TDS
a Fujitsu company

Annual report

TDS Informations-technologie Aktiengesellschaft

Recipes for business success

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An overview of TDS Group performance

Key Group figures according to IFRS		
	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Total revenues	131,688	132,214
Revenues by region		
Revenues in Germany	129,476	129,707
Revenues in other countries	2,221	2,507
Revenues by business unit		
Revenues for IT Outsourcing	65,265	60,619
Revenues for HR Services & Solutions	54,245	55,416
Revenues for IT Consulting	12,178	16,179
Gross profit	19,643	30,528
in per cent of revenues (gross return on sales)	14.9	23.1
EBIT	-4,007	10,574
in per cent of revenues (EBIT margin)	-3.0	8.0
Consolidated profit or loss	-5,012	5,101
Earnings per share (basic, in €)[1)]	-0.17	0.17
Earnings per share (diluted, in €)[2)]	-0.17	0.17
Total assets	123,260	117,485
Shareholders' equity	60,636	54,144
Equity-to-total-assets ratio (in per cent)	49.2	46.1
Share capital	29,369	29,369
Liabilities	61,904	62,260
Number of employees at 31 March 2011 and at 31 March 2010	1,297	1,191

1) Weighted average of all outstanding shares used to calculate basic earnings per share at 31 March 2011: 29,312,402 (31 March 2010: 29,312,402)

2) Weighted average of all outstanding shares used to calculate diluted earnings per share at 31 March 2011: 29,312,402 (31 March 2010: 29,312,402)

Highlights of fiscal 2010/2011

Satisfied customers
230 customers take part in our customer satisfaction survey for fiscal 2009/2010 – and the results surpass even last year's impressive findings.

Parent company number 3 worldwide
Market analysts Gartner list Fujitsu as the third-largest IT service provider worldwide.

Position	Unternehmen	Anteil	Umsatz (Mio. $)
1	IBM	7,2%	55.020
2	HP	4,5%	34.585
3	Fujitsu	3,1%	23.342
4	Accenture	2,7%	20.939
5	CSC	2,1%	16.004
	Andere	80,4%	613.191

2010

April **May**

New data centre begins operations
Built on a site covering 4,000 square metres, the Neuenstadt facility was constructed at a cost of 10 million euros. Operations began as planned at what is one of Germany's most advanced data centres.

Staff news
TDS AG appoints Robert Battenstein, head of the TDS HR Services & Solutions business unit, to the Executive Board, effective 1 April 2010. Daniel Hieke is named operational director of TDS HR Services & Solutions Switzerland AG, with responsibility for establishing and expanding TDS' Swiss subsidiary.

Success for TDS trainees
All of TDS' trainees successfully pass their final exams, a testament to the quality of the company's training.

TDS offers a variety of training programmes in IT, business-related subjects and office communications. These include cooperative education courses leading to a BA degree in IT or business IT.

June **July**

Focus on the process industry
TDS' IT Consulting business unit has been targeting the consumer goods (food, cosmetics), pharmaceuticals and chemicals industries – and its efforts are bearing fruit: Dr. Scheller Cosmetics AG is the latest customer to choose industry solution myTDS.Cosmetics. What's more, a number of customers from the process industry are already using TDS' specialist solutions – including Dr. Pfleger, Münzing Chemie, iSL Chemie, Marbert and WALA.

Certified excellence
TDS receives two recertifications – first the German Federal Office for Information Security (BSI) recertified the service provider to ISO 27001; then TDS was again named an SAP Hosting Partner – ranked "excellent", the highest rating awarded by SAP.

Staff news
Executive Board member Konrad Meier leaves the company.

August **September**

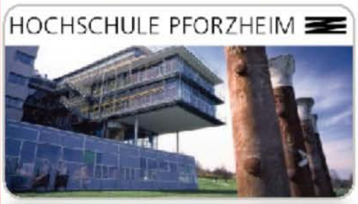
Training programmes at TDS
TDS begins the "school year" with 25 new trainees. This figure is an increase over the previous year – meaning numbers have grown steadily since 2006.

Major project at WALA
TDS' IT Consulting business unit successfully secures its largest consulting and implementation project to date – cosmetics firm WALA tasked the SAP specialists with migration and consolidation of diverse ERP systems to the myTDS.Cosmetics solution.

TDS HR Conference
The 2010 TDS HR Conference attracts approximately 600 HR managers and specialists plus TDS-Personal software users to the German town of Göttingen. Around 40 expert speakers contribute to a unique programme, which includes presentations, discussion forums and workshops.

