members:

Name	Fixed-rate € thousands	Performance-related € thousands	Total € thousands
Winfried Holz	33	35	68
Dr. Heiner Diefenbach	55	165	220
Total	**88**	**200**	**288**

In fiscal 2007, a former Executive Board member received compensation based on share options in the amount of €6 thousand. There was no compensation based on share options in the short fiscal year 2008.

Supervisory Board compensation broke down as follows for individual members:

Name	Fixed rate € thousands	Performance related € thousands	Meeting attendance fee € thousands	Total € thousands
Andrew MacNaughton (Chairman)	4	0	4	8
Günter Steffen (former Deputy Chairman)	2	0	4	6
Karl Heinz Achinger	2	0	2	4
Yves Le Gelard	2	0	4	6
Jason Paul Nield	2	0	5	7
Dr. Martin Schütte	2	0	1	3
Total	**14**	**0**	**20**	**34**

As of March 31, 2008, there were no outstanding advance payments or loans to members of the TDS AG Executive Board or Supervisory Board.

Director's Dealings

No transactions by directors of the Company In the short fiscal year 2008 required disclosure pursuant to Section 15a of the German Securities Trading Act (WpHG).

Shareholdings

At March 31, 2008, Executive Board members held no shares in the Company (compared with 0 shares at December 31, 2007).

Pension obligations

A total of €1,150 thousand (€1,134 thousand in 2007) was set aside to fulfill pension obligations for former members of the Executive Board and their dependents.

Share-based payment

At March 31, 2008, the former Chairman of the Executive Board, Ralf Klemisch, held 25,000 subscription rights to shares from the 2004 tranche (25,000 in 2007).

In the short fiscal year 2008, there were no virtual share options at TDS. Accordingly, Executive Board members were not granted any compensation in connection with virtual share options.

The Supervisory Board granted the Executive Board 125,000 virtual share options in both 2006 and 2005. For virtual share options granted in 2006, Executive Board members were to receive a cash bonus in 2008 based on the difference between the average prices of TDS shares in June 2006 and June 2008. For virtual share options granted in 2005, Executive Board members were to receive a cash bonus in 2007 based on the difference between the average prices of TDS shares in June 2005 and June 2007. The increase in value would be multiplied by the number of options granted, and paid by the Company in cash. Advanced calculation and payment of the bonus would be possible if, for example, the majority of TDS shares are transferred to a new shareholder, and this majority shareholder then issues a mandatory offer to all remaining TDS shareholders. In this case, the price cited in the mandatory offer is used as the basis for bonus calculation.

Fair value of virtual share options is calculated in line with IFRS 2. This is for "Asian options" that, in contrast to "European options", are not valued at one balance-sheet date, but on the basis of the average market value over a period of time. For two "European options", fair value was calculated at the grant date using the average value determined via the Black-Scholes method.

Fair value, calculated at the grant date using the Black-Scholes method, was €0.80 per share for virtual share options granted in 2006, and €0.31 for those granted in 2005.

The following weighted-average assumptions were made for virtual share options granted in 2006: Share price €2.84, exercise price €2.44, average dividend yield 0 percent, risk-free interest rate of 3.71 percent, volatility 34.0 percent, and a term of 23.3 months.

The following weighted-average assumptions were made for virtual share options granted in 2005: Share price €2.06, exercise price €2.33, average dividend yield 0 percent, risk-free interest rate of 2.80 percent, volatility 37.45 percent, and a term of 18.5 months.

On February 26, 2007, Fujitsu Services Overseas Holdings Limited, London, UK (Fujitsu Services) issued a mandatory offer to remaining TDS shareholders in the amount of €2.80 per share, pursuant to the German Securities Acquisition and Takeover Act (WpÜG).

