ANNUAL REPORT
01 APRIL 2009 - 31 MARCH 2010

INDEX

AN OVERVIEW OF TDS GROUP PERFORMANCE

Key Group figures according to IFRS	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Total revenues	**132,214**	**126,858**
Revenues by region		
Revenues in Germany	**129,707**	**124,279**
Revenues in other countries	**2,507**	**2,579**
Revenues by business unit		
Revenues for IT Outsourcing	**60,619**	**59,553**
Revenues for HR Services & Solutions	**55,416**	**50,909**
Revenues for IT Consulting	**16,179**	**16,396**
Gross profit	**30,528**	**31,894**
in per cent of revenues (gross return on sales)	**23.1**	**25.1**
EBIT	**10,574**	**12,077**
in per cent of revenues (EBIT margin)	**8.0**	**9.5**
Net income	**5,101**	**12,200**
Net income per share (basic, in €)[1)]	**0.17**	**0.42**
Net income per share (diluted, in €)[2)]	**0.17**	**0.42**
Total assets	**117,485**	**102,671**
Shareholders' equity	**54,144**	**49,146**
Equity-to-total-assets ratio (in per cent)	**46.0**	**47.8**
Share capital	**29,369**	**29,369**
Liabilities	**62,260**	**53,525**
Number of employees at 31 March 2010 and at 31 March 2009	**1,191**	**1,117**

1) Weighted average of all outstanding shares used to calculate basic earnings per share at 31 March 2010: 29,312,402 (fiscal 2008/2009: 29,285,110)

2) Weighted average of all outstanding shares used to calculate diluted earnings per share at 31 March 2010: 29,312,402 (fiscal 2008/2009: 29,285,110)

DECLARATION ON COMPANY MANAGEMENT
CORPORATE GOVERNANCE REPORT

Corporate Governance at TDS

The Executive Board and the Supervisory Board of TDS AG report on corporate governance at the Company in each annual report, pursuant to section 3.10 of the German Corporate Governance Code (hereinafter "the Code"). The report is an integral part of this declaration, pursuant to section 289a of the German Commercial Code (HGB), and is also published in German on the Company website at www.tds.fujitsu.com via the following path: Unternehmen/Investor Relations/Corporate Governance.

TDS 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 observe the German Corporate Governance Code, and have discussed the changes in the version of 18 June 2009 in detail.

The most recent declaration of compliance issued by the Executive Board and Supervisory Board is given below under the subheading "Declaration of Compliance with the German Corporate Governance Code". Declarations of compliance for fiscal 2009/2010 and preceding fiscal years are available via the TDS website. In fiscal 2009/2010, TDS complied with the vast majority of the recommendations of the 6 June 2008 version of the Code.

Declaration of Compliance with the German Corporate Governance Code

On 4 May 2010, the Executive Board and Supervisory Board issued the following Declaration of Compliance:

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 6 May 2009, the Company has complied with the recommendations of the 6 June 2008 version of the German Corporate Governance Code published by the German Ministry of Justice in the electronic Federal Gazette, with the following exceptions:

The 6 June 2008 version of the Code recommends in section 3.8, subsection 2, that Directors' and Officers' (D&O) insurance for the Executive Board and the Supervisory Board should include an appropriate deductible. The D&O insurance for the Executive Board and Supervisory Board did not provide for a deductible for the applicable term of this version of the Code, as TDS AG doubts its efficacy.

Section 5.1.2, Subsection 2 (3) recommends that an age limit be defined for Executive Board members. An age limit was first defined by TDS AG on 31 July 2009. Previously there was no such age limit because this would have restricted the number of suitable candidates.

Section 7.1.2 (2) of the Code suggests that the Supervisory Board or its Finance/Audit Committee and the Executive Board discuss six-month interim reports and quarterly reports prior to their publication. The quarterly reports were discussed in compliance with the Code. The six-month interim report was not discussed because it was not regarded as necessary over and above ongoing reporting and communication between the Executive Board and the Supervisory Board.

Furthermore, the Executive and Supervisory Board declare that, over and above the aforementioned exceptions, the Company has not yet fully complied with the following new recommendations of the Code since the 18 June 2009 version became effective:

Section 3.8, Subsection 2 (1) of the 18 June 2009 version of the Code recommends that if the Company takes out D&O insurance for the Executive Board, then it shall agree a deductible of at least 10 per cent of any claims up to a minimum of one and a half times the fixed annual compensation of the Executive Board member. In addition, Section 3.8, Subsection 2 (2) recommends that D&O insurance for the Supervisory Board should include a corresponding deductible. TDS AG will comply with the legal requirements as regards a deductible for the Executive Board; the D&O insurance for the Executive Board will include a deductible from 1 July 2010 onwards. D&O insurance for the Supervisory Board did not provide for a deductible, as TDS AG doubts its efficacy.

Section 4.2.3, Subsection 2 (4) of the Code recommends that variable compensation elements should take account of both positive and negative developments. The employment contracts for Executive Board members have not, to date, included express provisions for positive and negative developments, since in our opinion the compensation is appropriate in terms of structure and amount and is geared towards sustainable business development without the need for such a provision. Moreover, this recommendation was not known when the contracts were concluded with Executive Board members Dr. Heiner Diefenbach and Konrad Meier.

Pursuant to Section 4.2.3, Subsection 4 of the Code, care is to be taken when concluding Executive Board contracts to ensure that the amount of severance payment stipulated for an Executive Board member, including for additional roles and responsibilities, in the event of termination of his contract without good cause, does not exceed the value of two years' compensation (severance payment cap) or exceed compensation for the remaining term of his employment contract. The contracts of the Executive Board members do not include express limitations on severance pay in the event of premature termination of these contracts. In our opinion, a limitation is not appropriate as there is no more than three years remaining on any contract, and we believe that this, in conjunction with other contractual provisions, provides adequate protection against inappropriate severance payments. Moreover, any agreement made in advance to limit payments in the event of premature termination of contracts contradicts the spirit of a contract whose term corresponds to the period of office and which does not provide for termination by either party before the end of its term. Premature termination without citing good cause is only possible with the mutual agreement of both parties. Even if a severance payment cap or any other limitations were to be agreed, this would not prevent negotiations on such payments in the event of an Executive Board member prematurely leaving the company.

Furthermore, the Executive and Supervisory Boards declare that the Company will comply with the recommendations of the version of 18 June 2009 in the future, with the following exceptions:

Section 3.8, Subsection 2 (1) of the Code recommends that if the Company takes out D&O insurance for the Executive Board, then it should agree a deductible of at least 10 per cent of any claims up to a minimum of one and a half times the fixed annual compensation of the Executive Board member. In addition, Section 3.8, Subsection 2 (2) recommends that D&O insurance for the Supervisory Board should include a corresponding deductible. The D&O insurance for the Supervisory Board did not provide for a deductible, as TDS AG doubts its efficacy.

Relevant information on corporate governance that goes beyond statutory requirements

TDS has created a dedicated programme for legal compliance and corporate responsibility for the entire TDS group, applicable to all employees. It is designed to avoid legal risk and to protect the reputation and success of the Company. This code of conduct summarises the key corporate principles and values with which all employees must be familiar. It describes policies with regard to conduct within a business context, to anti-trust legislation, to data protection and IT security, to tax legislation and social insurance legislation and guidelines on how these policies should be implemented. This “Programme for legal compliance and corporate responsibility at TDS AG” is published in German on the TDS website at www.tds.fujitsu.com via the following path: Unternehmen/Investor Relations/Corporate Governance.**Decision-making bodies of TDS AG, including a description of the activities of the Executive Board and the Supervisory Board and information on committee work**

The annual shareholders’ meeting enables shareholders to exercise their rights, including the right to vote. TDS has for some time offered shareholders the opportunity to allow themselves to be represented at the annual shareholders’ meeting by a proxy appointed by the company. This proxy must follow the instructions of the corresponding shareholder. This service aims to support shareholders in exercising their interests at annual shareholders’ meetings.

The duties of operational management and business oversight are divided between the Executive Board and the Supervisory Board. Both bodies cooperate closely for the good of the Company. The names of the Executive and Supervisory Board members are given on pages 15-16 of the TDS annual report.

The TDS Executive Board is the most senior operational management body of the TDS Group and is responsible for ensuring compliance with legal provisions and internal policies in all consolidated companies. Furthermore, it ensures that adequate risk management and monitoring procedures are in place. As a result of the subordination agreement between TDS AG and its majority shareholder, Fujitsu Services Overseas Holdings Limited, the TDS Executive Board is obliged to follow instructions issued by Fujitsu Services Overseas Holding Limited, insofar as is legally permissible. Where no instructions are issued by the majority shareholder, management and representation of TDS AG reside with the TDS Executive Board, i.e. the Executive Board manages the Company independently.

The TDS AG Executive Board comprises one or more people. The number of members and of any deputy members is determined by the Supervisory Board. In fiscal 2009/2010, the Executive Board of TDS AG comprised two members. Since April 2010, the board has been enlarged, with the addition of Robert Battenstein as a third member. Robert Battenstein is responsible for HR Services & Solutions, which previously fell under the remit of Dr. Heiner Diefenbach. Executive Board member Konrad Meier is responsible for IT Outsourcing and certain corporate functions, and Chairman of the Executive Board Dr. Heiner Diefenbach is responsible for IT Consulting as well as for financials and further corporate functions. Notwithstanding this internal allocation of tasks, Executive Board members are jointly responsible for management of the Company. In addition to complying with general Company policy, each Executive Board member must consult with the other two members if activities in his area of responsibility affect those of the others. Due to the size of the Executive Board, no committees have been formed. The Executive Board by-laws govern the principles of company management, specify those management actions that require approval and describe the Executive Board’s duty to inform and right to be informed. They also include information on the decision-making powers of the Executive Board, guidelines regarding conflicts of interest and more detailed procedural rules concerning Executive Board meeting and resolutions.

The TDS Supervisory Board comprises three members elected at the annual shareholders' meeting. It advises the Executive Board on management of the Company, oversees its activities and appoints Executive Board members. The Supervisory Board by-laws include provisions for personal criteria for Supervisory Board members, and policies regarding conflicts of interest. Key Executive Board decisions require the approval of the Supervisory Board. The by-laws describe in detail what information the Executive Board must provide to the Supervisory Board. The Supervisory Board reviews its work at regular intervals and proposes improvements, where appropriate. In fiscal 2009/2010, the Supervisory Board reviewed the efficiency of its own activities in a dedicated assessment and took steps to increase efficiency.

The Supervisory Board does not include any committees, as it comprises only the legal minimum of three members.

The Chairman of the Supervisory Board represents the Board externally. He maintains regular contact with the Executive Board, and with the Chairman of the Executive Board in particular, with whom he discusses strategy, business development and risk management at the Company. Moreover, the Chairman of the Executive Board immediately informs him of significant events of material importance regarding assessment of the Company’s situation and development of the Company and operational management. In such cases the Supervisory Board Chairman may convene an extraordinary meeting, if necessary. Supervisory Board resolutions are generally passed at meetings. In individual cases, the Chairman can decide to hold meetings and discuss resolutions with Supervisory Board members via telephone or video conferencing. The Chairman of the Supervisory Board may organise voting on a proposed resolution in writing (by conventional mail, fax or e-mail – or a combination of these). Supervisory Board resolutions are passed by a simple majority of votes, unless a different majority is required by law. Supervisory Board members immediately disclose any conflicts of interest to the Supervisory Board. What, if any, action must be taken as a result of this is to be agreed with the Chairman of the Supervisory Board.

If a member of the Supervisory Board has a contract with the Company for consulting services or any other services or goods, approval must be given by the Board. In fiscal 2009/2010, the only case of such a contract was that of Dr. Klaus-Dieter Rose, who was a Supervisory Board member at TDS AG until 27 November 2009 while also holding the position of partner at Menold Bezler Rechtsanwälte. In so far as this practice provided legal advice during Dr. Rose's period in office, the Supervisory Board approved the procurement of these services - with Dr. Rose abstaining from the vote. Conflicts of interest between Executive and Supervisory Board members and the Company are to be reported to the Supervisory Board immediately. There were no such conflicts of interest during the reporting period.

Overall, Company management and monitoring is characterised by regular communication and close collaboration between the Executive Board and Supervisory Board of TDS. The Supervisory Board report provides more detailed information on cooperation between these bodies (pages 11-14 of the annual report). The Supervisory Board report also includes changes to the composition of the Executive Board and Supervisory Board in fiscal 2009/2010 and details of the audit of year-end financial statements by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin.

Transparency

TDS informs shareholders and interested members of the public regularly, promptly and equally about the Company's situation and significant business changes. New information shared with financial analysts or comparable individuals is made available to shareholders immediately. Information about the Company published by TDS (press releases, mandatory disclosures, etc.) is disclosed on the TDS Website. Visitors to the Website can also access a financial calendar listing important dates (publication of annual report and interim reports, annual shareholders' meeting, etc.). Employees of the Investor Relations department can be contacted by e-mail.

Financial reporting and auditing

The consolidated financial statements of the TDS Group are compiled in accordance with the International Financial Reporting Standards (IFRS) and the annual financial statements of TDS AG comply with the German Commercial Code (HGB). The external auditors are selected at the annual shareholders' meeting and are contractually appointed by the Supervisory Board. The Supervisory Board has agreed with the external auditors that the auditors will inform the Board and/or note in their report if they establish facts during the audit that conflict with the Declaration of Compliance with the German Corporate Governance Code issued by the Executive and Supervisory Boards.

Directors' dealings and shares held by Executive and Supervisory Board members

In accordance with Section 15a of the German Securities Trading Act (WpHG), members of the Executive and Supervisory Boards are obliged to disclose the purchase or sale of TDS shares or related financial instruments if the value of transactions carried out by the member in question or related parties reaches or exceeds €5,000 within a single calendar year (directors' dealings). This also applies to certain employees in management roles and related parties. In fiscal 2009/2010, no directors' dealings were reported.

At 31 March 2010, TDS AG Executive and Supervisory Board members did not hold any TDS AG shares or related financial instruments, either directly or indirectly.

No Executive or Supervisory Board member holds TDS AG shares, related options or other derivatives that represent one per cent or more of share capital. Moreover, the entire number of TDS Informationstechnologie AG shares and related financial instruments held by all Executive and Supervisory Board members represents less than one per cent of shares issued by the Company.

Compensation report

The compensation report of TDS Informationstechnologie AG 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 (note 44 "Further relevant information concerning the Executive and Supervisory Board").

Executive Board compensation

The Supervisory Board is responsible for defining Executive Board compensation. Executive Board compensation is performance-related and can be broken into various components: fixed compensation, variable compensation, and additional roles and responsibilities.

Executive Board compensation breaks down as follows:

- Fixed compensation, which is paid as a monthly salary.

- 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 met are subject to the discretion of the Supervisory Board.

Executive Board member Dr. Heiner Diefenbach also receives an additional annual bonus.

There is a cap on the annual performance-related bonus payable to Executive Board members.

- Moreover, Executive Board members receive compensation for additional roles and responsibilities in the form of company cars for private use, insurance premiums, and contributions to public or private pension, health insurance and long-term care insurance plans of no more than 50 per cent of the statutory maximum, in some cases in addition to applicable payroll tax (*Lohnsteuer*).

Compensation for active Executive Board members totalled €832 thousand in fiscal 2009/2010. Details on compensation for individual Executive Board members in fiscal 2009/2010 can be found in the table in note 44 “Further relevant information concerning the Executive and Supervisory Board” (page 82 of the annual report) in the notes to the consolidated financial statements.

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. The D&O insurance does not include a deductible as defined by Subsection 3.8 of the German Corporate Governance Code. The D&O insurance cover is to be modified however, to include a deductible for Executive Board members from the 1 July 2010 in accordance with legal requirements.

Should the present Chairman of the Executive Board, Dr. Heiner Diefenbach, be dismissed from his position for reasons other than gross misconduct, and should his relationship with the Company come to an end prematurely as a result of this dismissal, the Chairman shall receive compensation based on his basic salary for the total remaining term of his employment contract, plus bonuses. The contracts of Executive Board members Konrad Meier and Robert Battenstein do not include explicit provisions for compensation in the event of premature termination of their Executive Board activities.

If no mutual agreement is reached by 31 December 2011 with regards to the continuation or termination of the Executive Board contract of Dr. Heiner Diefenbach, and, as a result, his contract comes to an end on 31 December 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 Executive Board contract since 1 January 2005, including bonuses based on his salary for the previous year. This compensation shall also be paid if the 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 31 December 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 31 December 2012. Likewise, 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 TDS is purchased by a legal entity outside of the Fujitsu Services group. The contracts of Konrad Meier and Robert Battenstein do not include a commitment to provide compensation for premature termination of their Executive Board activities resulting from a change of control.

Konrad Meier’s regular employment contract with TDS, signed on 27 December 2004, is suspended for the duration of his contract as an Executive Board member. TDS has guaranteed that the employment contract will be reinstated following conclusion of the contract as an Executive Board member, unless this latter contract is terminated by the Company for good reason (Section 626 of the German Civil Code). If the Executive Board contract is terminated by mutual agreement before the end of its term, Konrad Meier will be paid salary and a bonus pro rata on the basis of his period of service as an Executive Board member.

No loans or advanced payments were granted to Executive Board members in fiscal 2009/2010; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In fiscal 2009/2010, 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 Supervisory Board committee chairs, 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.

Individuals who are only Supervisory Board members for part of a fiscal year receive compensation pro rata in relation to the duration of their membership.

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 totalled €70 thousand in fiscal 2009/2010. A detailed overview provides figures for each member, broken down into fixed and performance-related compensation, and can be found in the table in note 44 "Further relevant information concerning the Executive and Supervisory Board" (page 82 of the annual report) in the notes to the consolidated financial statements.

€172 thousand was paid during the reporting period for legal advice from Menold Bezler Rechtsanwälte, where former Supervisory Board member (until 27 November 2009) Klaus-Dieter Rose is a partner. The Company did not make any other payments or grant any benefits for services, in particular for consulting or brokering services, provided personally by Supervisory Board members.

SUPERVISORY BOARD REPORT TO THE SHAREHOLDERS' MEETING REGARDING THE FISCAL YEAR 1 APRIL 2009 TO 31 MARCH 2010

Dear shareholders,

During the period from 1 April 2009 to 31 March 2010, the Supervisory Board fulfilled its obligations and tasks as defined by law and by the Articles of Incorporation. It regularly monitored the Executive Board and advised it on Company management. Within the scope of its oversight role, the Supervisory Board worked closely and communicated regularly with the Executive Board.

The Supervisory Board was involved in all decisions of significance to the Company. 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 the current business situation and development, strategy, risks and risk management. Executive Board reports on business development focused on the Company's assets, revenue and earnings, as well as order intake, the acquisition of new customers, and planning for the full fiscal year. 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, particularly on transactions and actions requiring its approval. Conflicts of interest involving members of the Executive Board and Supervisory Board, which must be disclosed immediately to the Supervisory Board and reported at annual shareholders' meetings, did not occur during the reporting period.

In addition, the Executive Board kept the Chairman of the Supervisory Board (first Yves Le Gelard, then Benno Zollner) regularly informed of the current business situation, and of important developments.

The Supervisory Board discussed the organisation 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

Five Supervisory Board meetings were held in fiscal 2009/2010. From time to time, resolutions were also passed in writing (by conventional mail or fax). At its meetings, the Supervisory Board regularly discussed revenues and earnings development at the Company 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. The Executive Board provided comprehensive reports on each of these topics. As the Supervisory Board comprises only three members, no committees were formed.

At the meeting held on 6 May 2009 in the form of a conference call, the Supervisory Board approved the declaration of compliance with the German Corporate Governance Code. The Executive Board informed the Supervisory Board of the sale and transfer of shares in Villa Rosa gGmbH by Württembergische und Badische Versicherungs-Aktiengesellschaft. Furthermore, the Executive Board reported extensively to the Supervisory Board on the data centre construction project and presented various options, with their respective advantages and disadvantages. In this regard, the Executive Board explained in detail that a large area of land would be required for the data centre. TheSupervisory Board subsequently agreed that legal practice Menold Bezler Rechtsanwälte, where Supervisory Board member Dr. Klaus-Dieter Rose is a partner, be contracted to perform corresponding tasks that are described elsewhere in more detail. Dr. Rose abstained from the vote to avoid a conflict of interest.