New senior director at IT Outsourcing
Reiner-Wolfgang Horch assumes responsibility for management of the IT Outsourcing business unit.

October | November



Collaboration with Pforzheim University
A cooperation agreement between TDS and Pforzheim University has created the TDS Institute for HR Research at the university's Human Resources Competence Centre. The new institute for applied research advises companies on HR management.

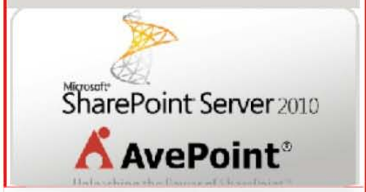
Staff news
Tobias Wagner becomes CFO and CIO at TDS.

Ringing in the new year: Contract renewals...
TDS kick starts the new year with the extension of a number of customer contracts, including that of Landesbank Berlin AG (LBB) – with an eight-figure contract value, HR Services & Solutions' largest customer. TDS provides LBB with comprehensive HR and IT services.

... and new customers
All business units successfully secure new customers, including international chemicals distributor Overlack AG, where TDS implemented a new ERP system (myTDS.Chemie).

December | January

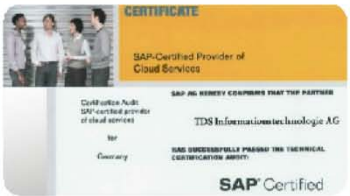
Expanding the portfolio
TDS enhances its SharePoint service offering by partnering with AvePoint, the world's largest provider of infrastructure management software solutions. Microsoft SharePoint is a type of enterprise collaboration software, and SharePoint services represent a key growth market for TDS.



TDS becomes SAP Business ByDesign partner
TDS AG is named an SAP Business ByDesign solution reseller, meaning customers benefit from Fujitsu and TDS' end-to-end "as a service" portfolio for mid-sized enterprises.

Making a splash at CeBIT
TDS appears at the world's largest IT show, hosting a stand with parent company Fujitsu.

February | March



Cloud certified
SAP names TDS an SAP-Certified Provider of Cloud Services.

New customers, new colleagues
43 members of staff move from Husqvarna subsidiary Gardena to the TDS' IT Outsourcing business unit. Cooperation between Gardena and TDS is part of Husqvarna's international outsourcing deal with Fujitsu.

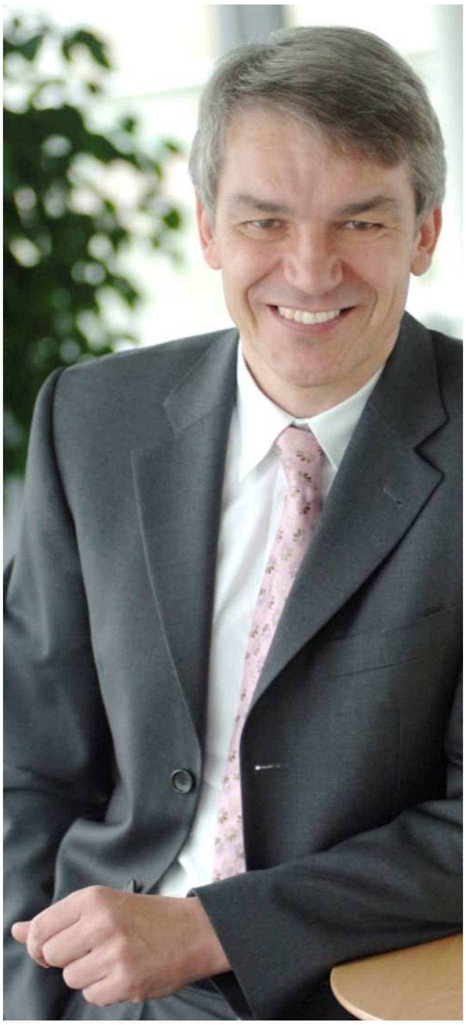
Staff news
Executive Board member Robert Battenstein leaves the company, with Dr. Udo Kerwath assuming responsibility for the HR Services & Solutions business unit.