As a result, all requirements for advanced calculation and payment of the bonus were met. The value per virtual share is based on the difference between the exercise price and the price cited in the mandatory offer. In fiscal 2007, Executive Board members received €0.36 per share for virtual options granted in 2006 (€45 thousand in total), and €0.47 per shares for virtual options granted in 2005 (€59 thousand in total).

46 Publication date for the financial statements

On April 29, 2008, the Executive Board approved publication of the financial statements for the short fiscal year ending March 31, 2008.

Neckarsulm, Germany, April 29, 2008

The Executive Board

Winfried Holz Dr. Heiner Diefenbach

schedule of consolidated assets

	Cost of acquisition/manufacture					
	January 1, 2008	Currency translation effect	Additions	Changes	Disposals	March 31, 2008
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Intangible assets						
Concessions, intellectual property and similar rights and assets and licenses to such rights and assets	25,623	0	787	0	0	26,410
Software developed in-house, including software in development	7,568	0	184	0	0	7,752
Rented software	3,022	0	0	3	0	3,025
Goodwill	49,199	0	0	0	0	49,199
	85,412	**0**	**971**	**3**	**0**	**86,386**
Property, plant and equipment						
Leasehold buildings	2,122	0	32	0	0	2,154
Computer and similar equipment	35,208	38	1,068	0	-116	36,198
Leased computer equipment, office equipment, etc.	12,890	0	962	543	-74	14,321
Other computer equipment, office equipment, etc.	9,043	0	254	0	-3	9,294
Downpayments, plant and equipment under construction	549	0	92	-546	0	95
	59,812	**38**	**2,408**	**-3**	**-193**	**62,062**
Investment property	**2,491**	**0**	**0**	**0**	**0**	**2,491**
Financial assets (investments in other companies and lendings)						
Investments in associated companies	252	0	374	0	0	626
Investments	1,141	0	0	0	0	1,141
Lendings to associated companies	257	0	0	0	-180	77
Securities	16	0	0	0	0	16
Other lendings	734	0	0	0	0	734
	2,400	**0**	**374**	**0**	**-180**	**2,594**
	150,115	**38**	**3,753**	**0**	**-373**	**153,533**

	Amortization and depreciation					Book values	
	January 1, 2008	Currency translation effects	Current fiscal year	Disposals	March 31, 2008	March 31, 2008	December 31, 2007
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Intangible assets							
Concessions, intellectual property and similar rights and assets and licenses to such rights and assets	16,804	-1	543	0	17,346	9,064	8,819
Software developed in-house, including software in development	3,562	0	157	0	3,719	4,033	4,006
Rented software	1,730	0	152	0	1,882	1,143	1,292
Goodwill	17,901	0	0	0	17,901	31,298	31,298
	39,997	**-1**	**852**	**0**	**40,848**	**45,538**	**45,415**
Property, plant and equipment							
Leasehold buildings	1,106	0	30	0	1,136	1,018	1,016
Computer and similar equipment	30,587	0	632	-116	31,103	5,095	4,621
Leased computer equipment, office equipment, etc.	6,443	1	850	-74	7,220	7,101	6,447
Other computer equipment, office equipment, etc.	7,745	0	184	-3	7,926	1,368	1,298
Downpayments, plant and equipment under construction	0	0	0	0	0	95	549
	45,881	**1**	**1,696**	**-193**	**47,385**	**14,677**	**13,931**
Investment property	**1,627**	**0**	**20**	**0**	**1,647**	**844**	**864**
Financial assets (investments in other companies and lendings)							
Investments in associated companies	0	0	0	0	0	626	252
Investments	1,093	0	0	0	1,093	48	48
Lendings to associated companies	77	0	0	0	77	0	180
Securities	4	0	0	0	4	12	12
Other lendings	734	0	0	0	734	0	0
	1,908	**0**	**0**	**0**	**1,908**	**686**	**492**
	89,413	**0**	**2,568**	**-193**	**91,788**	**61,745**	**60,702**