At the meeting on 18 May 2009, the Supervisory Board discussed, among themselves as well as with the auditors, the TDS AG annual and consolidated financial statements for the fiscal year 1 April 2008 to 31 March 2009, together with the Company and Group management reports. The Supervisory Board examined and approved these documents. The auditors attended the meeting and reported their findings, with reference to their 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 auditors. In addition, the Executive Board explained that, in agreement with the auditors and with respect to the subordination agreement, it is not necessary to produce a dependency report. Following their own examination, the Supervisory Board did not find any cause for objection and approved the auditors' findings. In addition, the Supervisory Board approved the Supervisory Board Report and the Corporate Governance Report for the annual shareholders' meeting. Furthermore, the Executive Board appraised the Supervisory Board of the current business situation with reference to the documents sent in advance of the meeting, in particular revenues and earnings, order intake, new customers and liquidity. The Supervisory Board also discussed in detail issues related to risk management and was informed by the Executive Board on risks associated with the Company and its individual business units, as well as planned risk-minimisation measures. The Executive Board presented the Supervisory Board with a detailed overview of the agenda for the 8 October 2009 shareholders' meeting. Moreover, the Supervisory Board discussed changes to be made to the Supervisory and Executive Board by-laws regarding the dissolution of the Supervisory Board committees, with reference to the documents sent in advance of the meeting. After examining all relevant information, the Supervisory Board also approved the reorganisation of ROSEA.

In the Supervisory Board meeting on 31 July 2009, held in the form of a conference call, the Executive Board presented an in-depth report on the current business situation and compared actual figures with forecasts. They also reported on planning for fiscal 2009/2010, tax-related topics and the risks associated with individual business units. With reference to the documents sent in advance of the meeting regarding the agenda and proposed resolutions for the annual shareholders' meeting on 8 October 2009, the Supervisory Board decided that the venue be the Sulmtalhalle in Erlenbach. In view of Andrew McNaughton's planned resignation from the Supervisory Board, and in agreement with the Executive Board, the Supervisory Board decided, if required, to request that the court appoint an additional member to the Supervisory Board. In addition, the Supervisory Board approved changes to the Executive and Supervisory Board by-laws, after in-depth discussion. The Executive Board reported to the Supervisory Board on various options and their respective advantages and disadvantages with regard to the future of in-house owned software products (*TDS-Sozialwirtschaft* and *TDS-Rechnungswesen*). The Supervisory Board subsequently approved the Executive Board's proposal to sell this business. The final resolution of the case brought against the Heilbronn tax authorities was also discussed. It was agreed that the Company would take out legal insurance. The Supervisory Board also approved the public trading of small shareholdings (free float), necessitated by a change in legislation. In addition, the Supervisory Board approved the proposal to contract Menold Bezler Rechtsanwälte legal practice, where Supervisory Board member Dr. Klaus-Dieter Rose works as a partner, with tasks described elsewhere in more detail. Dr. Klaus-Dieter Rose abstained from the vote, to avoid a conflict of interests. The Supervisory Board also approved the proposed report on the first quarter of 2009/2010.

In the constitutive Supervisory Board meeting on 21 December 2009, Benno Zollner was elected Chairman and Dieter Herzog Deputy Chairman. The Executive Board reported to the Supervisory Board in detail on the TDS Group and on all material legislation affecting the Company. With reference to documents sent in advance of the meeting, the Executive Board appraised the Supervisory Board of the current business situation and on order intake. In addition, the Executive Board reported comprehensively on the current status of the data centre construction project and the current status of foreign subsidiaries. Following in-depth discussion, the Supervisory Board approved the renaming of effect Personalmanagement GmbH and the penetration of the Swiss HR market. Cooperation between the TDS Group and the Fujitsu Group was discussed. Moreover, the regular check on Supervisory Board efficiency was performed. The Executive Board also reported on the closer alignment of the Group's corporate identity with that of the Fujitsu Group.

At the meeting on 8 February 2010, the Executive Board reported on the current business situation and in particular the profitability of the three business units, with reference to the documents sent in advance of the meeting. The proposed report on the third quarter of 2009/2010 was approved. After in-depth discussion with the Executive Board, the Supervisory Board also approved future Company strategy. With reference to the documents sent in advance of the meeting, the Executive Board reported on the financial plan for fiscal 2010/2011. The Supervisory Board also approved the number of Executive Board members. The Executive Board and the Supervisory Board also discussed the status of transfer of responsibility for Fujitsu payroll accounting in Germany, Austria and Switzerland to TDS HR Services & Solutions GmbH. The Supervisory Board was appraised of the status of the expansion of HR activities in Switzerland, and of the status of the data centre construction project.

On 31 August 2009, the Supervisory Board Chairman appointed Dr. Klaus-Dieter Rose as chairman of the shareholders' meeting.

On 29 September 2009, the Supervisory Board passed a written resolution circulated amongst members to reappoint Konrad Meier to the Executive Board. As a result, Konrad Meier's contract has been extended to correspond to his period of office.

On 8/9 October 2009, the Supervisory Board passed a further written resolution circulated amongst members, approving the issue of two multiple share certificates for 346,253 and 1,494 bearer shares respectively. This was necessary due to a change in legislation.

The written resolution passed by circulation on 6 April 2010 appointed Robert Battenstein as an Executive Board member. The Supervisory Board approved the signing and content of Robert Battenstein's contract. The Supervisory Board also approved a change in the number of Executive Board members.

By way of a written resolution passed by circulation among members on 26/30 March 2010, the Supervisory Board approved foundation of a Swiss subsidiary for TDS HR Services & Solutions GmbH in the context of the expansion of the Swiss HR business.

A further written resolution passed by circulation among members on 15 March 2010 authorised a capital increase for TDS Multivision AG in Switzerland of 4,050,000.00 Swiss francs. This increase was executed on the basis of written instructions from the controlling company, Fujitsu Services Overseas Holdings Ltd.

Changes to the composition of the Supervisory Board

Andrew McNaughton resigned from his position on the Supervisory Board, effective on 17 September 2009. Yves Le Gelard and Dr. Klaus-Dieter Rose resigned from their positions on the Supervisory Board effective on 26 November 2009 and 30 November 2009 respectively. The Supervisory Board would like to thank Andrew McNaughton, Yves Le Gelard and Dr. Klaus-Dieter Rose for their reliable, constructive and expert contributions. At the request of the Executive Board, Stuttgart Local Court – the court responsible for the commercial register in which TDS AG is entered – appointed Benno Zollner on 18 September 2009 and Manuela Beier and Dieter Herzog on 1 December 2009 as additional Supervisory Board members.

Changes to the composition of the Executive Board

Konrad Meier's term of office expired on 31 March 2010, and he was reappointed on 1 April 2010. He remains responsible for IT outsourcing, for human resources, purchasing and internal IT.

Robert Battenstein was appointed to the Executive Board on 1 April 2010, and is responsible for HR Services and Solutions.

German Corporate Governance Code

The Supervisory Board took into account the recommendations outlined in the German Corporate Governance Code. Information about the Company's corporate governance, a report on the compensation structure of the Supervisory Board and Executive Board and a declaration on company management can be found in the dedicated corporate governance section of the annual report. During the reporting period, the Executive Board and Supervisory Board submitted a declaration of compliance pursuant to Section 161 of the German Stock Corporation Act (AktG) and made it permanently available to shareholders via the TDS website. The current declaration of compliance is also included in the corporate governance section of the annual report.

The Supervisory Board considered a variety of consulting services offered by Menold Bezler, and gave its approval for the provision of these services. It should be noted that Supervisory Board member Dr. Klaus-Dieter Rose is a partner in this firm. He abstained from the vote to avoid conflict of interest.

Annual financial statements for TDS AG and consolidated financial statements

The financial statements of TDS AG for the period until 31 March 2010, according to the German Commercial Code, the consolidated financial statements of the TDS Group according to IFRS, as well as the management reports, were examined by KPMG AG, Berlin, appointed as independent auditors at the annual shareholders' meeting on 8 October 2009. KPMG certified these documents without qualification.

Prior to being proposed as independent auditors 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.

In the reporting period, the audit focused on:

In the financial statements of TDS AG:

- process of preparation of financial statements
- impairment of financial assets
- impairment of receivables
- measurement and completeness of additional provisions
- measurement of capitalised self-constructed assets
- completeness of trade payables
- accrual basis in revenue recognition
- plausibility of forecasts in the consolidated management report

In the consolidated financial statements:

- the preparation of consolidated financial statements and the financial statements of companies included in the consolidated financial statements
- consolidation of capital and other consolidation measures
- capitalisation and impairment testing of intangible assets pursuant to IAS 36 *Impairment of Assets* (goodwill) and IAS 38 *Intangible Assets* (other intangible assets, in particular software developed in-house)
- accounting for leasing agreements
- accounting for deferred taxes
- 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 plausibility of forecasts in the consolidated management report (risk and forecast reporting in particular)

The financial statements of TDS AG and the consolidated financial statements of the TDS Group, presented by the Executive Board on 31 March 2010, as well as the management reports 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 auditors, taking into account the audit reports. Supervisory Board member Manuela Beier was kept thoroughly up to date on the progress of the auditing process over the course of the reporting period. The auditors attended the Supervisory Board meeting on 18 May 2010, where they presented their key findings, reported on the scope, focus and costs of their audits, and were 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. Following their own examination of the documents, the Supervisory Board did not find any cause for objection and approved the findings of the independent auditors. In the meeting on 18 May 2010, the Supervisory Board confirmed and endorsed the 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 the opinion of the Supervisory Board.

The independent auditors 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.

The members of the Supervisory Board wish to thank Executive Board members and all employees of the Company and the Group for successful and close cooperation during the past year.

Neckarsulm, Germany, 18 May 2010

The Supervisory Board

Benno Zollner
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:

Benno Zollner
Manager, Senior Vice President Service Operations, Martinsried, Germany
Chairman of the Supervisory Board (since 21 September 2009)
Member of the Supervisory Board (since 18 to 20 September 2009)

- Member of the Supervisory Board, ICL-KME CS, Kazan, Russia

Dieter Herzog
Executive Vice President, Technology Solutions Portfolio organisation, Delbrück, Germany
Deputy Chairman of the Supervisory Board (since 21 December 2009)
Member of the Supervisory Board (from 1 to 20 December 2009)

- Dieter Herzog does not hold any other mandates

Manuela Beier
Finance Director, Service Operations and Regional Support Group, Head of Commercial Support, Friedberg, Germany
Member of the Supervisory Board (since 1 December 2009)

- Manuela Beier does not hold any other mandates

Yves Le Gelard
EXP Global Client Management Unit, Paris, France
Chairman of the Supervisory Board (until 30 November 2009)

- Director, FS Participation SAS, Paris, France
- Director, Fujitsu Systems (Europe) Limited, London, UK
- Director, Fujitsu Services Holding B.V., Maarssen, The Netherlands (until 10 November 2009)
- Director, Fujitsu Services Overseas Holding Limited, London, UK (until 26 February 2010)
- Director, Fujitsu Services S.A.U., Madrid, Spain (until 29 September 2009)
- Director, Fujitsu Services SpA, Agrate Brianza, Italy (until 24 September 2009)
- Director and Chairman of the Board, ICL-KME CS OJSC, Kazan, Russia (until 9 June 2009)
- Director and President of the Board, Fujitsu Services SA (France), Asnière-sur-Seine, France (until 26 August 2009)

Andrew MacNaughton
Director, London, UK
Member of the Supervisory Board (until 17 September 2009)

- Director, AVM Business Consultants Ltd., Bracknell, UK (since 5 March 2010)

Dr. Klaus-Dieter Rose
Lawyer, Stuttgart, Germany
Member of the Supervisory Board (until 26 November 2009)

- Member of the Advisory Board, Wieland Holding GmbH, Bamberg, Germany (since 11 May 2009)

On 31 March 2010, Supervisory Board members held no shares in the Company (compared with 0 shares at 31 March 2009).

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

Dr. Heiner Diefenbach
Chairman of the Executive Board, Seeheim-Jugenheim, Germany

- Chairman of the Supervisory Board, Hexagon AG, Wiesbaden, Germany
- Managing Director, ROSEA GmbH (formerly 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, Regensdorf, Switzerland
- Managing Director, TDS IT Consulting GmbH, Neckarsulm, Germany

Konrad Meier
Member of the Executive Board, Oberkirch, Germany

- Director, TDS Systemhouse PLC, Chesterfield, UK

Robert Battenstein
Member of the Executive Board (since 1 April 2010), Ratingen, Germany

- Managing Director, TDS HR Services & Solutions GmbH, Neckarsulm, Germany
- Member of the Administrative Board, TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland

On 31 March 2010, Executive Board members held 2,400 shares in the Company (compared with 0 shares at 31 March 2009).

MANAGEMENT REPORT FOR FISCAL 2009/2010

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" or "parent company") 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 the 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.

The TDS fiscal year corresponds to that of the majority shareholder, Fujitsu Services Overseas Holding Limited, London, UK (hereinafter "Fujitsu Services") and ends on 31 March.

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-sized 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, and TDS IT Consulting GmbH, Neckarsulm. IT outsourcing services are delivered by TDS Informationstechnologie AG, which, as the parent company, also manages the Company's subsidiaries and is responsible for additional tasks within the TDS Group.

Due to its acquisition of the assets of ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG, Neckarsulm, Germany, ROSEA GmbH has been included the scope of consolidation since 31 October 2009.

TDS AG has the following significant indirect and direct subsidiaries:

Subsidiaries	**Holding in per cent**
Germany	
TDS HR Services & Solutions GmbH, Neckarsulm, Germany	100 %
TDS IT Consulting GmbH, Neckarsulm, Germany	100 %
ROSEA GmbH, Neckarsulm, Germany	100 %
Outside Germany	
TDS HR Services & Solutions Austria GmbH, Vienna, Austria	100 %
TDS MultiVision AG, Regensdorf, 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 per cent) in the company from the previous majority shareholder with effect from 18 January 2007. On 11 January 2008, TDS AG and Fujitsu Services concluded a subordination agreement. The agreement was approved by the Supervisory Board on 11 January 2008, and by shareholders at an extraordinary shareholders' meeting on 29 February 2008. Legal action taken by minority shareholders in response to this decision was dropped in fiscal 2009/2010. The subordination agreement was entered into the commercial register on 2 June 2008, at Stuttgart Court. The subordination agreement includes provisions on the transfer of loss to Fujitsu Services, the appropriate compensation for remaining shareholders, and the mandatory offer. A mandatory offer in the amount of €3.13 per share was published in the electronic Federal Gazette on 13 June 2008.

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 business unit provides application hosting at its state-of-the-art data centres, and assumes responsibility for customers' entire IT infrastructures.

Within the scope of application hosting, TDS operates and maintains customers' applications. These include both standardised and customised 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. TDS offers standard applications such as SAP software, e-business solutions, data-warehousing solutions, and Electronic Data Interchange (EDI) solutions, together with customer-specific applications. 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 organisations, and local-government agencies.

c) IT Consulting

TDS has a comprehensive offering in IT Consulting, 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 specialises 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, financial services and logistics.

Markets and competitive position

TDS is represented in Germany, Austria, Switzerland and the UK. The company generates 95.9 per cent 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

The Company 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. The Executive Board comprises Dr. Heiner Diefenbach (Chairman of the Executive Board), Konrad Meier and Robert Battenstein. Dr. Heiner Diefenbach manages the IT Consulting business unit and is responsible for financials. Konrad Meier is responsible for the IT Outsourcing business unit, as well as HR, purchasing and internal IT. As of 1 April 2010, Robert Battenstein is also an Executive Board member, with responsibility for the HR Services & Solutions business unit. 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. The Supervisory Board comprises the following members: Benno Zollner (Chairman), Dieter Herzog (Deputy Chairman) and Manuela Beier.

A shareholders' meeting is held at least once a year. The last ordinary TDS shareholders' meeting was held on 8 October 2009. The annual and consolidated financial statements were presented to shareholders at this meeting. Further items on the agenda included a vote on changes to the Articles of Incorporation, a vote to ratify the actions of the Supervisory and Executive Boards, and a vote to choose the auditors. In addition, the Executive Board was authorised to acquire and use treasury shares and to exclude shareholders' subscription rights to treasury shares. All resolutions put forward at the shareholders' meeting on 8 October 2009 were approved.

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 order intake, revenues and EBIT (earnings before interest and tax). Via monthly Group-wide reporting, actual results are compared to targets, and any deviations are analysed. 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 organisations 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 fiscal 2009/2010, and are comparable with previous years.

Code of conduct

The Executive Board introduced a Company-wide code of conduct in fiscal 2006. 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 minimise risk, ensure compliance with legal requirements, and safeguard the reputation of the Company among customers, partners, shareholders, and the general public.

2 Economic parameters and business development

General economic fundamentals
In 2008 and 2009, the world economy was dominated by crisis and recession. As a result, many countries introduced economic stimulus packages, starting late 2008. Due in part to these government measures, a slight recovery has been evident since mid-2009, and the world economy now appears to be returning to growth.

Evidence of this can be seen in an increase in aggregate gross domestic product (GDP), which measures the output value of goods and services in a given area.

According to the Statistical Office of the European Communities (Eurostat), eurozone GDP in the first quarter of 2009 was down 2.5 per cent compared with the final quarter of 2008. In the second quarter of 2009 it contracted by just 0.1 per cent. GDP increased by 0.4 per cent in the third quarter and remained constant in the fourth quarter.

After a fall of 3.5 per cent in the first quarter of 2009, German GDP grew by 0.4 per cent in the second quarter – the first increase since the first quarter of 2008. This growth continued into the third quarter, at 0.7 per cent. In the fourth quarter, Germany's GDP remained constant, as did that of the eurozone as a whole.

The business climate index compiled by research institute Ifo is an early indicator of economic development. In the first quarter of 2010, it rose for the fourth successive time. The economic climate has improved, particularly in Germany, Italy, Austria, Belgium and the Netherlands. Business expectations in the eurozone regarding the next six months are more positive than in the previous quarter.

Industry-specific fundamentals
BITKOM, the IT industry association, regularly publishes data on the development of the IT market in Germany. The European Information Technology Observatory (EITO) provides data on international markets.

According to BITKOM, the information technology market (IT hardware, software and IT services) contracted in 2009. As expected, the IT industry did not avoid the fallout from the economic crisis. However, IT did fare better than other industries and is expected to return to a low level of growth in 2010.

European IT market volume was €296 billion in 2009 according to EITO, of which €86 billion was attributable to hardware and €210 billion to software and services. Comparison with 2008 market volume of €309 billion reveals a drop of 4.2 per cent.

BITKOM figures show that the German IT market contracted 5.4 per cent in 2009, from €67.1 billion to €63.5 billion, with revenues falling across the board in hardware, software and services. The German hardware market was down 10.5 per cent from €19.1 billion to €17.1 billion in 2009. Software sales saw a drop of 4.7 per cent from €15 billion to €14.3 billion, and IT services revenues fell by 2.4 per cent from €33 billion to €32.2 billion.

Assessment by the Executive Board
The general economic downturn resulting from the financial crisis was not felt as severely in the IT industry as it was in other sectors.

This was reflected in TDS business volume which, at €132 million, rose over the previous year – despite the economic crisis.

Overview of TDS business development
TDS posted consolidated net income of €5,101 thousand in fiscal 2009/2010, compared to €12,200 thousand in fiscal 2008/2009.

The fall of €7,099 thousand results primarily from a disproportionate increase in the cost of sales and tax effects. The Company posted tax income in fiscal 2008/2009 as a result of one-time effects; however, in fiscal 2009/2010 TDS incurred tax expense at an effective tax rate of 30.5 per cent, which was in the expected range.

The TDS Executive Board is satisfied with business development in fiscal 2009/2010. Revenues across the business units grew or remained constant and all units recorded a profit.

3 Business development

Comparison of actual and forecast business development
TDS generated revenues of €132 million in fiscal 2009/2010, exceeding the projected figure of around €130 million. EBIT margin of 8 per cent for continuing operations was also on target, which was set at between 8 and 9 per cent.