2011

Introduction by the Executive Board

Dear reader,

We experienced a number of ups and downs over the last year. Following years of strong growth and significantly increased earnings, a number of simultaneous developments in fiscal 2010/2011 prevented us from reaching our financial targets. This was in part attributable to a sharp dip in the profitability of the HR Services & Solutions business unit. Rapid growth in conjunction with unforeseen high start-up costs for new larger and more complex customers negatively impacted earnings, necessitating a phase of consolidation. We have already taken steps to steer this business unit and consequently TDS as a whole back on the road to sustainable and profitable growth – and these are beginning to bear fruit.



Furthermore, a total of almost 20 million euros was invested in the new TDS data centre in Neuenstadt near Neckarsulm, which commenced operations in early 2010. Although this constitutes significant capital expenditure for a company of our size, it will be the basis for our future positive development. This state-of-the-art facility, combined with the skills and dedication of our employees, is the solid foundation underlying the highly reliable, state-of-the-art services we continue to offer our customers.

These assets, together with an order intake that has climbed significantly to 207 million euro across all three segments, will create the preconditions for strong future growth. Moreover, close cooperation with our parent company Fujitsu presents further opportunities – for example in international outsourcing and consulting projects – which have already enabled us to win new customers in recent years. High customer satisfaction is a further element that will promote the positive, long-term development of TDS.

In addition, TDS' finances are built on solid foundations. With the financial strength of our parent company Fujitsu behind us, we have been able, for example, to boost our equity-to-total-assets ratio from 40.4 to 49.2 per cent since 2006 – despite investing heavily in the future of our company.

Together with our talented and dedicated team – to whom I would like to extend my heartfelt thanks – we are on the right road to making TDS profitable again.

Yours sincerely,

Dr. Heiner Diefenbach
CEO

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"). This section of the annual report also includes the declaration on company management, 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 26 May 2010 in detail, particularly the issue of diversity on the Supervisory and Executive Boards and in senior managerial positions at the Company.

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 2010/2011 and preceding fiscal years are available via the TDS website. In fiscal 2010/2011, TDS complied with the vast majority of the recommendations of the 18 June 2009 and 26 May 2010 versions of the Code, with three exceptions in each instance.

Declaration on company management

Declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG)

On 21 March 2011, 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 4 May 2010, the Company has complied with the recommendations of the 18 June 2009 version of the German Corporate Governance Code published by the German Ministry of Justice in the electronic Federal Gazette, with the following exceptions:

Section 3.8, Subsection 2 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 3 recommends that D&O insurance for the Supervisory Board should include a corresponding deductible. D&O insurance for the Supervisory Board did not provide for a deductible, as TDS AG doubts its efficacy.

Section 4.2.1, Sentence 1 of the Code recommends that the Executive Board comprise multiple members and have one chairperson. Once Robert Battenstein resigned his Executive Board position, the Supervisory Board decided that the Executive Board should only comprise one member for the foreseeable future. As a result, the Executive Board does not have a chairman. The Supervisory Board and the Executive Board of the Company believe that a one-person Executive Board is capable of effectively performing all Executive Board duties, including operational and strategic management. This is especially true of Dr. Diefenbach, as he has been a longstanding Executive Board member – most recently holding the position of Chairman – and as a result knows both the company and its market environment exceptionally well.

Section 5.1.2, Subsection 1, Sentence 2 of the Code recommends that the Supervisory Board should pay due consideration to the need for diversity amongst members of the Executive Board. As the Company's Executive Board comprises only one person for the time being, the issue of diversity is not relevant.

Moreover, the Executive and Supervisory Board of TDS Infomationstechnologie Aktiengesellschaft declare that the Company will comply with the recommendations of the 26 May 2010 version of the code, with the following exceptions:

Section 3.8, Subsection 2 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 3 recommends that D&O insurance for the Supervisory Board should include a corresponding deductible. D&O insurance for the Supervisory Board did not provide for a deductible, as TDS AG doubts its efficacy.

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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. However, the Articles of Incorporation do not provide for postal ballots or online voting at the annual shareholders' meeting.

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 20-21 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 2010/2011, the Executive Board of TDS AG initially comprised three members. Robert Battenstein was responsible for HR Services & Solutions, Konrad Meier was responsible for IT Outsourcing and certain corporate functions, and Chairman of the Executive Board Dr. Heiner Diefenbach was responsible for IT Consulting as well as for financials and further corporate functions. Notwithstanding this internal allocation of tasks, Executive Board members were 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 were 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. Once Konrad Meier resigned from his Executive Board position on 15 September 2010, Dr. Heiner Diefenbach assumed his responsibilities. Dr. Heiner Diefenbach has also been tasked with Robert Battenstein's portfolio since the latter resigned from his Executive Board position, and as such is now the sole Executive Board member.