TDS INFORMATIONSTECHNOLOGIE AG SUBSIDIARIES AND HOLDINGS AT MARCH 31, 2008

	Holding in percent	Shareholders' equity at March 31, 2008 € thousands	Net income at March 31, 2008 € thousands	
1. Consolidated companies				
Germany				
TDS HR Services & Solutions GmbH, Neckarsulm	100 %	3,715	0	2)
TDS IT Consulting GmbH, Neckarsulm6)	100 %	427	0	2)
Outside Germany				
effect Personalmanagement GmbH, Pasching, Austria	100 %	46	14	1)
TDS MultiVision AG, Regensdorf, Switzerland	100 %	-1,213	-505	
TDS Systemhouse plc., Chesterfield, UK	100 %	-328	16	
2. Investments included in equity				
ROSEA Trendpark Objektverwaltungsgesellschaft GmbH & Co. KG, Neckarsulm	50 %	354	327	3)
3. Investments companies valuated at cost				
BFL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn	0.32 %	10,525	3,174	4)
ROSEA Trendpark Objektverwaltung Beteiligungs-GmbH, Neckarsulm	50 %	28	2	3)
RATIODATA Rechenzentrum AG, Oberengstingen, Switzerland	100 %	0	0	1), 7)
Villa Rosa gGmbH, Heilbronn	30 %	59	5	2)
VisionOne Consulting AG, Neuss	8.55 %	934	-445	5), 6)

1) Indirect holding
2) Zero earnings due to a profit-transfer agreement
3) At December 31, 2007
4) At December 31, 2006
5) Company is insolvent, last financial statements compiled at December 31, 2003
6) At December 31, 2003
7) Company in liquidation

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by TDS Informationstechnologie Aktiengesellschaft, Neckarsulm, consisting of the balance sheet, income statement, reconciliation of shareholders' equity, statement of cash flows and the notes thereto, and also the management report for the short fiscal year January 1 to March 31, 2008. Preparation of the consolidated financial statements and management report in line with International Financial Reporting Standards (IFRS), as they are applied in the EU, and in line with the supplementary provisions of Section 315, Subsection 1 of the German Commercial Code (HGB), is the responsibility of the Company's Executive Board. Our role is to express an opinion on the consolidated financial statements and the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the German Commercial Code (HGB) and German generally accepted auditing standards promulgated by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audits to identify any inaccuracies or irregularities that have a material effect on the presentation of assets, financial status or profitability in the consolidated financial statements in line with the accounting standards used, and in the management report. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of 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 disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit comprises a review of the financial statements of companies included in the consolidated financial statements, of the scope of consolidation, of accounting and consolidation principles, and of material estimates made by management, as well as an evaluation of the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

Based on the findings of our audit, we believe that the consolidated financial statements comply with IFRS, as they are applied in the EU, that they comply with the supplementary provisions of Section 315 a, Subsection 1 of the German Commercial Code (HGB), and that they are a true reflection of the assets, financial status and profitability of the Group, in line with these standards. The management report is consistent with the consolidated financial statements, provides a true picture of the Group's status, and correctly presents opportunities and risks associated with future development.

Mannheim, Germany, April 29, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

von Hohnhorst	Kern
Auditor	Auditor

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that, to the best of our knowledge, the consolidated financial statements using the applicable accounting standards give a realistic presentation of the assets, financial situation and profitability of the Company, provides a true picture of business development, including profitability and the Group's status, and describes the material risks and opportunities associated with development of the Group.

Neckarsulm, Germany, April 29, 2008

Winfried Holz Dr. Heiner Diefenbach

FINANCIAL CALENDAR

2008 Financial calendar

August 2008	Annual shareholders' meeting for fiscal 2007
August 2008	Annual shareholders' meeting for the short fiscal year January 1 to March 31, 2008
August 14, 2008	Publication of tentative figures for first six months of fiscal 2008/2009
November 13, 2008	Publication of six-month interim report for fiscal 2008/2009

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