Discontinued operations
In March 2010 TDS announced its intention to sell its shares in TDS MultiVision AG, Regensdorf, Switzerland (hereafter TDS MV). In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, TDS MV is classified as a discontinued operation. This affects valuation and also necessitates that separate figures be posted for the discontinued operation both in the balance sheet and in the income statement. For ease of comparison, the fiscal 2008/2009 figures have been adjusted accordingly. Therefore the figures presented here are not broken down in the same way as they were in the annual report for fiscal 2008/2009.

Further information and detailed figures regarding the discontinued operation (TDS MV) are given in note 5 "Discontinued operations" in the notes to the consolidated financial statements.

Earnings

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 UK. In fiscal 2009/2010, TDS generated 95.9 per cent of revenues in Germany (94.2 per cent in fiscal 2008/2009).

The TDS Group maintained its strong position in fiscal 2009/2010, particularly with regard to IT Outsourcing and HR Services & Solutions. Strong, long-term customer relationships in these segments enable the Group to leverage market growth to its advantage.

Development of earnings
Overview of earnings at TDS:

	2009/2010		2008/2009	
	€ thousands	%	€ thousands	%
Revenues	132,214	100.0	126,858	100.0
Cost of sales	-101,686	-76.9	-94,964	-74.9
Gross profit	**30,528**	**23.1**	**31,894**	**25.1**
Operating income/expenses	-19,954	15.1	-19,817	-15.6
EBIT	**10,574**	**8.0**	**12,077**	**9.5**
Financial income/expenses	-1,127		-2,204	
Earnings before taxes (EBT)	**9,447**		**9,873**	
Tax expense (last year: tax income)	-2,879		2,562	
Gains or losses relating to continuing operations	**6,568**		**12,435**	
Gains or losses relating to discontinued operations after tax	**-1,467**		-235	
Consolidated net income	**5,101**		**12,200**	

As these figures suggest, EBIT margin fell by 1.5 percentage points in comparison to fiscal 2008/2009, from 9.5 per cent to 8 per cent.

The following text gives an account of the development of EBIT margin for individual segments:

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

	IT Outsourcing		HR Services & Solutions		IT Consulting		Group (consolidated)	
	2009/ 2010 € thousands	2008/ 2009 € thousands	**2009/ 2010** € thousands	2008/ 2009 € thousands	**2009/ 2010** € thousands	2008/ 2009 € thousands	**2009/ 2010** € thousands	2008/ 2009 € thousands
External revenues	**60,619**	**59,553**	**55,416**	**50,909**	**16,179**	**16,396**	**132,214**	**126,858**
Cost of sales/ Operating income/expenses	-52,559	-49,758	-53,203	-48,448	-15,966	-16,451	-121,640	-114,781
EBIT	**8,060**	**9,795**	**2,213**	**2,461**	**213**	**-55**	**10,574**	**12,077**
EBIT margin (in %)	13.3	16.4	4.0	4.8	1.3	-0.3	8.0	9.5

IT Outsourcing
In IT Outsourcing, TDS generated revenues of €60,619 thousand in fiscal 2009/2010, up 1.8 per cent over fiscal 2008/2009 (€59,553 thousand). Despite the difficult climate resulting from the economic crisis, it was possible to slightly increase business volume in IT Outsourcing in fiscal 2009/2010 over fiscal 2008/2009, primarily due to business with Fujitsu Group companies.

In fiscal 2009/2010, order intake amounted to €64,508 thousand (€69,221 thousand in fiscal 2008/2009). €4,458 thousand of this is attributable to discontinued operations. Order backlog was €120,911 thousand on 31 March 2010, an increase of 1.4 per cent over 31 March 2009 (€119,249). €5,202 thousand of this is attributable to discontinued operations. Order backlog is equivalent to approximately two years.

EBIT margin fell from 16.4 per cent in fiscal 2008/2009 to 13.3 per cent in fiscal 2009/2010. This is due to increased headcount and greater depreciation/amortisation arising from capital expenditure for customer projects.

At 31 March 2010, the IT Outsourcing segment had 406 employees.

The construction of the data centre in Neuenstadt was completed at the beginning of fiscal 2010/2011.

HR Services & Solutions
Revenues from HR Services & Solutions climbed by €4,507 (8.9 per cent), from €50,909 thousand in fiscal 2008/2009 to €55,416 thousand in fiscal 2009/2010. This is primarily due to increased business with existing customers.

In fiscal 2009/2010, order intake amounted to €67,738 thousand (€52,629 thousand in fiscal 2008/2009). Order backlog was €85,495 thousand on 31 March 2010 (€73,172 thousand on 31 March 2009). This corresponds to a 16.8 per cent increase over last year. Order backlog is equivalent to approximately 1.5 years.

In comparison to fiscal 2008/2009, EBIT margin fell by 0.8 percentage points to 4.0 per cent in fiscal 2009/2010.

At 31 March 2010, 621 staff were employed in this segment.

IT Consulting
In IT Consulting, the TDS Group posted revenues of €16,179 thousand in fiscal 2009/2010, a decrease of 1.3 per cent over fiscal 2008/2009 (€16,396 thousand).

In fiscal 2009/2010, order intake amounted to €14,591 thousand (€17,174 thousand in fiscal 2008/2009). €1,285 thousand of this is attributable to discontinued operations, namely to TDS MV. Order backlog was €5,454 thousand at 31 March 2010, a decrease of 31.2 per cent over 31 March 2009. €1,962 thousand of this is attributable to discontinued operations.

EBIT margin improved from minus 0.3 per cent in fiscal 2008/2009 to 1.3 per cent in fiscal 2009/2010. This is due, in particular, to the Company making less use of external services.

At 31 March 2010, the TDS Group employed 164 staff in this segment.

Financial income (interest)
Negative financial income (interest) improved by €1,077 thousand over fiscal 2008/2009, from minus €2,204 thousand to minus €1,127 thousand. This is mainly due to a reduction in interest and similar expense from minus €1,972 thousand in fiscal 2008/2009 to minus €1,134 thousand in fiscal 2009/2010. However, there was also no longer any financial gain from associated companies (€427 thousand in fiscal 2008/2009).

Income taxes
Income taxes amounted to minus €2,879 thousand in fiscal 2009/2010, corresponding to an effective tax rate of 30.5 per cent. In fiscal 2008/2009, when tax assets and liabilities were netted, the balance was positive. This tax income resulted from a ruling of the Baden-Württemberg tax court. As a result of write-downs to going-concern value in 2001, tax loss carryforwards of €19,553 thousand were disputed. The Baden-Württemberg tax court ruling on 30 March 2009 stated that these carryforwards are to be recognised. As a result, deferred tax assets of €5,677 thousand were posted in fiscal 2008/2009.

Assets and financial situation

Consolidated balance sheet: assets

Assets	31 March 2010 € thousands	31 March 2009 € thousands
Non-current assets		
Intangible assets	43,353	44,835
Property, plant and equipment	33,372	16,235
Other assets	7,003	7,463
	83,728	**68,533**
Current assets		
Trade receivables	25,744	29,192
Cash and cash equivalents	549	662
Other assets	3,712	4,284
	30,005	**34,138**
Non-current assets held for sale	3,752	**0**
Total assets	**117,485**	**102,671**

Intangible assets were almost unchanged with €43,353 thousand at 31 March 2010, in comparison to €44,835 thousand at 31 March 2009. These include licenses (mainly for software) of €9,025 thousand (€9,581 thousand at 31 March 2009), capitalised software development costs of €2,634 thousand (€3,156 thousand at 31 March 2009), rented software in the amount of €507 thousand (€800 thousand at 31 March 2009), and goodwill in the amount of €31,187 thousand (€31,298 thousand at 31 March 2009).

Property, plant and equipment rose by €17,137 thousand due primarily to the construction of the data centre in Neuenstadt.

Trade receivables fell by €3,448 thousand from €29,192 thousand in fiscal 2008/2009 to €25,744 thousand in fiscal 2009/2010. This was primarily due to higher valuation allowances of approximately €1,300 thousand and more robust receivables management.

Other current assets include inventories to the value of €36 thousand (€50 thousand at 31 March 2009), current tax assets in the amount of €440 thousand (€112 thousand at 31 March 2009), prepaid expenses of €2,563 thousand (€2,429 thousand at 31 March 2009) and other assets to the value of €673 thousand (€1,693 thousand at 31 March 2009).

Non-current assets held for sale refer to discontinued operations, namely TDS MV.

Consolidated balance sheet: Shareholders' equity and liabilities

Shareholders' equity and liabilities	31 March 2010 € thousands	31 March 2009 € thousands
Shareholders' equity	**54,144**	**49,146**
Non-current liabilities		
Financial liabilities	2,664	3,948
Provisions for pensions	5,565	5,634
Other liabilities	69	186
	8,298	**9,768**
Current liabilities		
Financial liabilities	35,418	20,622
Trade payables	5,252	5,191
Provisions	10,373	10,907
Other liabilities	2,919	7,037
	53,962	**43,757**
Liabilities of discontinued operations	**1,081**	**0**
Total shareholders' equity and liabilities	**117,485**	**102,671**

The equity-to-total assets ratio fell from 47.9 per cent to 46.1 per cent year on year. This was due to the need to borrow funds from related companies for construction of the data centre.

Financial liabilities of continuing operations break down as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Amounts due to the majority shareholder	32,551	12,300
Amounts due to banks	0	5,000
Finance leases	5,531	7,270
	38,082	**24,570**
of which non-current liabilities	2,664	3,948
of which current liabilities	35,418	20,622

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

Finance leases exist mainly in connection with leased hardware and fell slightly from €7,270 thousand to €5,531 thousand.

Net financial liabilities

Minimising financial risks and continuously optimising financing arrangements are key tasks of Company management. The Group has established a system of liquidity planning covering a period of three months, ensuring ongoing visibility into liquidity. Credit lines made available by Fujitsu Services Limited but not yet taken up, together with the profitability of its ongoing operations, ensure that TDS currently has sufficient cash reserves at its disposal.

Net financial liabilities of continuing operations developed as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Amounts due to Fujitsu Services Limited	32,551	12,300
Corporate bond	0	5,000
Gross financial liabilities	**32,551**	**17,300**
Cash and cash equivalents	549	662
Net financial liabilities	**32,002**	**16,638**

Within the scope of the intercompany loan arrangement concluded between TDS and Fujitsu Services Limited, London, UK (Fujitsu Services) on 11 August 2009, Fujitsu Services granted a variable rate non-amortising loan with a credit line of €30,000 thousand, maturing on 10 August 2010. At the balance-sheet date, €15,574 thousand of this had been taken up. The interest rate is based on EURIBOR (European InterBank Offered Rate) as the reference rate plus a premium of 0.8 per cent, and was 1.439 per cent on the balance-sheet date.

To finance construction of the data centre, a variable rate non-amortising loan in the amount of €20,000 thousand, maturing on 21 January 2011, was agreed within the scope of a further intercompany loan arrangement between TDS and Fujitsu Services concluded on 22 January 2010. At the balance-sheet date, €16,977 thousand of this had been taken up. The interest rate is based on EURIBOR (European InterBank Offered Rate) as the reference rate plus a premium of 0.8 per cent, and was 1.439 per cent at the balance-sheet date.

Fujitsu Services has approved renewal of the intercompany loan facility.

Statement of cash flows (executive summary)

	2009/2010 € thousands	2008/2009 € thousands
Cash flows from operating activities	**16,842**	**12,878**
Purchase of intangible assets, property, plant and equipment	-25,510	-8,301
Changes in consolidation	0	1,032
Cash flows from investing activities	**-25,510**	**-7,269**
Cash flows from financing activities	**11,475**	**-5,143**
Currency translation effects	68	4
Change in cash and cash equivalents	2,875	470
Cash and cash equivalents at the balance-sheet date	**3,537**	**662**
Of which cash and cash equivalents relating to non-current assets held for sale	2,988	0
Of which cash and cash equivalents relating to continuing operations	549	662

In fiscal 2009/2010, the TDS Group invested €28,877 thousand (€13,555 in fiscal 2008/2009) in intangible assets and property, plant and equipment. Total capital expenditure included actual payments of €26,835 thousand (€10,277 thousand in fiscal 2008/2009), with €2,037 thousand due for future payment under leasing agreements (€2,982 thousand in fiscal 2008/2009). Capital expenditure was offset by proceeds from the disposal of non-current assets, of €1,325 in fiscal 2009/2010 (€1,976 thousand in fiscal 2008/2009), leading to net capital expenditure of €25,510 thousand (€8,301 in fiscal 2008/2009). Changes in consolidation were not recorded in the statement of cash flows in fiscal 2009/2010 (€1,032 thousand in fiscal 2008/2009 statement of cash flows).

Capital expenditure for property, plant and equipment totalled €25,364 thousand (€9,335 thousand in fiscal 2008/2009), and was primarily attributable to construction of the Neuenstadt data centre. This expenditure includes land and buildings, plant and equipment and office furniture and fixtures. The Group invested €3,513 thousand in intangible assets (€4,220 thousand in fiscal 2008/2009). This was mainly for in-house software development in the amount of €942 thousand (€1,250 in fiscal 2008/2009) and new concessions and licenses in the amount of €2,534 thousand (€2,835 thousand in fiscal 2008/2009). Capital expenditure in intangible assets and in property, plant and equipment includes leased assets to the value of €2,037 thousand for customer projects (€2,982 thousand in fiscal 2008/2009).

The improvement in cash flows from financing activities – from minus €5,143 thousand to €11,475 thousand – is mainly due to the payments received in order to fund construction of the Neuenstadt data centre.

Other performance indicators

IT Outsourcing services are handled at state-of-the-art TDS data centres in Neckarsulm, Germany. The facilities meet all the latest security standards and are certified in accordance with ISO 9001:2000, 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. 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 fiscal 2009/2010

Overall, the Executive Board is satisfied with business development in fiscal 2009/2010, despite the difficult climate resulting from the financial and economic crisis. However, increased headcount, capital expenditure for customer projects and the discontinuation of certain services for Fujitsu Services negatively affected profitability.

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 segment carries out development work to ensure the successful evolution of the Company's software products, for example applications such as *TDS-Personal*. Development costs totalled €942 thousand in fiscal 2009/2010 (€1,250 thousand in fiscal 2008/2009).

5 Employees

The TDS Group employed 1,191 staff at the balance-sheet date (1,117 at 31 March 2009), of which 406 were employed at IT Outsourcing (376 at 31 March 2009), 621 in the HR Services & Solutions segment (579 at 31 March 2009) and 164 at IT Consulting (162 at 31 March 2009). The average age was 39.8. At 31 March 2010, there were 44 trainees (35 at 31 March 2009). Staff turnover during the fiscal year, expressed in terms of the number of employees leaving the Company in relation to the average headcount for the entire year, was 8.68 per cent.

In fiscal 2009/2010, the Company invested €957 thousand in the external training and development of staff (€947 thousand in fiscal 2008/2009). TDS also organised 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 per cent, or sometimes more than 30 per cent, 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, see note 44 "Further relevant information concerning the Executive and Supervisory Board".

Executive Board compensation
The Supervisory Board is responsible for defining Executive Board compensation. Executive Board compensation is performance related and can be broken down into three components: fixed compensation, variable compensation and compensation for additional roles and responsibilities.

Executive Board compensation breaks down as follows:

- Fixed compensation, which is paid as a monthly salary.
- 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 Supervisory Board defines these targets. The extent to which the targets are achieved is subject to the discretion of the Supervisory Board.

- Executive Board member Dr. Heiner Diefenbach receives an additional annual bonus.

There is a cap on the performance-related bonus payable to Executive Board members.

- In addition, Executive Board members receive compensation for additional roles and responsibilities in the form of company cars for private use, insurance premiums, and contributions to public or private pension, health insurance and long-term care insurance plans of no more than 50 per cent of the statutory maximum, in some cases in addition to applicable payroll tax (*Lohnsteuer*).

Compensation for active Executive Board members totalled €832 thousand in fiscal 2009/2010. Further information on compensation for individual Executive Board members in fiscal 2009/2010 can be found in the table in note 44 "Further relevant information concerning the Executive and Supervisory Board" in the notes to the consolidated financial statements.

Other business

TDS has a Directors' and Officers' Insurance (D&O insurance) policy for Executive and Supervisory Board members that covers personal liability for a defined group of people. The D&O insurance policy does not include a deductible as defined by Subsection 3.8 of the German Corporate Governance Code. D&O insurance cover is to be modified, however, to include a deductible for Executive Board members from 1 July 2010, in accordance with legal requirements.

Should the present Chairman of the Executive Board, Dr. Heiner Diefenbach, be dismissed from his position for reasons other than gross misconduct, and should his relationship with the Company come to an end prematurely as a result of this dismissal, the Chairman shall receive compensation based on his basic salary for the total remaining term of his employment contract, plus bonuses. The contracts of Executive Board members Konrad Meier and Robert Battenstein do not include explicit provisions for compensation in the event of premature termination of their contracts.

If no mutual agreement is reached by 31 December 2011 with regards to the continuation or termination of the Executive Board contract of Dr. Heiner Diefenbach, and, as a result, his Executive Board contract comes to an end on 31 December 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 Executive Board contract since 1 January 2005, including bonuses based on his salary for the previous year. This compensation shall also be paid if the 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 31 December 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 31 December 2012. Likewise, 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 TDS is purchased by a legal entity outside of the Fujitsu Services group. The contracts of Konrad Meier and Robert Battenstein do not include a commitment to provide compensation for premature termination of the contracts resulting from a change of control.

Konrad Meier's employment contract with TDS, signed on 27 December 2004, is suspended for the duration of his contract of service on the Executive Board. TDS has guaranteed that the employment contract will be reinstated following conclusion of the contract of service, unless the contract of service is terminated by the Company with good reason (Section 626 of the German Civil Code). If the contract is terminated by mutual agreement before the end of its term, Konrad Meier will be paid salary and a bonus pro rata on the basis of his period of service as an Executive Board member.

No loans or advanced payments were granted to Executive Board members in fiscal 2009/2010; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In fiscal 2009/2010, 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 chairs 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.

Individuals who are only Supervisory Board members for part of a fiscal year receive compensation pro rata in relation to the duration of their membership.

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 totalled €70 thousand in fiscal 2009/2010. Figures are provided for each member, broken down into fixed and performance-related compensation, in the table in note 44 “Further relevant information concerning the Executive and Supervisory Board” in the notes to the consolidated financial statements.

€172 thousand was paid during the reporting period for legal advice from Menold Bezler Rechtsanwälte, where former Supervisory Board member (until 27 November 2009) Dr. Klaus-Dieter Rose is a partner. The Company did not make any other payments or grant any benefits for services provided personally by Supervisory Board members, in particular for consulting or brokering 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, no-par-value shares with a stated value of €1.00 per share.

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 per cent of voting rights
At 31 March 2010, Fujitsu Services Overseas Holdings Limited, 22 Baker Street, London W1U 2BW, UK, directly held over 79.42 per cent 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 in the Articles of Incorporation
The appointment of Executive Board members and the termination of their membership, and changes in 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
The Executive Board is authorised 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 until 2 July 2011, by means of issuing new bearer shares against cash or non-cash contributions (authorised capital).

The Executive Board is authorised to increase capital by up to €432,000 by issuing up to 432,500 shares, subject to certain conditions (authorised-but-contingent capital IV). These conditions are designed to safeguard the rights of holders of subscription rights. Shares may only be issued if holders of options granted in accordance with the resolution of the shareholders’ meeting of 23 May 2002 by 31 December 2004 exercise these options, and if in this instance the Company does not issue treasury shares in order to fulfil option rights. A capital increase on the basis of authorised-but-contingent capital IV is no longer possible, as the exercise period for the options in question has expired.

Moreover, the Executive Board has been authorised to increase capital by up to €7,750,000 by issuing up to 7,750,000 bearer shares, subject to certain conditions (authorised-but-contingent capital V). This capital increase is designed to safeguard rights of holders of convertible bonds. Capital may only be increased if holders of convertible bonds issued in accordance with the resolution of the shareholders’ meeting of 23 May 2002 exercise their conversion rights, and if in this instance the Company does not issue treasury shares in order to fulfil conversion rights. A capital increase on the basis of authorised-but-contingent capital V is no longer possible, as the exercise period for the convertible bonds in question has expired.