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. When proposing Supervisory Board candidates to the annual shareholder's meeting, the Supervisory Board members ensure that as a general rule, candidates are not yet 70 years old. 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

2010/2011, the Supervisory Board reviewed the efficiency of its own activities. 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.

The Supervisory Board has nominated Manuela Beier as its financial expert. She is particularly suitable for the role as she has many years' experience working in financial control and management, and holds a degree in economics.

The number of mandates held by Supervisory Board members on supervisory boards or similar bodies at other organisations is significantly lower than the legally permissible maximum. Therefore, their availability to the Company is in no way restricted by comparable duties at other organisations.

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 2010/2011, no such contracts existed. 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 16-19 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.

Further details on corporate governance

Implementation of the German Corporate Governance Code

In fiscal 2010/2011, the Executive and Supervisory Boards reviewed the recommendations of the code in detail. These recommendations were implemented with two exceptions: the inclusion of a deductible for D&O insurance for the Supervisory Board, and the size and composition of the Executive Board.

The Executive and Supervisory Board continue to believe that it is not necessary to agree a deductible for Supervisory Board members. Supervisory Board members carry out their duties whether or not a deductible is in place, and the Company believes it is preferable to have 100 percent insurance cover to ensure there is no shortfall.

Failure to comply with the recommendation in Section 4.2.1, Sentence 1 of the Code after submitting the previous declaration was unintentional and circumstantial. Following the resignation of two Executive Board members in fiscal 2010/2011, the Supervisory and Executive Boards discussed in great detail whether the Executive Board should again be increased to two or three people, reaching the conclusion that this is not necessary for the foreseeable future. In line with Section 7, Subsection 1, Sentence 3 of the Articles of Incorporation, the Supervisory Board decided that the Executive Board should only comprise one person. Therefore, the recommendation of Section 5.1.2, Subsection 1, Sentence 2 of the Code regarding diversity on the Executive Board was not implemented.

The Company also complied with the majority of the Code's suggestions.

New recommendations

The Executive and Supervisory Boards have discussed in detail the new recommendations made in the Code in 2010, particularly with regard to the inclusion of women on the Executive and Supervisory Boards and in senior management positions.

- Diversity in senior management positions at the Company

  With respect to Section 4.1.5 of the Code, the Executive Board will be pay due consideration to the need for diversity when filling senior management positions, particularly to ensure that women are suitably included. Existing measures and mechanisms will be kept in place to help women combine their career and family life. These include in particular flexible working hours, part-time work, reserved childcare places and the opportunity to work from home. Furthermore, the Executive Board intends to pay due consideration to applicants with an international background during the selection process for senior management positions.

- Diversity in composition of the Executive Board

  The Supervisory Board believes that a one-person Executive Board is adequate for the foreseeable future, and it is therefore not simply a temporary measure.

  The Supervisory Board will aim for a diverse composition of the Executive Board, particularly in terms of gender. In particular, the selection process for Executive Board members should seek at an early stage to identify women with suitable experience and expertise so they can be given due consideration. As the Executive Board comprises a single member at present, diversity goals cannot be pursued further, and this was taken into account when deciding on the size of the Executive Board. Should the number of Executive Board members be increased, the Supervisory Board will again give due consideration to diversity.

- Objectives for the composition of the Supervisory Board, and status of implementation

  Taking factors such as the need for appropriate experience and expertise and the suitable representation of women (Section 5.4.1, Subsection 3, Sentence 2 of the Code) into account, the Supervisory Board seeks to ensure that as a team, its members have the necessary expertise, skills and experience to effectively perform their tasks. In addition to having the right mix of professional skills (business and legal skills, knowledge of the IT industry and familiarity with the TDS Group), personal integrity, dedication, impartiality, communications skills, and sufficient life and work experience, each Supervisory Board member should have at least three of the following:

  - Management experience at a mid-sized company or major corporation
  - Experience and expertise in the application of accounting principles and internal financial controls
  - Experience and expertise in corporate finance
  - Experience and expertise in corporate law
  - Experience and expertise in the IT industry
  - Experience and expertise gained through working in an international setting

  Finally, when proposing candidates to the annual shareholders' meeting, the Supervisory Board will keep in mind that as a general rule, candidates should be under 70 years old.