The Executive Board is authorised to issue treasury shares amounting to up to 10 per cent of share capital until 7 April 2011.

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 non-material contracts with customers, suppliers and banks.

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 is entitled to compensation in the amount of one month of his gross salary for each year of his Executive Board contract since 1 January 2005, plus a bonus payment based on his salary for the previous year.

8 Risk report

Definitions
The TDS Group considers any factors that may jeopardise the achievement of strategic, financial and operational targets to be risks. As a result, it is essential to systematically identify and analyse risks and carefully manage responses to risks, to ensure that long-term goals are met.

Equally, the chance of a favourable development for TDS is considered an opportunity. Opportunities are identified, analysed and managed within the scope of opportunity management. Opportunities available to TDS are detailed in section 10 "Outlook".

Risk management system with respect to material risks
TDS 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. TDS regularly identifies risks in all significant business processes, across all segments. Within the scope of systematic risk management, these risks are analysed and monitored. The system also supports the detection and optimisation of risk positions, as well as the exploitation of opportunities.

TDS has implemented a Group-wide risk-management system in accordance with Section 91 Subsection 2 of the German Stock Corporation Act (AktG), which enables early detection and professional evaluation of risks and permits their control and minimisation 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 serves to identify risk. 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 regular reporting.

Internal control and risk management system with respect to the financial reporting process
The internal control and risk management system comprises all measures used to monitor processes at TDS. It includes the organisational policies laid down by operational management together with the process owner's defined control mechanisms and monitoring tasks. The financial reporting process is based on ongoing accounting and includes all aspects of preparing annual and consolidated financial statements. Financial reporting is primarily the task of employees of the TDS AG accounting and financial control departments. These departments are corporate functions, i.e. provide services for the entire TDS Group, including TDS AG subsidiaries. In addition, TDS employs external service providers for tasks such as assessing pension provisions.

The internal control and risk management system is designed to ensure that financial reporting is correct and compliant with legal requirements. New laws, financial reporting standards or other related requirements will be analysed and included in internal TDS policies, guides and work instructions as required.

The system includes policies and procedures, together with proactive and reactive controls. The following are examples components of this system at TDS:

- The internal *Handbook of accounting and financial control* is updated when necessary and used for internal training.
- Significant contracts are examined for relevant information that must form part of financial reports.
- Intercompany transactions are fully recorded and duly eliminated.
- Cross-checks and verifications are carried out both manually and with the help of IT systems.
- Separation of duties and the principles of dual control are applied. There are defined authorisation and access policies for corresponding IT accounting systems.

The internal control and risk management system cannot, however, absolutely guarantee that material misstatements will not appear in the financial reports.

Measures and procedures for monitoring the effectiveness of financial reporting controls are currently being implemented.

Operational risk

<u>Economic risks</u>

The demand for IT products and services depends on the development of the economy as a whole. The Company will be less willing to invest in light of the current recession, triggered by the financial crisis. It is possible that the demand for IT services may fall, and investment in new projects may be postponed, or fail to materialise.

Market- and customer-related risks

Low or negative growth may cause competition to intensify in the IT market. Mergers, and the arrival of new competitors, could negatively impact profitability. TDS' customer base is sufficiently diversified that the Company is not overly dependent on specific price or industry developments.

Technical risks

The possibility cannot be excluded that unidentified hardware or software defects may arise that could incur costs or damage the Company's reputation. It is therefore not possible to completely rule out claims for damages on the part of customers. As TDS is an IT Outsourcing service provider, there is a risk of technical faults occurring at TDS data centres. TDS counters this risk by meeting extremely high quality standards and ensuring ongoing availability through redundancy.

HR-related risks

TDS' success relies heavily on the availability of employees with excellent IT and interpersonal skills. A lack of skills and a loss of expertise due to a high turnover therefore represent the most significant risks. Moreover, there is a risk that the demand for skilled staff might not be met. To counter this risk, the Company will continue to position itself as an attractive employer. TDS hopes to increase the long-term loyalty of senior managers, with a dedicated program for the recognition of specialist and management skills.

Financial risks

Financial risks can arise from impairment of value of non-current assets and receivables and from liquidity risks.

Value impairment may be incurred if the discount rate used for impairment testing rises, or if cashflows are less than forecast. Certain assets such as goodwill, intangible assets manufactured in-house and investment property are particularly at risk of losing value due to the economic crisis.

Levels of receivables may conceal risks relating to their realisation. 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. In Fujitsu Services Limited, the majority shareholder, TDS has a strong, reliable partner and access to liquidity of around €50 million. €32,551 thousand of this amount had been claimed at the balance-sheet date, resulting in zero liquidity risk. Fujitsu Services has approved renewal of the intercompany loan facility.

Both agreements with Fujitsu Services Limited and loan agreements with subsidiaries employ variable interest rates. Interest rate fluctuations can negatively affect assets, earnings and cash flows in this regard.

The goal of financial instruments is to minimise risks arising form the negative development of financial markets on the financial situation and earnings of TDS, insofar as this is possible. In fiscal 2009/2010 there were no transactions involving financial derivatives. 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. However, conventional leasing contracts were employed to acquire non-current assets.

Legal risks

The regulatory environment has become more challenging, and the scope of regulation in Germany has become stricter and more complex. Against this background, it is not possible to guarantee complete compliance with all legislative requirements. Any charges or accusations brought against TDS in this regard, whether justified or not, can damage the Company's image or have a negative impact on financial development. TDS combats the risk of non-compliance through its Compliance Office. The Chief Compliance Officer ensures that TDS is always aware of all legal changes, and that employees are familiar with and respect them.

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 or the TDS Group. The market and financing risks described are limited and reasonably calculable. At present, there are no identifiable material risks that could threaten the future of the Company.

9 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.

The Company has not identified any serious macroeconomic or industry-related changes since the balance-sheet date (31 March 2010) that could lead to a change in the assessment of the Company's situation.

10 Outlook

Outlook for TDS
The outlook for TDS for the coming months remains stable.

TDS' business units IT Outsourcing, HR Services & Solutions and IT Consulting are geared towards customers' requirements and anticipate further expansion. Innovative offerings such as the provision of Software as a Service (SaaS) via the Internet should ensure growth within the existing customer base.

Economic environment and services

The global financial crisis caused a far-reaching reluctance to invest in IT throughout the business world. The moderate economic upswing after the ebbing of the crisis has caused many companies to review their operational processes. In order to maintain their competitive edge, many are now considering outsourcing. TDS has the opportunity to benefit through its wide range of IT outsourcing services.

Partnerships

All TDS business units have partnerships with key players in the IT industry, including in sales, technology and software. This means that TDS is not only able to offer a broad service portfolio, but also has opportunities to win new customers.

Fujitsu Services / Fujitsu Technology Solutions

In collaboration with multinational players such as Fujitsu Services and its Munich-based sister company Fujitsu Technology Solutions GmbH (FTS), TDS can secure cross-border projects, and bid for projects from larger companies. Combining the offerings of Fujitsu Services and of FTS with the TDS portfolio will open up many new market opportunities.

Organisation

TDS maintains a network of offices in Germany, Austria and Switzerland. Geographical proximity makes it easier for TDS to win new customers, in particular local mid-sized companies.

Human resources

TDS employs managers with the right combination of hard and soft skills and continues to develop its employees' skills through training and development programmes.

As a result, TDS is able to leverage the knowledge and expertise of its staff for the benefit of customers.

General economic outlook

Forecast for economic development
In a joint report published in spring 2010, Ifo, in conjunction with other market research organisations, anticipated that the global economy will experience a modest upswing in 2010. Although the deep global recession is over, the economy is likely to remain weak. According to Ifo and the OECD, Germany's GDP is expected to rise by some 1.5 per cent in 2010. Ifo also forecasts that international trade, which fell back 11 per cent in 2009, will rise by 6.5 per cent in 2010.

Industry-specific outlook
On the basis of data from the European Information Technology Observatory (EITO), Germany's IT industry association BITKOM predicts a stabilisation of the ICT market across Europe for 2010. Sales of products in IT, telecommunications and consumer electronics for 2010 are expected to decrease by only 0.5 per cent to approx. €714 billion, in contrast with a fall of 2.2 per cent to €718 billion in 2009.

According to a forecast published in November 2009 by EITO, the IT market in Europe is expected to grow by 0.6 per cent and exceed €300 billion in 2010. Companies previously reluctant to invest in IT are likely to increase capital expenditure in fiscal 2010/2011.

BITKOM predicted in February 2010 that the market volume for IT in Germany would rise by 1.4 per cent to €64.4 billion. From this amount, €17.1 billion is expected in IT hardware, €32.9 billion in IT services and €14.4 billion in software. A further uptick is forecast for 2011.

Earnings and financial situation
Assuming stable macroeconomic development and slight growth in the IT market, the Executive Board believes that TDS business development will remain stable. We anticipate revenues of around €137 million in fiscal 2010/2011. EBIT margin will decrease, as a result of the depreciation of the new data centre, and is anticipated to slip to approximately 6 per cent. We expect gains in revenue in IT Outsourcing and HR Services & Solutions, but with EBIT margin decreasing at the same time. We anticipate decreasing revenues in IT Consulting, but are seeking to raise EBIT margin.

The Executive Board expects a slight increase in earnings to over €140 million in fiscal 2011/2012. EBIT margin is likely to remain at last year's level.

To meet expected future growth, TDS plans to increase headcount in fiscal 2010/2011.

Expected capital expenditure

Capital expenditure is expected to total around €20 million over the next two years, mainly due to replacement and expansion investments for existing and new customers. These will be funded through cash flow from operations activities and through borrowing from Fujitsu Services.

CONSOLIDATED FINANCIAL STATEMENTS

TDS AG consolidated income statement for the fiscal year from 1 April 2009 to 31 March 2010

	Notes	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Revenues	8	132,214	126,858
Cost of sales	9	-101,686	-94,964
Gross profit		**30,528**	**31,894**
Selling and marketing costs		-10,304	-10,052
General and administrative expenses		-12,836	-11,975
Other operating income and expenses	11	3,186	2,210
Earnings before financial income (interest), taxes and minority interest (EBIT)		**10,574**	**12,077**
Earnings from associated companies		0	-427
Earnings from other holdings		5	4
Interest and similar income	13	43	195
Interest and similar expense	13	-1,134	-1,942
Other financial income/expense	13	-41	-34
Earnings before taxes and minority interest (EBT)		**9,447**	**9,873**
Expense/income from income taxes	14	-2,879	2,562
Gains or losses relating to continuing operations		**6,568**	**12,435**
Profit or loss after tax of discontinued operations	5	**-1,467**	**-235**
Consolidated net income		**5,101**	**12,200**

Earnings per share (basic)	15	0.17	0.42
Earnings per share (diluted)	15	0.17	0.42

TDS AG consolidated statement of comprehensive income for fiscal year 1 April 2009 to 31 March 2010

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Consolidated net income	5,101	12,200
Currency translation	-103	-101
Comprehensive profit/loss	**4,998**	**12,099**

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

Consolidated balance sheet of TDS Informationstechnologie AG at 31 March 2010

Assets	Notes	**31 March 2010 € thousands**	31 March 2009 € thousands
Non-current assets			
Intangible assets	16	43,353	44,835
Property, plant and equipment	18	33,372	16,235
Investment property	19	790	817
Other financial assets	21	50	86
Other non-current assets	22	2,208	668
Deferred tax assets	14, 23	3,955	5,892
		83,728	**68,533**
Current assets			
Inventories	24	36	50
Trade receivables	25	25,744	29,192
Current tax assets		440	112
Other current assets	26	3,236	4,122
Cash and cash equivalents	27	549	662
		30,005	**34,138**
Assets of discontinued operations	5	**3,752**	**0**
Total assets		**117,485**	**102,671**

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

Shareholders' equity and liabilities	Notes	**31 March 2010** € thousands	31 March 2009 € thousands
Shareholders' equity			
Share capital	28	29,369	29,369
Additional paid-in capital	28	35,823	35,823
Other comprehensive income	28	-51	52
Retained earnings and accumulated loss	28	-10,862	-15,963
Treasury shares	28	-135	-135
		54,144	**49,146**
Non-current liabilities			
Provisions for pensions	29	5,565	5,634
Other long-term provisions	30	17	14
Non-current financial liabilities	31	2,664	3,948
Other non-current liabilities	33	52	172
		8,298	**9,768**
Current liabilities			
Other short-term provisions	30	10,373	10,907
Customer downpayments	32	271	1,424
Trade payables	32	5,252	5,191
Current financial liabilities	31	35,418	20,622
Other current liabilities	33	2,648	5,613
		53,962	**43,757**
Liabilities of discontinued operations	5	**1,081**	**0**
Total shareholders' equity and liabilities		**117,485**	**102,671**

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

Consolidated statement of cash flows of TDS Informationstechnologie AG for the fiscal year 1 April 2009 to 31 March 2010

	Notes	1 April 2009 to 31 March 2010		1 April 2008 to 31 March 2009	
		€ thousands	€ thousands	€ thousands	€ thousands
Consolidated gains or losses relating to continuing operations		6,568		12,435	
Consolidated profit or loss after tax of discontinued operations		-1,467		-235	
Consolidated net income			5,101		12,200
Income and expenses from other fiscal years					
Write-ups/depreciation of property, plant and equipment	16, 18	12,008		10,855	
Changes in					
Provisions for pensions		365		351	
Additional provisions		-73		1,880	
Profit/loss from investments in associated companies		0		427	
Profit/loss from disposal of non-current assets		-308		-11	
Net change in deferred tax assets/liabilities	14	1,730	13,722	-3,657	9,845
Changes in operating assets and liabilities					
Inventories		14		60	
Receivables and other assets		1,964		-7,706	
Liabilities		-3,959		-1,521	-9,167
Cash flows from operating activities			**16,842**		**12,878**
Purchase of intangible assets, property, plant and equipment	16, 18	-26,835		-10,277	
Proceeds from disposal of non-current assets		1,325		1,976	
Acquisition of consolidated subsidiaries, net cash and cash equivalents acquired		0		1,032	
Cash flows from investing activities			**-25,510**		**-7,269**
Proceeds from bank loans	31	2,714		0	
Repayments of amounts due to banks	31	-7,714		-1	
Repayments of obligations under finance leases	31	-3,776		-3,957	
Proceeds from share issues		0		215	
Proceeds from loans granted by the majority shareholder	31	20,251		0	
Proceeds from financial receivables due from the majority shareholder		0		1,800	
Repayments of loans granted by the majority shareholder		0		-3,200	
Cash flows from financing activities			**11,475**		**-5,143**
Exchange-rate-related changes in cash and cash equivalents			68		4
Total change in cash and cash equivalents			2,875		470
Cash and cash equivalents at the beginning of the period			662		192
Cash and cash equivalents at the end of the period			**3,537**		**662**
Of which cash and cash equivalents posted under current assets			549		662
Of which cash and cash equivalents of discontinued operations			2,988		0

Additional information	**1 April 2009 to 31 March 2010**	1 April 2008 to 31 March 2009
Interest payments	-921	-1,664
Proceeds from interest	91	189
Tax payments	-2,723	-904
Proceeds from taxes	50	52
Dividend payments (incoming)	5	4

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

TDS Informationstechnologie AG reconciliation of shareholders' equity

	Share capital		Additional paid-in capital	Other comprehensive income	Retained earnings and accumulated loss	Treasury shares		Shareholders' equity
	Number of shares	€ thousands	€ thousands	€ thousands	€ thousands	Number of shares	€ thousands	€ thousands
31 March 2008	29,296,116	29,296	35,681	153	-28,163	56,214	-135	36,832
Consolidated net income					12,200			12,200
Currency translation				-101				-101
Comprehensive profit/loss				*-101*	*12,200*			*12,099*
Exercise of share options	72,500	73	142					215
31 March 2009	29,368,616	29,369	35,823	52	-15,963	56,214	-135	49,146
Consolidated net income					5,101			5,101
Currency translation				-103				-103
Comprehensive profit/loss				*-103*	*5,101*			*4,998*
Exercise of share options								0
31 March 2010	**29,368,616**	**29,369**	**35,823**	**-51**	**-10,862**	**56,214**	**-135**	**54,144**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF TDS INFORMATIONSTECHNOLOGIE AG

1 Summary of significant accounting policies and practices

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

As a subsidiary of Fujitsu Services Overseas Holdings Ltd., London, UK, TDS AG is part of the Fujitsu Group, which is controlled by Fujitsu Ltd, Tokyo, Japan.

Priniciples of reporting
Pursuant to Section 315a of the German Commercial Code (HGB), the consolidated financial statements of TDS AG at 31 March 2010 are compiled in accordance with International Financial Reporting Standards (IFRS, formely 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. The consolidated financial statements of TDS at 31 March 2010 will be disclosed in the electronic Federal Gazette, and are also available at www.unternehmensre-gister.de.

Application of the provisions of Section 264, Subsection 3 of the German Commercial Code (HGB) by subsidiaries
TDS HR Services & Solutions GmbH, Neckarsulm, Germany, a subsidiary of TDS Informationstechnologie AG as defined by Section 290 of HGB, for which 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 caluation methods used in fiscal 2009/2010 correspond to those used in fiscal 2008/2009, with the following exceptions:

In fiscal 2009/2010, the Group applied the following new and amended standards and interpretations. The application of these new or revised standards and interpretations had an impact on the balance sheet and income statement in some instances, and occasionally led to changes to or additional disclosures in the notes to the consolidated financial statements:

- Amendment to IFRS 7 *Improving Disclosures about Financial Instruments*
- IFRS 8 *Operating Segments*
- Amendment to IAS 1 *Presentation of Financial Statements: A Revised Presentation*
- Amendment to IAS 23 *Borrowing Costs (Revised)*

Amendments to IFRS 7 relate to disclosures regarding the calculation of fair values, and liquidity risk. Fair values for each category of financial instrument are to be calculated in accordance with the three input levels of the value hierarchy (US GAAP Standard SFAS 157). The amended standard also requires certain additional disclosures, which can be primarily found in notes 6 "Financial risk management" and 34 "Additional information on financial instruments".

IFRS 8 *Operating Segments* stipulates use of the "management approach" when reporting on the financial development of segments. This means defined segments and preparation of information used for segment reporting should correspond to internal reporting to the chief operating decision maker. Minor changes were made to note 7 "Segment reporting" due to application of IFRS 8.

The revised IAS 1 affects TDS in that it requires a statement of comprehensive income in addition to the income statement.

According to the latest version of IAS 23, it is no longer possible to directly expense borrowing costs attributable to the acquisition, construction or production of a qualifying asset. In previous years, borrowing costs were expensed in the period in which they were incurred. In fiscal 2009/2010, the amendments to IAS 23 meant that interest expense directly attributable to construction of the new data centre was capitalised as an acquisition cost.

The following new or amended standards came into effect in fiscal 2009/2010. However, they did not affect the consolidated financial statements of TDS:

- Amendment to IAS 32 and IAS 1: *Puttable Financial Instruments and Obligations Arising on Liquidation*

- Amendment to IFRS 2 *Share-based Payment*: *Vesting Conditions and Cancellations*
- Amendment to IAS 39 and IFRS 7: *Reclassification of Financial Assets: Effective Date and Transition*
- Amendment to IFRIC 9 and IAS 39: *Reassessment of Embedded Derivates*
- IFRIC 13: *Customer Loyality Programmes*
- IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

Restatement of consolidated balance sheet figures from fiscal 2008/2009

	31 March 2009 **€ thousands** **adjusted**	31 March 2009 € thousands
Current assets		
Trade receivables	**29,192**	**26,376**
of which due from related companies	*2,816*	
Other current assets	**4,122**	**6,938**
of related companies		*2,816*
Current liabilities		
Trade payables	**5,191**	**4,242**
of which due to related companies	*949*	
Other current liabilities	**5,613**	**6,562**
of related companies		*949*

To improve presentation of assets, financial status and profitability, trade receivables due from related companies and trade payables due to related companies have both been reclassified. These are now posted as separate items under *trade receivables*. This reclassification resulted in a change in presentation in fiscal 2009/2010.