  Furthermore, the Supervisory Board believes that possession of the necessary experience and expertise should take priority when selecting Supervisory Board members, while seeking to ensure that it continues to have at least one female member. Due consideration will be given to women with the right skills during the selection process for Supervisory Board members.

  Once elected by the annual shareholders' meeting, the term of office of Supervisory Board members expires at the end of the annual shareholders' meeting that approves their actions for fiscal 2012/2013. Claus-Peter Unterberger has been appointed by court ruling to replace Supervisory Board member Dieter Herzog, who had resigned from his position. An election to fill Dieter Herzog's position will be held at the next annual shareholders' meeting. As the Supervisory Board already has a female member, the Board does not think it necessary to take specific action to elect another woman on this occasion. In the interest of continuity in the Supervisory Board's work and in view of the fact that women are already adequately represented on the Supervisory Board, the Board assumes at present that current member Claus-Peter Unterberg will be proposed as a candidate at the annual shareholders' meeting.

  At the next ordinary election of all Supervisory Board members, the Supervisory Board will make every effort to see that at least one woman is elected. Nevertheless, the Supervisory Board will propose candidates primarily on the basis of the necessary skills and experience mentioned above rather than on the candidate's gender.

  Regardless of the above mentioned skills and experience requirements and objectives regarding the suitable participation of women in the TDS Supervisory Board, the Supervisory Board should continue to base its candidate selection on the interests of the Company.

Transparency

TDS informs shareholders and interested members of the public regularly, promptly and equally about the Company's situation and significant business changes. If new information is shared with financial analysts or comparable individuals, this information is also immediately made available to shareholders. Against this background, TDS AG published two disclosures in fiscal 2010/2011. 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 2010/2011, no directors' dealings were reported.

At 31 March 2011, TDS AG Executive and Supervisory Board members did not hold any TDS AG shares or related financial instruments, either directly or indirectly. Therefore, no single member of the Executive or Supervisory Board held, directly or indirectly, more than 1 per cent of Company shares at 31 March 2011. Furthermore, the aggregate of all shares held directly or indirectly by Executive Board and Supervisory Board members did not exceed 1 per cent of total Company shares at 31 March 2011.

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 43 "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. The payment of nearly half of this bonus is linked to key performance targets over the coming years.

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 a 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 €1,624 thousand in fiscal 2010/2011.

Details on compensation for individual Executive Board members in fiscal 2010/2011 can be found in the table in note 43

"Further relevant information concerning the Executive and Supervisory Board" (page 80 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. Since 1 July 2010, D&O insurance has included a deductible for Executive Board members as defined by Subsection 3.8 of the German Corporate Governance Code.

Should the present sole Executive Board member, 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 did not include explicit provisions for compensation in the event of premature termination of their Executive Board activities. However, the severance agreements of both Konrad Meier and Robert Battenstein included provisions for one-off payments as compensation for the loss of their positions.

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 did not include a commitment to provide compensation for premature termination of their Executive Board activities resulting from a change of control.

No loans or advance payments were granted to Executive Board members in fiscal 2010/2011; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In fiscal 2010/2011, 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 would have totalled €57 thousand in fiscal 2010/2011 (see note 43 "Further relevant information concerning the Executive and Supervisory Board"). However, the Supervisory Board members have signed agreements waiving their right to compensation for fiscal 2010/2011, and for their remaining period in office at TDS AG.

The Company did not make any payments or grant any benefits for services, in particular for consulting or brokering services, provided personally by Supervisory Board members.

There are no share option programmes or other securities-based incentivisation systems in place at present.

Benno Zollner
Chairman of the Supervisory Board

Dr. Heiner Diefenbach
CEO

Supervisory Board report to the shareholders' meeting regarding fiscal 1 April 2010 to 31 March 2011

Dear shareholders,

The Supervisory Board continued to work closely with the Executive Board in fiscal 2010/2011, fulfilling 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 collaborated and communicated regularly with the Executive Board, whose members were always open to constructive exchanges.

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 on sales metrics, and comparing original targets and forecasts with actual figures. The Supervisory Board was informed in detail about any discrepancies between these two sets of figures. 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.

Outside the scope of Supervisory Board meetings, Supervisory Board member Benno Zollner in particular communicated regularly with the Executive Board. He was informed, for example, of current KPIs, business transactions and events and other material developments, and both parties exchanged opinions on these issues. This direct communication took the form of regular telephone calls and face-to-face meetings. For example, a long meeting took place in December 2010 to discuss current business development across the TDS Group and in individual business units, together with possible courses of action to improve the situation, particularly in the HR Services & Solutions segment. In light of the fall in earnings, communication both within the Supervisory Board and between the Supervisory and Executive Boards has intensified in recent months.

The Supervisory Board discussed the organisational structure 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

Six Supervisory Board meetings were held in fiscal 2010/2011. 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 its business units, as well as issues of general corporate planning, strategy, the Company's financial position, present and future collaboration between the TDS Group and the Fujitsu Group, together with the respective situations at subsidiary TDS MultiVision AG and HR Services & Solutions. The Executive Board provided comprehensive reports on each of these topics, with reference to the documents sent in advance of the meeting. As the Supervisory Board comprises only three members, no committees were formed. The meetings were attended by all Supervisory Board members, and all members voted on resolutions.

On 6 April 2010, the Supervisory Board passed a written resolution to appoint Robert Battenstein to the Executive Board, and approved the signing and content of his contract.

During the reporting period, the Supervisory Board passed a number of written resolutions reviewing and approving actions that require Supervisory Board approval in accordance with Executive Board by-laws. In particular, this included approving the appointment of and conclusion/termination of contracts for members of management boards and supervisory boards at subsidiaries and affiliated companies.

At the meeting on 4 May 2010, the Supervisory Board discussed business planning, including synergy and efficiencies resulting from cooperation with Fujitsu, expected revenues and earnings, corporate governance issues, the situation at TDS

MultiVision AG and the preparation of year-end financial statements. Moreover, the Supervisory Board discussed the compensation system for Executive Board members and specified bonuses for Executive Board members Dr. Heiner Diefenbach and Konrad Meier. Corporate governance topics included the Supervisory Board report, corporate governance report and declaration of compliance, and an assessment of Supervisory Board efficiency. All items were reviewed in detail with reference to the meeting documents. In particular, the Supervisory Board explored options for improving the balance sheet of TDS MultiVision AG, approving a Company loan to TDS MultiVision AG in the amount of €250 thousand, together with the subordination of this debt.

At the meeting on 18 May 2010, the Supervisory Board approved the annual and consolidated financial statements for the fiscal year 1 April to 31 March 2010, together with the Company and Group management reports. Prior to this, the auditors had presented the Supervisory Board with their findings, which were then discussed. Manuela Beier, the Supervisory Board's financial expert, reported on the status of the audit, and she in turn was regularly updated by the auditors on their findings. Moreover, the Supervisory Board report was approved, as were the actions of Administrative Board members of TDS MultiVision AG. In addition, the Executive Board outlined future Company strategy.

On 7 July 2010, the Executive Board presented a business update to the Supervisory Board in the form of a conference call, focussing on sales metrics and a comparison of original targets and forecasts with actual figures. Preparations were made for the annual shareholders' meeting; in particular, the proposed resolutions were approved. Moreover, the Executive Board reported on ongoing and proposed projects, and cooperation between the Company and the Fujitsu Group, including discussing potential synergy and efficacies resulting from integration of TDS into Fujitsu's process and tool landscape. The Executive Board highlighted possible risks and briefed the Supervisory Board on staff changes within the Group.

On 15 September 2010, the Supervisory Board passed a resolution circulated amongst members approving the termination by mutual agreement of Konrad Meier's Executive Board membership, and the conclusion of a severance agreement, in conjunction with the suspension of all active employment.

In the constitutive Supervisory Board meeting after the annual shareholders' meeting of 16 September 2010, Benno Zollner was elected Chairman and Dieter Herzog Deputy Chairman, and both immediately accepted their appointment. Moreover, the Executive Board reported on the integration of TDS Informationstechnologie AG into the Fujitsu Group, and the positioning of the Company within the Group was discussed. Possible courses of action with regard to TDS MultiVision AG were also reviewed, together with the strategic development of HR Services & Solutions. As it was not possible to complete all points on the agenda, the meeting was continued on 21 September 2010, when the Executive Board presented the current outlook for the remainder of the year, mid-term planning and the development of employee headcount. Development of earnings was analysed in detail. In addition, cooperation between Fujitsu and the Company was reviewed, together with the Company's integration into certain processes of the Fujitsu Group.

In light of the Company's worsening business situation, the Supervisory Board intensified its advisory and monitoring activities. This included a working session with TDS Group management and the Executive Board in Frankfurt on 12 November 2010, where the causes of the situation were analysed and possible courses of action were discussed.