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 herein are given in thousands of euros.

Revenue recognition
Revenues are recognised 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 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 recognised during the same period in which revenues are posted.

Revenues for consulting are recognised 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 recognised 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 recognised on the basis of the calculated percentage of completion. Where estimated costs exceed revenues, provisions are formed for expected losses on the basis of cost of manufacture.

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

Costs of research and development
Research costs are recognised in the income statement when they occur. Development costs are capitalised, provided that they satisfy the requirements of IAS 38 or are otherwise expensed when they are incurred.

Financial income and expense
Financial income includes interest income and dividend income. Interest income is recognised as it occurs (using of the effective interest method). Dividend income is posted at the date of entitlement.

Financial expense includes interest expense from borrowing and interest expense arising from unwinding of discounts on provisions. Borrowing costs that are directly attributable to the acquisition, construction or prodution of an asset that takes a substantial period of time to get ready for its intended use or sale, is capitalised as part of the acquisition/production costs of the corresponding asset as of fiscal 2009/2010. All other borrowing costs are recognised as expense in the period in which they are incurred.

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 realisation; these rates are generally based on legislation which is already in force or whose enactment is certain 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 are subject to scheduled amortisation. Accordingly, the Company amortises capitalised development costs and other intangible assets with finite useful lives on a straight-line basis over their useful lives to the estimated residual carrying amount. Intangible assets with finite useful lives are largely software licences (between three and six years), software developed in-house (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 amortised, 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 2008/2009.

Goodwill
In accordance with IFRS 3 *Business Combinations*, goodwill arising from business combinations is not amortised, but is 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 carrying amount of the unit with its recoverable amount. If the carrying amount exceeds the recoverable amount, an impairment loss must be recognised. The recoverable amount is equivalent to the higher of the fair value less costs 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.

Capitalised software development costs
Pursuant to IAS 38 *Intangible Assets*, costs for software developed in-house are capitalised and amortised. 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 capitalisation criteria pursuant to IAS 38 are met, further development costs are capitalised until the product is ready for general release. Cost of manufacture includes costs that are attributable directly or indirectly to development. In each period, capitalised software development costs for completed software are amortised according to the straight-line method over their estimated useful life of five years. On the balance-sheet date, capitalised costs for software under development are tested for impairment pursuant to *IAS 36 Impairment of Assets*, and 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. If the construction phase of such assets is over an extended period of time, the directly attributable borrowing costs incurred before completion must be capitalised under acquisition or production costs as of fiscal 2009/2010. Property, plant and equipment held under finance leases and leasehold improvements are amortised 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

Government grants related to assets
Government grants related to assets were recognised as deferred income or were deducted from the asset's carrying amount.

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 year-end, non-current assets are tested for impairment. If there is evidence of impairment, the asset's recoverable amount is determined and compared with the carrying amount. If the recoverable amount is less than the carrying amount, 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 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 capitalised 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 recognised 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 recognised as expense in the income statement.

Financial assets (investments in other companies and lendings)
Investments in other companies are recognised 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, which generally corresponds either to the nominal value of the receivable or to the loaned amount; they are subsequently carried at their amortised cost of acquisition using the effective interest method. 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 carrying amount. If the fair value is lower than the carrying amount, 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.

Inventories
Inventories are recognised at the lower of cost of acquisition and net realisable value. Net realisable 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.

Discontinued operations
Certain non-current assets and groups of assets that are available for immediate sale, the sale of which is highly probable and that fulfil the criteria of IFRS 5 *Non-current assets held for sale and discontinued operations* are included under *assets of discontinued operations*. Liabilities attributable to a group of assets held for sale or to a discontinued operation are posted under *liabilites of discontinued operations*.

Once assets are classified as assets of discontinued operations, they can no longer be regularly amortised but rather are to be recognised at the lower of carrying amount and fair value less costs to sell.

Income statements for fiscal 2009/2010 and fiscal 2008/2009 present income and expenses of discontinued operations separately from income and expenses related to continuing operations. Profit or loss of discontinued operations are also disclosed separately.

Gains or losses resulting from valuation of assets of discontinued operations using fair value less costs to sell are reported in profit or loss of discontinued operations until they are sold. Profit or loss from the sale of discontinued operations is also recorded here.

Financial instruments

Non-derivative financial instruments
At TDS, non-derivative financial instruments include trade receivables, certain other assets, cash and cash equivalents, securities and lendings, 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. These are posted at their nominal value.

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 posted at fair value less transaction costs using the effective interest method.

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.

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 amortised cost of acquisition calculated by means of the effective interest method. TDS does not hold any financial assets that fall into this category.

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 amortised cost of acquisition using the effective interest method. Profit/loss resulting from this is recognised in profit for the year.

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.

An impairment loss may only be recognised for a financial asset or a group of financial assets if one or more events after initial recognition lead to objective indications of impairment, and if it can reliably assumed that these will have an adverse effect on expected future cash flows of the financial asset or group of financial assets. Indications of impairment include signs that the debtor or group of debtors are in significant financial difficulty, delay in payment or failure to pay interest or repayments, the probability of insolvency or a similar procedure or if available information indicates a quantifiable fall in expected future cashflows.

Subsequent to acquisition, financial liabilities are measured on the basis of amortised cost of acquisition, calculated by means of the effective interest method.

Treasury shares
If shares issued are repurchased by the Company, they are posted separately under *treasury shares* at cost of acquisition.

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. Defined benefit obligations are discounted to their present value and reduced by the fair value of plan assets. The discount rate corresponds to the rate of return for senior, fixed-rate corporate bonds at the balance-sheet date. Calculation is based on annual actuarial reports that make use of assumptions regarding demographic developments. Actuarial gains and losses are only recognised when they fall outside of the ten per cent corridor for the value of the obligation. They are subsequently recognised 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.

Deferred taxes
In accordance with IAS 12 *Income Taxes*, deferred taxes are formed for all temporary differences between the carrying amounts 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 between 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 realisable 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, realised 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 offset 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
In accordance with IAS 7 *Cash Flow Statements*, the statement of cash flows is broken down according to cash inflows and outflows from operating, investing and financing activities. 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.

Under the indirect method for calculating cash flow, changes with regard to operating activities are adjusted to take account of currency translation effects and changes to the scope of consolidation.

Statement of comprehensive income

In accordance with IAS 1, the statement of comprehensive income reconciles consolidated net income with comprehensive income, which includes items of income that are reported directly as equity. These elements refer to currency translation differences.

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 5 “Discontinued operations”

As part of the strategic reorganisation of the Group, TDS announced the Executive Board’s intention to sell all shares in TDS MultiVision AG, Regensdorf, Switzerland (TDS MV) to Fujitsu Technology Solutions AG, Regensdorf, Switzerland.

As a result, TDS MV was classified as a discontinued operation. The Company management believed that TDS MV fulfilled the criteria for classification as a discontinued operation at this time, for the following reasons: TDS MV is available for immediate sale, the Executive Board believes that this sale is highly probable within twelve months, and the business in Switzerland represents a geographical area of operations.

- Note 14 “Income taxes”: Potential future realisability of tax loss carryforwards

The realisability of tax receivables and capitalised tax assets with regard to temporary valuation differences and tax loss carryforwards is based on assumptions.

- Note 17 “Goodwill”: Calculating the recoverable amount, allocated to goodwill, of a cash-generating unit

TDS carries out annual impairment testing on its cash-generating units and calculates the recoverable amount. This calculation is based on estimated future cash flows, which are forecast on the basis of reasonable assumptions and which signify management’s best possible assessment of the economic climate at that point in time. As a result, the expectations of management have an indirect effect on the valuation of assets and goodwill.

Impairment testing carried out on assets in fiscal 2009/2010 employs assumptions and estimations that can diverge from actual future circumstances, which might result in write-ups or write-downs.

- Note 19 “Investment property”: Estimation of future lease income
- Note 20 “Leased Assets”: Classification of lease agreements
- Note 25 “Trade receivables”: Valuation of receivables from ongoing projects not yet invoiced, and the recoverablility of trade receivables
- Note 29 “Provisions for pensions”: Calculation of the present value of pension obligations

Actuarial calculations are unavoidable in the case of defined benefit plans. These calculations employ a number of assumptions regarding developments in salaries and pensions, fluctuations in life expectancy of pensioners, discount rates and expected return on assets.

- Note 30 “Additional provisions”: Assessment of warranty obligations and risks from pending transactions

Recording and valuation of these provisions are influenced by assumptions about the probability of occurrance, the applicable discount rate and the estimated absolute value of risk.

At the time the financial statements were produced, no new information had led to a material change in these assumptions.

New accounting standards
The following standards and interpretations have been published but are not yet binding. They were not applied when compiling the consolidated financial statements at 31 March 2010.

IFRS 2 – Share-based Payment: Group Cash-settled Share-based Payment Transactions (amended standard)

The IASB has published amendments to IFRS 2 *Share-based payment*, which clarify how cash-settled share-based payments are to be accounted for. The IASB was asked to clarify how an individual subsidiary in a group should account for certain share-based payment arrangements in its own financial statements. Under such agreements, the subsidiary receives goods or services from employees or suppliers, but the parent or another entity within the group must pay those employees or suppliers. The amendment makes clear that an entity that receives goods or services as part of a share-based payment arrangement must account for those goods or services regardless of which entity in the group settles the transaction, and regardless of whether the transaction is settled in shares or cash. The Board clarified that with regard to IFRS 2, a *group* has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The published amendments clarify the scope of IFRS 2 and how IFRS 2 interacts with other standards. The amendments also incorporate guidelines previously included under IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*. As a result, IASB have withdrawn IFRIC 8 and IFRIC 11. The amendments are effective for annual periods beginning on or after 1 January 2010. As TDS does not employ any agreements on share-based payments, it is not expected that these amendments to IFRS 2 will have an effect on future TDS AG consolidated financial statements.

IAS 24 – Related Party Disclosures

Previously, entities that are controlled or significantly influenced by the state were required to disclose all information on transactions with entities that are either controlled or significantly influenced by the same state. As a result of the amendment to IAS 24, detailed disclosures are now only required for certain material transactions. Moreover, quantitative or qualitative indications of the impact of transactions which together, but not individually, are of material impact are also to be disclosed. In addition, the amendment to IAS 24 clarifies the definition of a *related party*. The amendments are effective for annual periods beginning on or after 1 January 2011. It is not expected that the amendments to IAS 24 will have an effect on future TDS AG consolidated financial statements.

IAS 32 – Financial Instruments: Classification of Rights Issues

The amendments specify how the issuer of subscription rights, options and share purchase warrants accounts for a fixed number of equity instruments, which are denominated in a currency other than the functional currency of the issuer. Previously such instances were accounted for as derivative liabilities. If such rights issues are issued pro rata to all of an entity's existing shareholders in the same class for a fixed amount of currency, they should be regarded as equity regardless of the currency in which the exercise price is denominated. The amendments are effective for annual periods beginning on or after 1 February 2010. It is not expected that the amendments to IAS 32 will have an effect on future TDS AG consolidated financial statements.

IFRIC 12 – Service Concession Arrangements

IFRIC 12 *Service Concession Arrangements* addresses how entities that are contracted by a government or government agency to develop or upgrade roads, airports, prisons or energy distribution networks, for example, are to report the rights and duties arising from these contractual obligations. IFRIC 12 is effective for annual periods beginning on or after 29 March 2009. It is not expected that IFRIC 12 will have an effect on future TDS AG consolidated financial statements.

IFRIC 15 – Agreements for the Construction of Real Estate

IFRIC 15 *Agreements for the Construction of Real Estate* standardises accounting practice for the recognition of revenue by real estate developers for sales of units, such as apartments or houses 'off plan' – that is, before construction is complete. IFRIC 15 provides guidance on how to determine whether such accounting is within the scope of IAS 11 *Construction Contracts* or of IAS 18 *Revenue*. IFRIC 15 is effective for annual periods beginning on or after 1 January 2010, with earlier adoption recommended. It is not expected that IFRIC 15 will have an effect on future TDS AG consolidated financial statements.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* states that a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. The amount that may be designated as a hedged item in a net investment hedge is limited to the carrying amoung of the net assets of the foreign operation included in the consolidated financial statements of the parent. The hedging instrument may be held by any entity within the group (with the exception of that entity whose currency risk is being hedged). When the foreign operation is disposed of, the cumulative exchange gains and losses deferred should be reclassified to profit or loss when the gain or loss on disposal is recognised, and foreign exchange differences arising on the hedging instrument should be reclassified from equity to profit or loss. The amount of the cumulative exchange gains and losses from the foreign operation can be calculated using a 'direct' or 'step-by-step' approach to consolidation. IFRIC 16 is effective for annual periods beginning on or after 30 June 2009, with earlier adoption recommended. It is not expected that IFRIC 16 will have an effect on future TDS AG consolidated financial statements.

IFRIC 17 – Distributions of Non-Cash Assets to Owners

IFRIC 17 *Distributions of Non-Cash Assets to Owners* regulates how an entity distributes assets other than cash as dividends to its shareholders. A dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion off the entity. The dividend payable should be measured at the fair value of the net assets to be distributed. The difference between the dividend paid and the carrying amount of the net assets distributed should be recognised in profit and loss, and should be disclosed separately. IFRIC 17 is effective for annual periods beginning on or after 01 July 2009. It is not expected that IFRIC 17 will have an effect on future TDS AG consolidated financial statements.

IFRIC 18 – Transfers of Assets from Customers

IFRIC 18 *Transfers of Assets from Customers* is, according to the IASB, of particular relevance to entities in the utility sector, although it applies to all entities that prepares IFRS financial statements. IFRIC 18 clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services. It also addresses cash an entity receives from a customer that must be used only to acquire or construct the specified item of property, plant and equipment. The interpretation specifies how an asset is to be defined as such, recognition and initial valuation of an asset, the identification of certain identifiable services in exchange for the transferred asset, and how cash transfers from customers are to be accounted for. IFRIC 18 is effective for annual periods beginning on or after 1 November 2009. It is not expected that IFRIC 18 will have an effect on future TDS AG consolidated financial statements.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* specifies the requirements for a debtor issuing equity instruments to a creditor to extinguish all or part of a financial liability. The interpretation clarifies that 1. equity instruments issued to a creditor to extinguish a financial liability form part of "consideration paid" in accordance with IAS 39.41; 2. the equity instruments in question must be measured at fair value. If fair value is not reliably determinable, the equity instruments are measured at the fair value of the liability extinguished; 3. the difference between the carrying amount of the financial liability (or part) extinguished and the initial measurement of the equity issued is to be recognised in profit or loss. IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. It is not expected that IFRIC 19 will have an effect on future TDS AG consolidated financial statements.

3 Principles of consolidation

Principles of consolidation
Consolidated financial statements include all subsidiaries, with the exception of RADIODATA Rechenzentrum AG, Oberengstringen, Switzerland. In the case of ROSEA GmbH, the fiscal year has previously corresponded to the calendar year. It reported a short fiscal year from 1 January 2010 until 31 March 2010, so that 31 March will from now onwards be its balance-sheet date. All additional subsidiaries and 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 carrying amount, this leads to recognition of an impairment loss.

In accordance with IFRS 3 *Business Combinations*, capital is consolidated using the acquisition 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 puchase. 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. If acquisition price exceeds fair value of equity, the difference is recognised as goodwill; otherwise the difference is recorded in profit or loss.

All receivables and liabilities, revenues, expenses and income between companies included in the consolidated financial statements are netted and intercompany profits eliminated. In accordance with IAS 12 *Income Taxes*, deferred tax is 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. Income and expenses are translated into euros at exchange rates on the day of the transaction, assets and liabilities are translated at the closing rate at the balance-sheet date, and shareholders' equity at 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 are not recognised in profit or loss. On the date of deconsolidation, the cumulative exchange differences are recorded in profit or loss.

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

Exchange differences arising in connection with the consolidation of debt are recognised under *financial income/expense*.

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 foreign-currency translation developed as follows (in relation to the euro):

	31 March 2010 Rate at balance-sheet date	**31 March 2010 Average rate for fiscal year**	31 March 2009 Rate at balance-sheet date	31 March 2009 Average rate for fiscal year
US dollars	1.35330	1.41458	1.33280	1.42176
Swiss francs	1.42450	1.50148	1.51790	1.56117
Pounds sterling	0.89180	0.88575	0.92990	0.83449

4 Changes to corporate structure and to consolidation

Fiscal 2009/2010

Effective 31 October 2009, TDS AG sold its limited partner's shares in ROSEA Trendpark Objektverwaltungsgesellschaft mbH & Co. KG, Neckarsulm (ROSEA KG) to ROSEA Trendpark Objektverwaltung Beteiligungs-GmbH (ROSEA GmbH). As a result, ROSEA GmbH acquired ROSEA KG's assets and ROSEA KG has been dissolved.

The sale of ROSEA KG shares to ROSEA GmbH is a business combination involving entities under common control, as described by IFRS 3. Therefore, as of 31 October 2009, ROSEA GmbH is fully consolidated in financial statements, in place of ROSEA KG. Initial consolidation occurred retrospectively on the basis of original cost of acquisition of ROSEA GmbH in the amount of €35 thousand. ROSEA GmbH was previously included in the consolidated financial statements under amortised cost of acquisition. Through acquisition of ROSEA KG's assets, ROSEA GmbH is now a material entity and can therefore be included in the consolidated financial statements as a fully consolidated company.

The fair value and carrying amount of the identifiable assets and liabilities of ROSEA GmbH at the time of initial consolidation are of no material importance to the Group.

Fiscal 2008/2009

Effective 1 January 2009, TDS purchased the remaining 50 per cent of shares in ROSEA KG. TDS has therefore held 100 per cent of ROSEA KG shares since 1 January 2009. ROSEA KG provides facility management services for office buildings leased by TDS in Neckarsulm. Until now, ROSEA KG was included at equity as an associated company in the consolidated financial statements. As a result of the 100 per cent holding, the intial consolidation of ROSEA KG took place on 1 January 2009.

The fair value of ROSEA KG's identifiable assets and liabilities on the date of acquisition (fiscal 2008/2009), and the corresponding carrying amounts directly before the acquisition, break down as follows:

	Fair value on date of acquisition	**Carrying amount**
	€ thousands	€ thousands
Intangible assets	510	0
Property, plant and equipment	12	12
Trade receivables	427	427
Other assets	30	30
Cash and cash equivalents	1,723	1,723
	2,702	**2,192**
Additional provisions	1,581	1,581
Trade payables	175	175
Other liabilities	39	39
	1,795	**1,795**
Net assets	**907**	**397**
Carrying amount of holding on date of acquisition according to the at-equity method	-199	
Total cost of acquisition	**708**	

The total acquisition cost of €708 thousand includes the purchase price of €695 thousand, and costs directly attributable to the acquisition in the amount of €13 thousand.

Cash flows resulting from the acquisition break down as follows:

	€ thousands
Total cash and cash equivalents acquired (ROSEA KG)	1,723
Total outflow of cash and cash equivalents	-665
Net flow of cash and cash equivalents	**1,058**

ROSEA KG contributed minus €211 thousand to consolidated net income. If acquisition of remaining ROSEA KG assets had taken place at the start of the fiscal year, consolidated net income would have fallen by €427 thousand to €11,773 thousand, and consolidated revenues would have remained unchanged.

5 Discontinued operations

As part of the strategic reorganisation of the Group, TDS announced on 15 March the Executive Board's intention to sell all shares in TDS MultiVision AG, Regensdorf, Switzerland (TDS MV) to Fujitsu Technology Solutions AG, Regensdorf, Switzerland.

As a result, TDS MV was classified as a discontinued operation. The Company management believed that TDS MV fulfilled the criteria for classification as a discontinued operation at this time, for the following reasons: TDS MV is available for immediate sale, the Executive Board believes that this sale is highly probable within twelve months, and the business in Switzerland represents a geographical area of operations.

In relation to the intended sale, TDS implemented a capital increase of €2,795 thousand in the form of a cash contribution to TDS MV. Moreover, capitalised software developed in-house to the value of €609 thousand was derecognised under *intangible assets*. A loss was incurred through the disposal of intangible assets in the amount of €609 thousand, which was not recognised for tax purposes.