Between November 2010 and March 2011, further discussions took place, reviewing actions taken. These actions enabled the Company to improve performance in the IT Outsourcing and IT Consulting segments.

On 23 February 2011, the Supervisory Board passed a written resolution approving conclusion of a severance agreement to terminate Robert Battenstein's contract by mutual agreement, together with the resignation of his Executive Board position.

The meeting on 24 February 2011 focussed on the business situation and earnings as regards individual segments, and original targets and forecasts were compared with actual figures. The findings of the efficiency assessment were presented, and measures to further improve efficiency were discussed. The Supervisory Board advised on the development of senior management and succession planning on the Executive Board. Moreover, the Supervisory Board elected Claus-Peter Unterberger as its Deputy Chairman.

The Supervisory Board members were themselves responsible for attending any training or skills development programmes necessary for their tasks, and to these ends the Company provided suitable support. The Company submitted concrete proposals for possible training courses. Claus-Peter Unterberger, who joined the Supervisory Board in 2011, received an information package at the meeting on 24 February 2011, including information on the key aspects of legislation governing Supervisory Board work. Supervisory Board Chairman Benno Zollner took part in an external seminar on the significance of new policies and legal regulations for publicly traded companies, where he actively sought exchange with experts. Finance expert Manuela Beier discussed new financial reporting regulations with finance department staff and the auditors.

On 21 March 2011, Supervisory Board members discussed at length the recommendations and suggestions of the German Corporate Governance Code, focussing on the most recent changes. The Supervisory Board also considered the appropriate number of Executive Board members, and decided that it should comprise one person for the time being. In addition, it approved concrete criteria for Supervisory Board composition, and a new declaration of compliance.

Changes to the composition of the Supervisory Board

Benno Zollner, Manuela Beier and Dieter Herzog, the members of the Supervisory Board at the start of fiscal 2010/2011, were appointed to the Supervisory Board by court rulings. The annual shareholders' meeting of 16 September 2010 approved the appointment of these three Supervisory Board members.

Dieter Herzog resigned from his Supervisory Board position effective 21 January 2011. Stuttgart Local Court appointed Claus-Peter Unterberger to the Supervisory Board on 3 February 2011.

Changes to the composition of the Executive Board

Effective 1 April 2010, Robert Battenstein was appointed to the Executive Board, with responsibility for the HR Services & Solutions business unit.

Konrad Meier's Executive Board membership was terminated effective 15 September 2010 and Robert Battenstein's Executive Board membership was terminated effective 24 February 2011.

German Corporate Governance Code

The Supervisory Board analysed recommendations made by the German Corporate Governance Code and the changes to the code this year. Further details on corporate governance at the Company are given in the corporate governance report and the declaration on company management. 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) on 4 May 2010 and 21 March 2011 and made it permanently available to shareholders on the TDS website.

Annual financial statements for TDS AG and consolidated financial statements

The financial statements of TDS AG for the period until 31 March 2011, 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:

a) In the financial statements of TDS AG:

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

b) 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
- impairment of goodwill
- reporting of discontinued operations in accordance with IFRS 5

- reporting of Company transactions

- the accuracy of the statement of cash flows for the TDS Group, and the development of shareholders' equity for the TDS Group and segment reporting in accordance with IFRS 8

- the plausibility of forecasts in the consolidated management report

The financial statements of TDS Informationstechnologie AG and the consolidated financial statements of the TDS Group, presented by the Executive Board on 31 March 2011, together with the management reports and the audit reports were submitted to Supervisory Board members a week before the meeting to discuss the audit. The Supervisory Board reviewed these documents and discussed them with the auditors, taking into account the auditors' reports. Supervisory Board member Manuela Beier was kept thoroughly up to date on progress as regards the annual financial reports over the course of the reporting period, as well as on all findings of material importance to the Supervisory Board. Manuela Beier in turn kept the Chairman and other members of the Supervisory Board up to date on progress. The auditors attended the Supervisory Board meeting on 25 May 2011, where they presented their key findings, reported on the scope, focus and costs of the audits, and additional services they provided over and above the audit. Moreover, the auditors confirmed to the Supervisory Board that there were no grounds for concerns with regard to their impartiality. The auditors was also 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 25 May 2011, 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 portrayal of the position of the Company and its outlook are consistent with the Executive Board's reports to the Supervisory Board and correspond to the Supervisory Board's own assessment.