As a result, and in accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the profit/loss recorded by TDS MV was reported as profit or loss of discontinued operations in consolidated statements. The figures for fiscal 2008/2009 were adjusted correspondingly, in accordance with IFRS 5.

Profit or loss of discontinued operations posted in the income statement break down as follows:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
TDS MV: income	3,759	5,311
TDS MV: expenditure	-5,268	-5,382
Profit or loss of discontinued operations before tax	**-1.509**	**-71**
Income tax on profit or loss of discontinued operations	42	-164
Profit or loss of discontinued operations after tax	**-1,467**	**-235**

In addition to sales, TDS MV's income includes other operating income, interest and additional financial income.

The balance sheet includes all assets and liabilities of TDS MV under *assets of discontinued operations* and *liabilities of discontinued operations* respectively.

The assets and liabilities listed in the consolidated balance sheet break down as follows:

	31 March 2010 € thousands
Goodwill held for sale	117
Property, plant and equipment held for sale	108
Non-current assets held for sale	207
Receivables and other current assets held for sale	332
Cash and cash equivalents held for sale	2,988
Assets of discontinued operations	**3,752**

	31 March 2010 € thousands
Pension provisions of discontinued operations	434
Current liabilities of discontinued operations	647
Liabilities of discontinued operations	**1,081**

TDS MV liabilities to TDS AG in the amount of €2,642 thousand were eliminated within the scope of debt consolidation.

Cash flows of discontinued operations break down as follows:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Cash flows attributable to operating activities	-463	403
Cash flows attributable to investing activities	-107	-444
Cash flows attributable to financing activities	3,146	299
Currency translation effects	66	10
Total change in cash and cash equivalents of discontinued operations	**2,642**	**268**
Cash and cash equivalents of discontinued operations at the beginning of the period	346	78
Cash and cash equivalents of discontinued operations at the end of the period	**2,988**	**346**

6 Financial risk management

Material financial instruments used by the Group to finance business operation comprise: loans from related companies, finance-lease arrangements and trade payables. The main purpose of these financial instruments is to fund business activities. 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 carrying amount of the corresponding asset, and broke down as follows at the balance-sheet date:

	31 March 2010 € thousands	31 March 2009 € thousands
Trade receivables (Germany)	19,418	22,977
Trade receivables (other countries)	2,987	3,584
Receivables from ongoing projects not yet invoiced (PoC)	3,339	2,631
Cash and cash equivalents	549	662
Other receivables	2,014	1,090
	28,307	**30,944**

Other receivables allocated to financial assets, in the amount of €2,014 thousand (€1,090 thousand in fiscal 2008/2009) 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.

The maximum credit risk of the financial assets posted under *assets of discontinued operations* was as follows at the balance-sheet date:

	31 March 2010 € thousands
Trade receivables	313
Cash and cash equivalents	2,988
Other receivables	5
	3,306

Valuation allowances for financial assets:

	Lendings		Trade receivables		Receivables from ongoing projects not yet invoiced (PoC)		Cash and cashequivalents		Other receivables	
	31 March 2010 € thousands	31 March 2009 € thousands	**31 March 2010 € thousands**	31 March 2009 € thousands	**31 March 2010 € thousands**	31 March 2009 € thousands	**31 March 2010 € thousands**	31 March 2009 € thousands	**31 March 2010 € thousands**	31 March 2009 € thousands
Cost of acquisition	811	811	23,799	26,674	3,339	2,631	549	662	2,014	1,090
Valuation allow-ances	-811	-811	-1,394	-113	0	0	0	0	0	0
	0	**0**	**22,405**	**26,561**	**3,339**	**2,631**	**549**	**662**	**2,014**	**1,090**

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

At 31 March 2010, financial liabilities that were overdue but not impaired broke down as follows:

Trade receivables

€ thousands			Overdue but not impaired				
	Total	Not overdue	Less than 30 days	31-60 days	61-90 days	91-120 days	More than 121 days
31 March 2010	22,405	15,487	3,279	1,412	888	290	1,049
31 March 2009	26,561	14,580	6,297	2,341	1,562	482	1,299

Other receivables

€ thousands			Overdue but not impaired				
	Total	Not overdue	Less than 30 days	31-60 days	61-90 days	91-120 days	More than 121 days
31 March 2010	2,014	2,014	0	0	0	0	0
31 March 2009	1,090	1,090	0	0	0	0	0

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

Experience leads us to believe that it is not necessary to post valuation allowances for receivables not overdue.

Liquidity risk
Liquidity risk is the risk that the Group may not be able to fulfil 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. Continuous cover is achieved through the flexible use of various financing arrangements with different maturities (see note 31 “Financial liabilities”). Fujitsu Services has approved renewal of the intercompany loan facility.

At 31 March 2010, the Group's financial liabilities had the following maturities. Figures are based on contractual, non-discounted payment amounts.

31 March 2010	Carrying amount € thousands	Payments € thousands	2010/ 2011 € thousands	2011/ 2012 € thousands	2012/ 2013 € thousands	2013/ 2014 € thousands	2014/ 2015 onwards € thousands
Amounts due to related companies	32,551	32,829	32,829	0	0	0	0
Finance leases	5,531	5,975	3,192	1,819	899	65	0
Trade payables	5,252	5,252	5,252	0	0	0	0
Other liabilities	92	92	92	0	0	0	0
Total	**43,426**	**44,148**	**41,365**	**1,819**	**899**	**65**	**0**

31 March 2009	Carrying amounts € thousands	Payments € thousands	2009/ 2010 € thousands	2010/ 2011 € thousands	2011/ 2012 € thousands	2012/ 2013 € thousands	2013/ 2014 onwards € thousands
Amounts due to related companies	12,300	12,729	12,729	0	0	0	0
Amounts due to banks	5,000	5,035	5,035	0	0	0	0
Finance leases	7,270	8,171	3,817	2,646	1,236	444	28
Trade payables	5,191	5,191	5,191	0	0	0	0
Other liabilities	100	107	70	2	2	2	31
Total	**29,861**	**31,233**	**26,842**	**2,648**	**1,238**	**446**	**59**

Interest-rate-related risk
TDS is financed via two loan arrangements with Fujitsu Services Limited based on variable interest rates. As a result, risks associated with fluctuations in market interest rates arise primarily from these loan arrangements with Fujitsu Services Limited.

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

31 March 2010	Increase/decrease in interest rate in base points	Change in earnings before taxes
		€ thousands
	+100	-193
	-100	+193

31 March 2009	Increase/decrease in interest rate in base points	Change in earnings before taxes
		€ thousands
	+100	-119
	-100	+119

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.

7 Segment reporting

For the first time, segment reporting is in accordance with the new IFRS 8 *Operating Segments*. IFRS 8 stipulates use of the “management-approach”, whereby segment reporting is based on internal financial reporting. There are no significant changes to segment reporting in comparison with fiscal 2008/2009, with the exception that certain disclosures are no longer required. These disclosures are also not included in internal financial reporting.

Based on internal financial reporting, TDS has identified reportable segments on the basis of the three key operating segments.

- IT Outsourcing
- HR Services & Solutions
- IT Consulting

IT Outsourcing provides application hosting at its data centres, and assumes responsibility for customers’ entire IT infrastructures. HR Services & Solutions provides end-to-end payroll-accounting solutions, and many other employee-management services. IT Consulting focuses on consulting and management services for SAP applications and Enterprise Content Management (ECM) solutions.

The reportable segments are unchanged from fiscal 2008/2009**.** As in previous years, segments are defined in accordance with the management approach. Segmentation is designed to provide visibility into performance, likely business development and the opportunities and risks associated with the individual areas of business operations.

TDS evaluates performance and allocates resources based on earnings before interest, tax and minority interest (EBIT). Intersegment revenues are not presented in internal reporting and so are not included under segment reporting. Internal controlling and reporting are primarily based on the principles and methods described in note 1.

The following segment information does not include income and expenditure relating to discontinued operations and the figures from fiscal 2008/2009 have been adjusted to represent continuing operations.

Figures for individual operating segments are as follows:

1 April 2009 to 31 March 2010	IT Outsourcing	HR Services & Solutions	IT Consulting	Reconciliation	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Income statement					
External revenues	60,619	55,416	16,179	0	132,214
EBIT	8,060	2,213	213	88	10,574

1 April 2008 to 31 March 2009	IT Outsourcing	HR Services & Solutions	IT Consulting	Reconciliation	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Income statement					
External revenues	59,553	50,909	16,396	0	126,858
EBIT	9,795	2,461	-55	-124	12,077

Costs incurred centrally for holding-company and administrative functions are assigned to all segments in accordance with a pre-defined revenue-based key. Both the effects of consolidation and the operating profit/loss of ROSEA GmbH are reconciled in the table above.

In fiscal 2009/2010 and in fiscal 2008/2009, there were no non-cash expenses of material significance for individual segments.

Analysis of revenues by geographical areas

External revenues	**Germany**	**Rest of Europe**	**Total**
	€ thousands	€ thousands	€ thousands
1 April 2009 to 31 March 2010	129,707	2,507	132,214
1 April 2008 to 31 March 2009	124,279	2,579	126,858

External revenues are allocated to the country where the customer’s business is registered.

External revenues indicate a segment’s contribution to consolidated revenues. Intersegment sales and transfers are recognised at the cost of manufacture or, where sold to end customers, are recognised at the cost of manufacture plus profit markup.

Non-current assets	**Germany**	**Rest of Europe**	**Total**
	€ thousands	€ thousands	€ thousands
31 March 2010	75,648	1,867	77,515
31 March 2009	59,113	2,774	61,887

Non-current assets comprise intangible assets (including goodwill), property, plant and equipment, and investment property. EBIT is the primary parameter used for judging and managing segments. As a result, interest income and expense are not included because the segments are financed mostly by TDS AG, and external 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.

Notes to the consolidated income statement

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

8 Revenues

Revenues of €132,214 thousand (€126,858 thousand in fiscal 2008/09) comprise amounts invoiced to customers for goods and services minus sales deductions and cash discounts. The breakdown of revenues according to operating segments and geographical areas is described in segment reporting.

Within the scope of long-term manufacturing contracts, revenues totalling €4,459 thousand were generated from customer-specific contracts in fiscal 2009/2010 (€2,268 thousand in fiscal 2008/2009) according to the percentage-of-completion method.

9 Cost of sales

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Expenditure for services received	20,366	17,548
Expenditure for finished goods and products	712	1,403
Cost of materials	21,078	18,951
Personnel costs	51,207	48,192
Depreciation and amortisation	10,802	9,579
Other expenditures	18,599	18,242
Cost of sales	**101,686**	**94,964**

10 Depreciation and amortisation

Scheduled amortisation and depreciation of intangible assets, property, plant and equipment and investment property totalled €11,776 thousand (€10,482 thousand in fiscal 2008/2009). Amortisation and depreciation relating to discontinued operations totalled €231 thousand (€373 thousand in fiscal 2008/2009). A breakdown of depreciation and amortisation is given in the corresponding notes. Depreciation and amortisation are included in cost of sales, selling and marketing costs, and in general and administrative expenses.

11 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.

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Income from other general costs charged to customers	76	338
Income from other general costs charged to related companies	2,508	1,746
Other tax income	0	7
Income from disposal of non-current assets	322	18
Income from share-price gains	0	0
Other operating income	1,216	927
	4,122	**3,036**
Expenses for other general costs charged to customers	80	328
Expenses for other general costs charged to related companies	215	285
Other tax expense	4	9
Expenses for share-price losses	0	61
Expenses from disposal of non-current assets	22	7
Other operating expenses	615	136
	936	**826**
Other operating income and expense, net	**3,186**	**2,210**

Costs and income from general costs charged to customers are primarily attributable to costs charged to customers by suppliers within the scope of projects. Other operating income and expenses mainly comprise facility management costs and lease income on the part of ROSEA GmbH.

Income and expenses from other fiscal years
In the fiscal year from 1 April 2009 to 31 March 2010, income from other fiscal years totalled €668 thousand (€887 thousand in fiscal 2008/2009). This figure includes €290 thousand for the reversal of provisions, €317 thousand for proceeds from the disposal of assets, €46 thousand in tax refunds from previous years, and €15 thousand for other items. Expenses from other fiscal years totalled €201 thousand (€90 thousand in fiscal 2008/2009), including €143 thousand for back taxes for previous years, and €58 thousand for other items not attributable to 2009/2010.

12 Personnel costs

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

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Salaries and wages	56,654	52,864
Social security costs	8,364	7,644
Net periodic pension costs	92	110
Other pension costs	146	123
	65,256	**60,741**

The average headcount for fiscal 2009/2010 was as follows:

	1 April 2009 to 31 March 2010	1 April 2008 to 31 March 2009
Number of employees, production	940	857
Number of employees, sales and marketing	74	69
Number of employees, administration	113	98
of which attributable to discontinued operations	-17	-31
	1,110	**993**

13 Financial income/expense

This item comprises the following:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Interest and similar income	43	195
Interest and similar expense	-1,134	-1,942
Interest income/loss, net	**-1,091**	**-1,747**
Other financial income	153	0
Other financial expense	-194	-34
Other financial income/expense, net	**-41**	**-34**
	-1,132	**-1,781**

The items "interest and similar income", and "interest and similar expense" comprise interest for financial assets and liabilities that are not recognised in profit and loss and are therefore posted at their fair value, in the amount of €42 thousand (€193 thousand in fiscal 2008/2009), and €832 thousand (€1,654 thousand in fiscal 2008/2009) respectively.

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

Income from interest on TDS MV pension plan assets totalled €23 thousand for fiscal 2009/2010 (€37 thousand in fiscal 2008/2009), and is posted under *profit or loss of discontinued operations*.

14 Income taxes

Income taxes breaks down as follows:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Current tax expense	-1,230	-1,613
Income from income taxes	134	361
Deferred tax attributable to measurement differences	-86	553
Deferred tax on loss carryforwards	-1,697	3,261
Tax in the consolidated income statement	**-2,879**	**2,562**

For German companies, at 31 March 2010, deferred taxes were calculated at a German corporation tax rate of 15 per cent (15 per cent in fiscal 2008/2009). A "solidarity surcharge" of 5.5 per cent for the costs of German reunification was also added to the corporation tax burden, as well as effective trade tax of 13.21 per cent (13.21 per cent in fiscal 2008/2009). Taking into account the solidarity surcharge and trade tax, a deferred tax rate of 29.035 per cent applied in fiscal 2009/2010 (29.035 per cent in fiscal 2008/2009).

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 earning, and by up to 60 per cent above this amount.

The table below reconciles expected and actual tax expense in the corresponding fiscal year. Expected tax expense was calculated by multiplying the average total tax rate of 29.035 per cent at 31 March 2010 (29.035 per cent in fiscal 2008/2009) by pre-tax earnings. The average total tax rate consists of an effective German corporation tax rate of 15.825 per cent (15.825 per cent in fiscal 2008/2009) plus effective trade tax, applied on the basis of the effective corporation tax rate, of 13.21 per cent (13.21 per cent in fiscal 2008/2009).

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Expected tax expense	-2,743	-2,867
Effect of foreign operations taxed at various rates	10	-90
Non-tax-deductible impairment write-downs of goodwill	-267	-215
Trade-tax deviation	-78	-64
Valuation allowance for deferred tax assets	176	5,732
Currency exchange fluctuations	0	0
Tax from previous reporting periods	20	79
Other additions	3	-13
Actual tax expenses	**-2,879**	**2,562**

Trade-tax deviation comprises mainly 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 measurement differences and to deferred tax assets on loss carryforwards, and break down as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Deferred tax assets		
Tax loss carryforwards	7,727	9,861
Intangible assets	87	98
Property, plant and equipment	0	6
Provisions for pensions	418	445
Provisions	32	3
Finance leases	71	35
	8,335	**10,448**
Valuation allowance	-1,715	-1,998
Total deferred tax assets	**6,620**	**8,450**
Deferred tax liabilities		
Property, plant and equipment	-20	0
Percentage of Completion	-393	-112
Customer base, licenses used by customers	-1,313	-1,426
Intangible assets	-841	-906
Receivables	-98	-94
Provisions	0	-20
Total deferred tax liabilities	**-2,665**	**-2,558**
Deferred tax assets/liabilities	**3,955**	**5,892**

In assessing the realisability 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 realised. The ultimate realisation of deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences become deductible.

At 31 March 2010, TDS AG posted corporation-tax loss carryforwards totalling €22,394 thousand (€28,467 thousand in fiscal 2008/2009), and trade-tax loss carryforwards totalling €18,681 thousand (€24,497 thousand in fiscal 2008/2009).

Impairment testing for tax loss carryforwards is based on taxable income over a four-year period. The limitations places on the amount of tax loss carryforwards by German legislation are also taken into account. As a result, deferred tax assets in the amount of €6,012 thousand were carried in the financial statements (€7,863 thousand in fiscal 2008/2009). As in fiscal 2008/2009, there was no valuation allowance.

TDS HR posted corporation-tax loss carry forwards in the amount of €4,922 thousand (€4,922 thousand in fiscal 2008/2009), and trade-tax loss carryforwards totalling €4,807 thousand (€4,807 thousand in fiscal 2008/2009). 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 realised in the short term. As a result, no valuation allowance was formed for the total amount of deferred tax assets.

At 31 March 2010, TDS MultiVision AG, Regensdorf, Switzerland was classified as a discontinued operation due to the proposed sale. Therefore the change in tax assets/liabilities totalling €42 thousand and capitalised tax assets totalling €207 thousand on March 31 2010 are posted under *profit or loss of discontinued operations* and *assets of discontinued operations* respectively.

At 31 March 2010, TDS Systemhouse, Chesterfield, UK, posted corporation-tax loss carryforwards of €1,004 thousand (€987 thousand in fiscal 2008/2009). In the United Kingdom, there is no time limit on the use of tax loss carryforwards. At present, deferred tax assets are not formed for these tax loss carryforwards.

15 Earnings per share

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

Earnings per share break down as follows:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Gains or losses relating to continuing operations after tax	6,568	12,435
Profit or loss of discontinued operations after tax	-1,467	-235
Consolidated net income	5,101	12,200

	1 April 2009 to 31 March 2010 Number of shares	1 April 2008 to 31 March 2009 Number of shares
Weighted average of all outstanding shares used to calculate basic earnings per share	29,312,402	29,285,110
Dilutive effects of share options	0	0
Weighted average of all outstanding shares used to calculate diluted earnings per share	29,312,402	29,285,110

	April 1 2009 to March 31 2010 €	April 1 2008 to March 31 2009 €
Earnings per share (basic) of continuing operations after tax	0.22	0.42
Earnings per share (basic) of discontinued operations after tax	-0.05	0.00
Consolidated earnings per share (basic)	0.17	0.42

	31 March 2010 € thousands	31 March 2009 € thousands
Earnings per share (diluted) of continuing operations after tax	0.22	0.42
Earnings per share (diluted) of discontinued operations after tax	-0.05	0.00
Consolidated earnings per share (diluted)	0.17	0.42

Notes to the consolidated balance sheet

16 Intangible assets

Intangible assets developed as follows during the period 1 April 2009 to 31 March 2010:

	Concessions, intellectual property and similar rights and assets and licences 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					
1 April 2009	29,171	6,575	2,509	49,199	87,454
Currency translation effects	0	-3	0	0	-3
Additions	2,534	942	31	6	3,513
Reallocations	0	0	0	0	0
Reallocations to discontinued operations	-58	0	0	-7,255	-7,313
Disposals	3,299	737	295	0	4,331
31 March 2010	28,348	6,777	2,245	41,950	79,320
Depreciation and amortisation					
1 April 2009	19,590	3,419	1,709	17,901	42,619
Currency translation effects	3	1	0	0	4
Additions	2,832	828	324	0	3,984
Reallocations to discontinued operations	-58	0	0	-7,138	-7,196
Disposals	3,044	105	295	0	3,444
31 March 2010	19,323	4,143	1,738	10,763	35,967
Carrying amounts					
31 March 2010	9,025	2,634	507	31,187	43,353
31 March 2009	9,581	3,156	800	31,298	44,835

TDS does not carry out its own R&D. All development costs, to the value of €942 thousand (€1,250 thousand in fiscal 2008/2009), fulfil the criteria of IAS 38 and have been capitalised. No development costs were expensed.

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

In the fiscal year 1 April 2008 to 31 March 2009, intangible assets developed as follows:

	Concessions, intellectual property and similar rights and assets and licences 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					
1 April 2008	26,410	7,752	3,025	49,199	86,386
Currency translation effects	42	3	0	0	45
Change in consolidation	510	0	0	0	510
Additions	2,325	1,250	135	0	3,710
Reallocations	0	0	0	0	0
Disposals	116	2,430	651	0	3,197
31 March 2009	29,171	6,575	2,509	49,199	87,454
Depreciation and amortisation					
1 April 2008	17,346	3,719	1,882	17,901	40,848
Currency translation effects	1	-4	0	0	-3
Additions	2,342	747	389	0	3,478
Disposals	99	1,043	562	0	1,704
31 March 2009	19,590	3,419	1,709	17,901	42,619
Carrying amounts					
31 March 2009	9,581	3,156	800	31,298	44,835
31 March 2008	9,064	4,033	1,143	31,298	45,538

17 Goodwill

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

CGU	Legal entity
IT Consulting Germany	TDS IT Consulting GmbH, Neckarsulm, Germany
HR Germany	TDS HR Services & Solutions GmbH, Neckarsulm, Germany
HR Austria	TDS HR Services & Solutions Austria GmbH, Vienna, Austria (previously: effect Personalmanagement GmbH, 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 flows. In fiscal 2009/2010, a post-tax interest rate of 7.47 per cent (8.8 per cent in fiscal 2008/2009) was used for company planning (three years). The corresponding nominal pre-tax interest rate is 10.53 per cent (12.4 per cent in fiscal 2008/2009). Perpetuity is calculated on the basis of discounted cash flows for the third year. The Company assumes sustainable growth of zero per cent. Impairment testing was performed on 31 October 2009.

According to impairment testing at 31 October 2009, there was no need for write-downs. When determining fair value less costs to sell, TDS believes that plausible changes to material assumptions will not cause the units' carrying amount to significantly exceed their recoverable amount. Goodwill for the CGU HR Germany is not included. In the case of HR Germany, fair value less costs to sell exceeds the carrying amount by €2,255 thousand. The recoverable amount would be equal to the carrying amount if the discount rate were to increase by 0.4 percentage points.

Goodwill for the the CGU IT Consulting Switzerland was reallocated to *assets of discontinued operations*.

For fiscal 2009/2010, 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					
1 April 2009	13,954	7,255	26,231	1,759	49,199
Additions	6	0	0	0	6
Reallocations to discontinued operations	0	-7,255	0	0	-7,255
Disposals	0	0	0	0	0
31 March 2010	13,960	0	26,231	1,759	41,950
Depreciation and amortisation					
1 April 2009	10,763	7,138	0	0	17,901
Additions	0	0	0	0	0
Reallocations to discontinued operations	0	-7,138	0	0	-7,138
Disposals	0	0	0	0	0
31 March 2010	10,763	0	0	0	10,763
Carrying amounts					
31 March 2010	3,197	0	26,231	1,759	31,187
31 March 2009	3,191	117	26,231	1,759	31,298

In fiscal 2008/2009, 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					
1 April 2008	13,954	7,255	26,231	1,759	49,199
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2009	13,954	7,255	26,231	1,759	49,199
Depreciation and amortisation					
1 April 2008	10,763	7,138	0	0	17,901
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2009	10,763	7,138	0	0	17,901
Carrying amounts					
31 March 2009	3,191	117	26,231	1,759	31,298
31 March 2008	3,191	117	26,231	1,759	31,298

18 Property, plant and equipment

In the fiscal year from 1 April 2009 to 31 March 2010, 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						
1 April 2009	2,446	37,003	15,264	10,293	191	65,197
Currency translation effects	3	-37	1	-3	0	-36
Additions	1,059	5,340	2,006	1,116	15,843	25,364
Reallocations	0	222	0	-188	-34	0
Reallocations to discontinued operations	-16	-1,028	-125	-603	0	-1,772
Disposals	0	3,896	3,555	902	0	8,353
31 March 2010	3,492	37,604	13,591	9,713	16,000	80,400
Depreciation and amortisation						
1 April 2009	1,261	30,246	8,917	8,538	0	48,962
Currency translation effects	3	-44	1	-4	0	-44
Additions	134	3,571	3,462	830	0	7,997
Reallocations	0	188	0	-188	0	0
Reallocations to discontinued operations	-12	-944	-124	-584	0	-1,664
Disposals	0	3,892	3,443	888	0	8,223
31 March 2010	1,386	29,125	8,813	7,704	0	47,028
Carrying amounts						
31 March 2010	2,106	8,479	4,778	2,009	16,000	33,372
31 March 2009	1,185	6,757	6,347	1,755	191	16,235

At 31 March 2010, as in fiscal 2008/2009, TDS had not provided securities for its loans.

Depreciation on property, plant and equipment of discontinued operations totalled €72 thousand.

Borrowing costs of €72 thousand were capitalised in fiscal 2009/2010 under cost of acquisition or manufacture for qualifying assets within *property, plant and equipment*. The capitalisation rate applied was between 1.17 and 2.24 per cent.

Capital expenditure in fiscal 2009/2010 primarily comprised construction costs for the new data centre in Neuenstadt.

In fiscal 2008/2009, 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						
1 April 2008	2,154	36,198	14,321	9,294	95	62,062
Currency translation effects	0	11	0	0	0	11
Change in consolidation	0	0	0	12	0	12
Additions	301	4,738	2,847	1,282	155	9,323
Reallocations	0	71	-12	0	-59	0
Disposals	9	4,015	1,892	295	0	6,211
31 March 2009	2,446	37,003	15,264	10,293	191	65,197
Depreciation and amortisation						
1 April 2008	1,136	31,103	7,220	7,926	0	47,385
Currency translation effects	0	38	0	0	0	38
Additions	131	2,757	3,574	888	0	7,350
Disposals	6	3,652	1,877	276	0	5,811
31 March 2009	1,261	30,246	8,917	8,538	0	48,962
Carrying amounts						
31 March 2009	1,185	6,757	6,347	1,755	191	16,235
31 March 2008	1,018	5,095	7,101	1,368	95	14,677

19 Investment property

The following table shows changes in investment property in the fiscal year form 1 April 2009 to 31 March 2010:

	€ thousands
Cost of acquisition	
1 April 2009	2,491
Additions	0
Disposals	0
31 March 2010	2,491
Depreciation and amortisation	
1 April 2009	1,674
Current fiscal year	27
31 March 2010	1,701
Carrying amounts	
31 March 2010	790
31 March 2009	817

At 31 March 2010, fair value of investment property totalled €900 thousand (€867 thousand in fiscal 2008/2009). 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 net cash inflows from lease income at prevailing market rates less operating expenses over the remaining useful life of the investment. Valuation was carried out by independent experts.

In fiscal 2009/2010, lease income from investment property amounted to €27 thousand (€27 thousand in fiscal 2008/2009). Operating expenses came to €13 thousand (€19 thousand in fiscal 2008/2009).

In fiscal 2008/2009, investment property developed as follows:

	€ thousands
Cost of acquisition	
1 April 2008	2,491
Additions	0
Disposals	0
31 March 2009	2,491
Depreciation and amortisation	
1 April 2008	1,647
Current fiscal year	27
31 March 2009	1,674
Carrying amounts	
31 March 2009	817
31 March 2008	844

20 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 purchase or extension at prevailing market rates, unless, as in a few instances, the leasing company has the right to oblige TDS to purchase the leases item at the end of the term. The present value of minimum expenses for finance lease contracts is calculated with an interest rate of between 1.8 per cent and 16 per cent.

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

	31 March 2010 € thousands		31 March 2009 € 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	3,192	2,867	3,817	3,322
Between one and five years	2,783	2,664	4,354	3,948
Longer than five years	0	0	0	0
Total minimum lease payments	**5,975**		**8,171**	
Less interest	-444		-901	
Present value of minimum lease payments	**5,531**		**7,270**	

Operating leases

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

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Lease expenses	4,260	4,083
Income from subleasing arrangements	-243	-121
	4,017	**3,962**

At 31 March 2010, future obligations under operating leases for the minimum lease term were as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Less than one year	3,966	3,749
Between one and five years	9,938	8,894
Longer than five years	19,376	20,205
	33,280	**32,848**

Future minimum income from subleases was as follows at 31 March 2010:

	31 March 2010 € thousands	31 March 2009 € thousands
Up to one year	243	211
Between one and five years	409	235
Longer than five years	223	514
	875	**960**

21 Other financial assets

Development during the reporting period:

	Investments	Loans to investments valued at the cost of acquisition	Securities	Other lendings	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Cost of acquisition					
1 April 2009	1,167	77	16	734	1,994
Currency translation effects	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	36	0	0	0	36
31 March 2010	1,131	77	16	734	1,958
Depreciation and amortisation					
1 April 2009	1,093	77	4	734	1,908
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2010	1,093	77	4	734	1,908
Carrying amounts					
31 March 2010	38	0	12	0	50
31 March 2009	74	0	12	0	86

Development in fiscal 2008/2009:

	Investments	Loans to investments valued at the cost of acquisition	Securities	Other lendings	Total
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Cost of acquisition					
1 April 2008	1,141	77	16	734	1,968
Additions	26	0	0	0	26
Disposals	0	0	0	0	0
1 March 2009	1,167	77	16	734	1,994
Depreciation and amortisation					
1 April 2008	1,093	77	4	734	1,908
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2009	1,093	77	4	734	1,908
Carrying amounts					
31 March 2009	74	0	12	0	86
31 March 2008	48	0	12	0	60

The following companies are included at cost of acquisition:

Name of company	Holding in per cent
BFL Gesellschaft des Bürofachhandels mbH Co. KG, Eschborn (BFL)	0.32 %
RATIODATA Rechenzentrum AG, Oberengstringen, Switzerland (Ratiodata)	100.00 %
Villa Rosa gGmbH, Heilbronn (Villa Rosa)	30.00 %
VisionOne Consulting AG, Neuss (VisionOne)	8.55 %

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

	BFL**	Villa Rosa*
	€ thousands	€ thousands
Total assets	14,989	163
Total liabilities	1,069	48
Total revenues	0	622
Profit for the year	3,527	28

* At 31 December 2009
** At 31 December 2008

VisionOne is insolvent. It compiled financial statements for the last time on 31 December 2007. Radiodata is in liquidation.

A list of subsidiaries and holdings at 31 March 2010 follows these notes, and is an integral part of these notes.

22 Other non-current assets

	31 March 2010 € thousands	31 March 2009 € thousands
Cash surrender value of life insurance	332	426
Prepaid expenses	209	160
Other non-current assets	1,667	82
	2,208	**668**

Other non-current assets primarily comprise receivables from the sale of operations with 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 14 “Income taxes”.

24 Inventories

	31 March 2010 € thousands	31 March 2009 € thousands
Consumables	34	48
Commodities	2	2
	36	**50**

25 Trade receivables

	31 March 2010 € thousands	31 March 2009 € thousands
Trade receivables	23,799	26,674
Less valuation allowances	-1,394	-113
	22,405	**26,561**
Receivables from ongoing projects not yet invoiced (PoC)	3,339	2,631
Total trade receivables on the balance sheet	**25,744**	**29,192**

At 31 March 2010, receivables from ongoing projects not yet invoiced included incurred expenses of €4,192 thousand (€2,336 thousand in fiscal 2008/2009), gains of €1,253 thousand (€385 thousand in fiscal 2008/2009), and €61 thousand in losses (€90 thousand in the fiscal 2008/2009). However, these receivables were posted net of cash advances totalling €2,045 thousand. 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 totalled €0 thousand (€13 thousand in fiscal 2008/2009).

At 31 March 2010, an impairment loss was defined for trade receivables with a nominal value of €1,394 thousand (€113 thousand in fiscal 2008/2009). The valuation allowance developed as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
1 April 2009	113	478
Addition	1,352	4
Use	-36	-334
Reduction	-35	-35
31 March 2010	**1,394**	**113**

26 Other current assets

	31 March 2010 € thousands	31 March 2009 € thousands
Supplier credit	29	33
Deposit payments	38	41
Receivables from employees	17	8
Downpayments to suppliers	136	193
Other receivables and assets	476	1,441
Valuation allowance	-23	-23
	673	**1,693**
Prepaid expenses	**2,563**	**2,429**
	3,236	**4,122**

Prepaid expenses primarily comprise payments made for maintenance contracts that represent work that will be perfomed in the future.

27 Cash and cash equivalents

Cash and cash equivalents include bank deposits. Cash and cash equivalents in foreign currencies are valued according to the applicable exchange rate at the balance-sheet date. At 31 March 2010, cash and cash equivalents totalled €549 thousand (€662 thousand in fiscal 2008/2009). TDS MV holds cash and cash equivalents totalling €2,988 thousand. These are posted under *assets of discontinued operations*.

28 Shareholders' equity

Share capital
At 31 March 2010, share capital comprised 29,368,616 (29,368,616 at 31 March 2009) issued, no-par-value shares with a stated value of €1.00 per share. 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.

Authorised capital
On 3 July 2006, the annual shareholders' meeting authorised 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 2 July 2011, by means of issuing 14,589,308 bearer shares against cash or non-cash contributions. As a result of this resolution, outstanding authorised capital in the amount of €11,548 thousand (11,548,210 shares) was cancelled and replaced by new authorised capital of €14,589 thousand (14,589,308 shares). Authorised capital, and the corresponding change in the Articles of Incorporation, were entered in the commercial register at 20 July 2006.

Authorised-but-contingent capital
By resolution of the annual shareholders' meeting on 23 May 2002, authorised-but-contingent capital for the 2002 share-option plan was raised by €1,490 thousand through the issue of up to 1,490,000 new shares (authorised-but-contingent capital IV). Moreover, authorised-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 (authorised-but-contingent capital V). A capital increase on the basis of authorised-but-contingent capital IV and V is no longer possible, as the exercise periods for the share options and convertible bonds in question have expired.

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

Retained earnings and accumulated loss
This item comprises accumulated gains and losses from past accounting periods, as well as consolidated net income for fiscal 2009/2010.

Treasury shares
Through a resolution passed at the ordinary annual shareholders' meeting on 8 October 2009, the Executive Board is authorised to purchase shares with a value of up to 10 per cent of equity on one or multiple occasions, until 7 April 2011, 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 authorised to sell treasury shares acquired under this or any other authorisation, while excluding shareholders' statutory subscription rigthts, by means other than the stock exchange or offering them to all shareholders. In addition, the Executive Board is authorised to sell shares acquired through mergers or investments in other companies, and to use purchased shares to fulfil 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 31 March 2010 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 fiscal 2009/2010 – as in fiscal 2008/2009 – capital management was 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:

	31 March 2010 € thousands	31 December 2009 € thousands
Total shareholders' equity	54,144	49,146
Total assets	117,484	102,671
Equity-to-total assets ratio	**46.1 %**	**47.9 %**

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

29 Provisions for pensions

At 31 March 2010, provisions for pensions broke down as follows:

	1 April 2010	Currency translation adjust-ments	Use	Reduction	Addition	Realloca-tions to liabilities of discon-tinued operations	31 March 2010
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
1 April 2009 to 31 March 2010	5,634	15	209	0	559	-434	**5,565**
1 April 2008 to 31 March 2009	5,283	19	193	0	525	0	**5,634**

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.

Due to the proposed sale of TDS MultiVision AG, Regensdorf, Switzerland (TDS MV),its pension provisions are posted under *li-abilities of discontinued operations*. The balance sheet only shows provisions for pensions for companies based in Germany.

The Company's pension systems are generally based on the employee's length of service and compensation. Company pensions within the Group are based exclusively on defined benefit plans, which oblige the Company to ensure that promised payments are made to current and former employees. The defined benefit plans of TDS AG and its German subsidiaries are backed en-tirely by provisions.

The pension plans of TDS MV are financed exclusively by funds.

In former fiscal years, pensions and corresponding plan assets of dsoftware GmbH, Neuss, Germany (dsoftware), acquired in 2007, were transferred to a defined contribution plan. This pension plan is financed solely by the employees; therefore the Company does not pay any contributions.

The amount of pension obligations (present value of defined benefit obligations) has been calculated using actuarial methods. These methods are based on expectations regarding economic and demographic development. In addition to assupmtions re-garding life expectancy, the following assumptions, which depend on the economic environment of the specific country, are important:

	Germany		**Switzerland**	
	31 March 2010	31 March 2009	**31 March 2010**	31 March 2009
Discount rate	5.00 %	6.00 %	3.00 %	3.00 %
Expected return on assets	-	-	3.00 %	3.00 %
Rate of compensation increase	1.00 %	1.00 %	1.00 %	1.00 %
Rate of retirement-benefit increase	1.75 %	1.75 %	0.00 %	0.00 %

The rate of compensation increase reflects expected future salary increases. These are estimated annually, taking into consid-eration factors such as inflation and the economic situation. The expected rate of salary increase for TDS employees corre-sponds to that defined by the Fujitsu Services Group. 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 un-der *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 re-sult in actuarial gains and 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 and losses must be recognised in the financial statements were per-formed on the basis of the individual plans at the balance-sheet date, in accordance with the corridor approach. The sum of actuarial gains and losses that have not yet been taken into consideration, and that exceed 10 per cent 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 (included in *liabilities of discontinued operations* at 31 March 2010)**	
	31 March 2010 € thousands	31 March 2009 € thousands	**31 March 2010** € thousands	31 March 2009 € thousands
Present value of pension obligations financed by provisions	5,540	4,551	0	0
Present value of pension obligations financed by funds	0	0	682	1,807
Present value of defined benefit obligations	5,540	4,551	682	1,807
Plan assets at market value	0	0	-486	-1,293
Net obligations	5,540	4,551	196	514
Adjustment due to actuarial gains and losses	25	857	238	-288
Balance sheet value	**5,565**	**5,408**	**434**	**226**

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

	31 March 2010 € thousands	31 March 2009 € thousands	31 March 2008 € thousands	31 December 2007 € thousands	31 December 2006 € thousands	31 December 2005 € thousands
Present value of pension obligations	6,222	6,358	5,688	6,601	6,404	6,172
Plan assets at market value	-486	-1,293	-1,226	-2,047	-1,304	-1,007
Present value of defined benefit obligations not covered by plan assets	**5,736**	**5,065**	**4,462**	**4,554**	**5,100**	**5,165**

Adjustments to the present value of pension obligations based on experience	933	8	-628	-931	-395	912

Development of the present values of pension obligations

	Germany		**Switzerland (included in *liabilities of discontinued operations* at 31 March 2010)**	
	31 March 2010 € thousands	31 March 2009 €thousands	**31 March 2010** € thousands	31 March 2009 € thousands
Value at beginning of year	4,551	3,923	1,807	1,765
Transfers	0	34	0	0
Currency translation adjustments	0	0	101	62
Current service costs	119	127	258	166
Interest costs	273	263	38	59
Allocation of funds	0	0	95	211
Benefit payments*	-208	-68	-1,353	-399
Actuarial gains and losses	805	272	-264	-57
Value at end of year	**5,540**	**4,551**	**682**	**1,807**

Development of plan assets

	Germany		Switzerland (included in *liabilities of discontinued operations* at 31 March 2010)	
	31 March 2010 € thousands	31 March 2009 € thousands	**31 March 2010 € thousands**	31 March 2009 € thousands
Value at beginning of year	0	20	1,293	1,206
Transfer of obligations to a contributory plan	0	-20	0	0
Currency translation adjustments	0	0	70	44
Expected return on plan assets	0	0	23	37
Actuarial gains and losses	0	0	263	-17
Employer contributions	0	0	95	211
Employee contributions	0	0	95	211
Benefit payments*	0	0	-1,353	-399
Value at end of year	**0**	**0**	**486**	**1,293**

*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.

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

In fiscal 2009/2010, contributions of €4,759 thousand were made to public pension funds (€4,354 thousand in fiscal 2008/2009).

TDS MV will contribute €84 thousand to plan assets in fiscal 2010/11.

Pension cost from defined benefit obligations:

	Germany		Switzerland (included in *profit or loss of discontinued operations* at 31 March 2010)	
	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands	**1 April 2008 to 31 March 2010 € thousands**	1 April 2008 to 31 March 2009 € thousands
Current service costs (in operating profit/loss)	119	127	258	166
Interest expense (in financial profit/loss)	273	263	38	59
Expected return on plan assets (in financial profit/loss)	0	0	-23	-37
Actuarial gains and losses (in operating profit/loss)	-27	-17	13	22
	365	**373**	**286**	**210**

The actual return on plan assets from external pension funds totalled €286 thousand (€19 thousand in fiscal 2008/2009).

30 Additional provisions

Additional provisions include appropriate amounts for fiscal years for which assessments by the tax authorities have not been finalised, and other tax risks.

The provisions for payroll and related costs are primarily formed for vacation compensation and special payments. The provisions include €105 thousand (€139 thousand in fiscal 2008/2009) for severance costs, lawyers' fees and costs for court proceedings.

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

At 31 March 2010, additional provisions were as follows:

	1 April 2009	Currency translation adjust-ments/Change in consolida-tion	Realloca-tions	Use	Reduction	Addition	Realloca-tions of liabilities of discon-tinued operations	31 March 2010
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Provisions for taxes	1,455	0	270	1,392	42	77	0	368
Other provisions								
Payroll and related costs	6,556	1	0	6,009	43	6,244	-149	6,600
Warranty obligations and risks from pending transactions	183	0	0	15	149	214	0	233
Other additional provisions	2,727	8	-270	2,338	57	3,428	-309	3,189
	10,921	**9**	**0**	**9,754**	**291**	**9,963**	**-458**	**10,390**

At 31 March 2010, the following items were estimated for provisions within the individual categories:

	Remaining term less than one year	Remaining term one to five years	Remaining term more than 5 years
	€ thousands	€ thousands	€ thousands
Provisions for taxes	368	0	0
Payroll and related costs	5,001	0	130
Other additional provisions	3,154	0	0
Total	**8,523**	**0**	**130**
Non-cash provisions	1,737	0	0
Total provisions	**10,260**	**0**	**130**

At 31 March 2009, additional provisions were as follows:

	1 April 2008	Change in consoli-dation	Currency transla-tion ad-justments	Realloca-tions	Use	Reduction	Addition	31 March 2009
	€ thou-sands	€ thousands	€ thou-sands	€ thousands	€ thou-sands	€ thou-sands	€ thou-sands	€ thou-sands
Provisions for taxes	1,469	0	0	0	1,075	386	1,447	1,455
Other provisions								
Payroll and related costs	3,807	0	4	9	3,615	116	6,467	6,556
Warranty obligations and risks from pending trans-actions	157	0	0	0	76	51	153	183
Other additional provi-sions	2,027	1,581	0	-9	3,286	296	2,710	2,727
	7,460	**1,581**	**4**	**0**	**8,052**	**849**	**10,777**	**10,921**

At 31 March 2009, the following items were estimated for provisions within the individual categories:

	Remaining term less than one year	Remaining term one to five years	Remaining term more than 5 years
	€ thousands	€ thousands	€ thousands
Provisions for taxes	1,455	0	0
Payroll and related costs	4,859	0	14
Warranty obligations and risks from pending transactions	168	0	0
Other additional provisions	2,727	0	0
Total	**9,209**	**0**	**0**
Non-cash provisions	1,698	0	0
Total provisions	**10,907**	**0**	**14**

31 Financial liabilities

Financial liabilities break down as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Amounts due to related companies	32,551	12,300
Obligations under finance leases	5,531	7,270
Amounts due to banks	0	5,000
	38,082	**24,570**

Amounts due to related companies
Within the scope of the intercompany loan arrangement concluded between TDS and Fujitsu Serivces Limited, London, UK (Fujitsu Services) on 11 August 2009, Fujitsu Services granted a variable rate non-amortising loan with a credit line of €30,000 thousand, maturing on 10 August 2010. At the balance-sheet date, €15,574 thousand of this had been taken up. The interest rate is based on EURIBOR (European InterBank Offered Rate) as the reference rate plus a premium of 0.8 per cent, and is currently 1.439 per cent.

In order to finance construction of the data centre, a variable rate non-amortising loan in the amount of €20,000 thousand, maturing on 21 January 2011 was agreed within the scope of a further intercompany loan arrangement between TDS and Fujitsu Services concluded on 22 January 2010. At the balance-sheet date, €16,977 thousand of this had been taken up. The interest rate is based on EURIBOR (European InterBank Offered Rate) as the reference rate plus a premium of 0.8 per cent, and is currently 1.439 per cent.

Amounts due to banks
In fiscal 2008/2009 amounts due to banks mainly comprised a capital-market financed corporate bond in the amount of €5,000 thousand. The bond was repaid in full at the nominal value on 15 June 2009.

Finance leases
Finance leases are mainly employed to finance capital expenditure for customer-related projects at TDS data centres. Details of obligations under finance leases can be found in note 20 “Leased assets”.

32 Term of liabilities

31 March 2010	Remaining term less than one year €thousands	Remaining term one to five years € thousands	Remaining term more than 5 years € thousands	Total 31 March 2010 € thousands
Amounts due to related companies	32,551	0	0	32,551
Finance leases	2,867	2,664	0	5,531
Financial liabilities	**35,418**	**2,664**	**0**	**38,082**
Customer downpayments	271	0	0	271
Trade payables	5,252	0	0	5,252
Other liabilities	2,648	52	0	2,700
(for tax)	(198)	(0)	(0)	(198)
Total	**43,589**	**2,716**	**0**	**46,305**

31 March 2009	Remaining term less than one year € thousands	Remaining term one to five years € thousands	Remaining term more than 5 years € thousands	Total 31 March 2008 € thousands
Amounts due to related companies	12,300	0	0	12,300
Amounts due to banks	5,000	0	0	5,000
Finance leases	3,322	3,948	0	7,270
Financial liabilities	**20,622**	**3,948**	**0**	**24,570**
Customer downpayments	1,424	0	0	1,424
Trade payables	5,191	0	0	5,191
Other liabilities	5,613	172	0	5,785
(for tax)	(2,168)	(0)	(0)	(2,168)
Total	**32,850**	**4,120**	**0**	**36,970**

33 Other liabilities

Other liabilities break down as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Value-added tax and other tax liabilities	198	2,168
Salaries and wages	57	7
Customer credit	62	31
Interest due to related companies	13	14
Total of other liabilities	15	177
	345	**2,397**
Deferred revenue	2,355	3,388
	2,700	**5,785**

Deferred revenue posted under other liabilities comprises revenues received prior to the balance-sheet date for goods and services to be provided after the balance-sheet date. These comprise primarily fees for software maintenance which are invoiced on an annual basis.

34 Additional information on financial instruments

Carrying amounts, approaches to valuation and fair values of material financial assets and liabilities by category

		Valuation at amortised cost of acquisition in accordance with IAS 39				Valuation in accordance with IAS 17	
Category		Loans and receivables		Financial liabilities valued at amortised cost of acquisition			
Type	**Carrying amounts at 31 March 2010**	Carrying amounts	Market value	Carrying amounts	Market value	Carrying amounts	Market value
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Assets							
Trade receivables	22,405	22,405	22,405				
Receivables from ongoing projects not yet invoiced (PoC)	3,339	3,339	3,339				
Cash and cash equivalents	549	549	549				
Other receivables	2,014	2,014	2,014				
	28,307	**28,307**	**28,307**				
Shareholders' equity and liabilities							
Amounts due to the majority shareholder	32,551			32,551	31,991		
Finance leases	5,531					5,531	5,687
Trade payables	5,252			5,252	5,252		
Other liabilities	92			92	92		
	43,426			**37,895**	**37,335**	**5,531**	**5,687**

		Valuation at amortised cost of acquisition in accordance with IAS 39				Valuation in accordance with IAS 17	
Category		Loans and receivables		Financial liabilities valued at amortised cost of acquisition			
Type	**Carrying amounts at 31 March 2009**	Carrying amounts	Market value	Carrying amounts	Market value	Carrying amounts	Market value
	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands	€ thousands
Assets							
Trade receivables	26,561	26,561	26,561				
Receivables from ongoing projects not yet invoiced (PoC)	2,631	2,631	2,631				
Cash and cash equivalents	662	662	662				
Other receivables	1,090	1,090	1,090				
	30,944	**30,944**	**30,944**				
Shareholders' equity and liabilities							
Amounts due to the majority shareholder	12,300			12,300	12,262		
Amounts due to banks	5,000			5,000	5,000		
Finance leases	7,270					7,270	7,609
Trade payables	5,191			5,191	5,191		
Other liabilities	100			100	100		
	29,861			**22,591**	**22,553**	**7,270**	**7,609**

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

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 ongoing contractual payments on the basis of interest rates for equivalent terms and risk. At 31 March 2010, the market interest rate varied between 2.62 per cent and 4.30 per cent, depending on the remaining term of the liability.

Other receivables allocated to financial assets, in the amount of €2,014 thousand (€1,090 thousand in fiscal 2008/2009) are included under *other assets*.

35 Share-based payment

All share options granted in previous years expired in fiscal 2008/2009.

36 Related parties

According to IAS 24 *Related Party Disclosures*, 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 Fujitsu Services as majority shareholder, members of the Executive Board and Supervisory Board, as well as unconsolidated and unassociated companies of TDS AG.

All transactions with related parties are subject to prices and terms that apply to independent business partners.

Majority shareholder
Expenses and income for the majority shareholder Fujitsu Services and companies related to Fujitsu Services in fiscal 2009/2010 were as follows:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Revenues	10,159	8,587
Other operating income	2,672	1,744
Total income	**12,831**	**10,331**

Revenues mainly comprise income from services provided by TDS as a subcontractor to customers of Fujitsu Services Limited, London, UK. Furthermore, they include services provided by TDS as a subcontractor of FTS (Fujitsu Technology Solutions GmbH), Munich, and of Fujitsu Services GmbH, Frankfurt (FS).

Other operating income mainly includes income from expenses charged to Fujitsu Services in connection with the contract with Fujitsu Services DE for the provision of management services.

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
For products and services	3,166	2,896
Interest expenses	467	863
	3,633	**3,759**

These products and services comprise primarily infrastructure for data centre 4 and maintenance costs for the servers owned by FTS (Fujitsu Technology Solutions GmbH), Munich.

Interest expenses are for liabilities from loans granted by Fujitsu Services Limited, London, UK.

At 31 March 2010, receivables and liabilities for Fujitsu Services and related companies were as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Trade receivables	2,642	2,816
Receivables	**2,642**	**2,816**

	31 March 2010 € thousands	31 March 2009 € thousands
Loan	32,551	12,300
Interest	13	15
Trade payables	1,355	948
Liabilities	**33,919**	**13,263**

Details of the loan are given in note 31 “Financial liabilities”.

Unconsolidated subsidiaries
In fiscal 2009/2010 there were no transactions with unconsolidated subsidiaries (RADIODATA Rechenzentrum AG). At 31 March 2010, there were no receivables or liabilities for unconsolidated subsidiaries.

Other investments
The following table shows the value of services provided to and received from other investments:

	Value of services provided € thousands		Value of services received € thousands	
	1 April 2009 to 31 March 2010	1 April 2008 to 31 March 2009	**1 April 2009 to 31 March 2010**	1 April 2008 to 31 March 2009
Villa Rosa gGmbH, Heilbronn	0	0	18	21

In fiscal 2009/2010, €18 thousand was contributed to Villa Rosa gGmbH for day care for TDS employees' children (€21 thousand in fiscal 2008/2009).

At 31 March 2010, there were no receivables or liabilities for other investments.

Other related parties
Expenses of €147 thousand were posted in fiscal 2009/2010 (€453 thousand in fiscal 2008/2009) for consulting services at Insignion management consulting GmbH, Wiesbaden, Germany (Insignion), a company in which the wife of Executive Board member Dr. Heiner Diefenbach has a 51 per cent holding. The resulting liabilities totalled €0 thousand at the balance-sheet date (€30 thousand in fiscal 2008/2009).

€172 thousand (€76 thousand in fiscal 2008/2009) was paid during the reporting period for legal advice from Menold Bezler Rechtsanwälte, where former Supervisory Board member (until 26 November 2009) Dr. Klaus-Dieter Rose is a partner. The Company did not make any other payments or grant any other benefits for services provided personally by Supervisory Board members, in particular for consulting or brokering services.

In fiscal 2009/2010, no revenues of a material nature were generated from transactions with shareholders, members of management, or with companies controlled by these persons.

For more information regarding the compensation of TDS Executive and Supervisory Board members, see note 44 "Further relevant information concerning the Executive and Supervisory Board".

37 Other financial obligations

Future financial obligations break down as follows:

	31 March 2010 € thousands	31 March 2009 € thousands
Due in less than one year	5,702	4,826
Due in one to five years	10,193	9,171
Due in more than five years	19,652	20,508
	35,547	**34,505**

This item primarily consists of rental/lease expenses.

Obligations totalling €1,122 thousand (€370 thousand in fiscal 2008/2009) were posted under *intangible assets* for contracts concluded for capital expenditure projects (purchase obligations).

Obligations totalling €3,020 thousand (€474 thousand in fiscal 2008/2009) were posted under *property, plant and equipment* for contracts concluded for capital expenditure projects (purchase obligations).

38 Contingent liabilities

There were no contingent liabilities at the balance-sheet date.

39 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.

40 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 on 4 May 2010, pursuant to Section 161 of the German Stock Corporation Act (AktG), and have made this declaration permanently available to shareholders at www.tds.fujitsu.com/Unternehmen/Investor Relations/Corporate Governance.

41 Disclosures according to Section 21 (1), 25 (1) of the German Securities Trading Act (WpHG)

Disclosures pursuant to Section 160, Subsection 1 (8) of the German Stock Corporation Act (AktG) are included in appendix 3 of the report according to HGB.

42 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.

43 Other information

The following auditors' fees were posted:

	1 April 2009 to 31 March 2010 € thousands	1 April 2008 to 31 March 2009 € thousands
Audit of year-end financial statements	187	229
Tax consulting services	194	198
Other valuation analysis and certification activities	0	0
Other services	7	18
	388	**445**

44 Further relevant information concerning the Executive and Supervisory Board

In fiscal 2009/2010, the Executive Board comprised Dr. Heiner Diefenbach (Chairman of the Executive Board) and Konrad Meier. In April 2010, Robert Battenstein was appointed as a third member of the board.

Compensation
The total compensation package for members of the TDS AG Executive Board was €832 thousand in fiscal 2009/2010 (€877 thousand in fiscal 2008/2009), including a fixed-rate component of €439 thousand (€283 thousand in fiscal 2008/2009) and a performance-related component of €393 thousand (€307 thousand in fiscal 2008/2009). In fiscal 2008/2009 the total compensation package included a one-off payment of €287 thousand owing to the departure of Winfried Holz.

Supervisory Board compensation totalled €70 thousand (€125 thousand in fiscal 2008/2009).

Executive Board compensation broke down as follows for individual members:

Name	Fixed-rate	Performance-related	Total
	€ thousands	€ thousands	€ thousands
Dr. Heiner Diefenbach	219	278	497
Konrad Meier	220	115	335
Total	**439**	**393**	**832**

Supervisory Board compensation broke down as follows for individual members:

Name	Fixed-rate	Performance-related	One-off payment	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Benno Zollner (member since 18 September 2009, Chairman since 21 December 2009)	7	2	2	11
Dieter Herzog (member since 1 December 2009, Deputy Chairman since 21 December 2009)	4	2	2	8
Manuela Beier (since 1 December 2009)	3	2	2	7
Yves Le Gélard (Chairman until 30 November 2009)	11	5	4	20
Andrew MacNaughton (until 17 September 2009)	5	3	4	12
Dr. Klaus-Dieter Rose (until 27 November 2009)	5	3	4	12
Total	**35**	**17**	**18**	**70**

In fiscal 2008/2009 Executive Board compensation broke down as follows for individual members:

Name	Fixed-rate	Performance-related	One-off payment	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Dr. Heiner Diefenbach	218	298	0	516
Winfried Holz (until 31 August 2008)	54	0	287	341
Konrad Meier (from 13 March 2009)	11	9	0	20
Total	**283**	**307**	**287**	**877**

In fiscal 2008/2009, Supervisory Board compensation broke down as follows for individual members:

Name	Fixed-rate	Performance-related	One-off payment	Total
	€ thousands	€ thousands	€ thousands	€ thousands
Yves Le Gélard (Chairman)	14	29	5	48
Andrew MacNaughton	13	28	6	47
Jason Paul Nield	2	4	2	8
Dr. Klaus-Dieter Rose	6	12	4	22
Total	**35**	**73**	**17**	**125**

At 31 March 2010, there were no outstanding advance payments or loans to members of the TDS AG Executive Board or Supervisory Board.

Director's Dealings
In fiscal 2009/2010, no transactions by directors of the Company required disclosure pursuant to Section 15a of the German Securities Trading Act (WpHG).

Pension obligations
A total of €1,272 thousand (€1,211 thousand in fiscal 2008/2009) was set aside to fulfil pension obligations for former members of the Executive Board and their dependents.

Share-based payment
In fiscal 2009/2010 – as in fiscal 2008/2009 – there was no share-based payment.

45 Publication date for the financial statements

On 17 May 2010, the Executive Board approved publication of the financial statements for the fiscal year ending 31 March 2010.

Neckarsulm, Germany, 17 May 2010

The Executive Board

Dr. Heiner Diefenbach   Konrad Meier   Robert Battenstein

TDS INFORMATIONSTECHNOLOGIE AG SUBSIDIARIES AND HOLDINGS AT 31 MARCH 2010

	Holding in per cent	Shareholders' equity at 31 March 2010 € thousands	Net income at 31 March 2010 € thousands	
1. Consolidated companies				
Germany				
TDS HR Services & Solutions GmbH, Neckarsulm, Germany	100 %	3.715	0	2)
TDS IT Consulting GmbH, Neckarsulm, Germany	100 %	427	0	2)
ROSEA GmbH, Neckarsulm, Germany	100 %	627	-23	
Outside Germany				
TDS HR Services & Solutions Austria GmbH, Vienna, Austria (formerly effect Personal-management GmbH)	100 %	561	234	1)
TDS MultiVision AG, Regensdorf, Switzerland	100 %	70	-1,132	
TDS Systemhouse plc., Chesterfield, UK	100 %	-297	-10	
2. Affiliated companies valuated at cost				
BFL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn, Germany	0.32 %	13,920	3,527	4)
RATIODATA Rechenzentrum AG (in liquidation), Oberengstringen, Switzerland	100 %	0	0	1)
Villa Rosa gGmbH, Heilbronn, Germany	30 %	115	28	3)
VisionOne Consulting AG (insolvent), Neuss, Germany	8.55 %	420	-7	5)

1) Indirect holding
2) Zero earnings due to a profit-transfer agreement
3) At 31 December 2009
4) At 31 December 2008
5) At 31 December 2007

INDEPENDENT AUDITORS' REPORT

We have audited the consolidated financial statements prepared by TDS Informationstechnologie Aktiengesellschaft, Neckarsulm, consisting of the balance sheet, income statement, statement of comprehensive income, statement of cash flows, reconciliation of shareholders' equity, and the notes thereto, and also the management report for the fiscal year 1 April 2009 to 31 March 2010. 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 315a, 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 the 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 significant estimates made by the Executive Board, 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 fully 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 of future development.

Mannheim, 17 May 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Gebele	Herbel
Auditor	Auditor

DIRECTORS' RESPONSIBILITY STATEMENT

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

Neckarsulm, 17. Mai 2010

Dr. Heiner Diefenbach   Konrad Meier   Robert Battenstein

FINANCIAL CALENDAR

2010/2011 Financial Calendar

12 August 2010	Publication of report on first quarter of 2010/2011
16 September 2010	Annual shareholders' meeting for fiscal 2009/2010
11 November 2010	Publication of six month interim report for 2010/2011
10 February 2011	Publication of report on third quarter of 2010/2011

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