In response to an enquiry by the Supervisory Board, the auditors confirmed that in view of the loss posted in TDS Informationstechnologie AG annual financial statements, there was no need to propose a resolution to the annual shareholders' meeting with regard to the use of balance sheet profits.

The 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 Executive Board and Company and Group employees have worked very hard under unexpectedly difficult market conditions, and the Supervisory Board would like to sincerely thank them for their efforts.

Neckarsulm, 25 May 2011

The Supervisory Board

Benno Zollner
Chairman of the Supervisory Board

Claus-Peter Unterberger
Deputy Chairman of the Supervisory Board

Manuela Beier
Supervisory Board member

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
Chief Information Officer at Fujitsu Technology Solutions GmbH, Martinsried, Germany
Chairman of the Supervisory Board

- Member of the Supervisory Board, ICL-KME CS, Kazan, Russia
- Member of the Supervisory Board of Fujitsu Technology Solutions GmbH, Munich, Germany (since 5 April 2011)

Claus-Peter Unterberger
Chief Marketing Officer at Fujitsu Technology Solutions GmbH, Steeg/Buchbach, Germany
Deputy Chairman of the Supervisory Board (since 24 February 2011)
Member of the Supervisory Board (from 3 February to 24 February 2011)

- Claus-Peter Unterberger does not hold any other mandates

Manuela Beier
Head of Business Assurance at Fujitsu Technology Solutions GmbH, Friedberg, Germany
Member of the Supervisory Board

- Manuela Beier does not hold any other mandates

Dieter Herzog
Former Executive Vice President of Technology Solutions Portfolio-Organisation, Delbrück, Germany
Deputy Chairman of the Supervisory Board (until 21 January 2011)

- Dieter Herzog does not hold any other mandates

On 31 March 2011, Supervisory Board members held no shares in the Company (compared with 0 shares at 31 March 2010).

Members of the Executive Board

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

Dr. Heiner Diefenbach
Sole Executive Board member, Seeheim-Jugenheim, Germany (since 26 February 2011)
Chairman of the Executive Board, Seeheim-Jugenheim, Germany (until 25 February 2011)

- Chairman of the Supervisory Board, Hexagon AG, Wiesbaden, Germany
- Managing director, ROSEA 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 (until 15 September 2010)

- Director, TDS Systemhouse PLC, Chesterfield, UK (until 15 September 2010)

Robert Battenstein
Member of the Executive Board, Ratingen, Germany (from 1 April 2010 to 25 February 2011)

- Managing Director, TDS HR Services & Solutions GmbH, Neckarsulm, Germany (until 25 February 2011)
- Member of the Administrative Board, TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland (until 25 February 2011)

On 31 March 2011, Executive Board members held 0 shares in the Company.

Management report for fiscal 2010/2011

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) 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 "FSOHL") and ends on 31 March.

All currency amounts are given in thousand euros (€ thousand), 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 TDS 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. ROSEA GmbH, Neckarsulm (hereinafter "ROSEA GmbH"), provides facility management services for office buildings leased by TDS.

TDS has the following 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*[1)]	100 %
TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland*[2)]	100 %
TDS MultiVision AG, Regensdorf, Switzerland	100 %
TDS Systemhouse plc., Chesterfield, UK	100 %

*[1)] formerly effect Personalmanagement GmbH
*[2)] since 8 April 2010

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

FSOHL 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 FSOHL concluded a subordination agreement. 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 FSOHL, the appropriate compensation for remaining shareholders, and the mandatory offer.

Significant products, services and processes

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

Changes in strategy and organisational structure have involved transferring elements of application management from IT Consulting to IT Outsourcing and HR Services & Solutions, assigning SAP HCM (Human Capital Management) to HR Services & Solutions, and moving certain types of maintenance from IT Outsourcing to 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.

Within the scope of its Application Management offering, TDS assumes complete responsibility for the processes associated with customers' SAP and ECM applications.

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

The IT Consulting segment offers customers comprehensive consulting and project services for SAP Business All-in-One (R/3), including Business Intelligence and SAP Business ByDesign. TDS IT Consulting is also an SAP Gold Channel Partner, marketing SAP licenses in conjunction with high-quality maintenance services.

IT Consulting offers preconfigured SAP ERP solutions for customers in the chemical, pharmaceutical, cosmetics and food and beverage industries.

Moreover, the portfolio includes consulting for and sale of enterprise content management solutions.

Markets and competitive position

TDS is represented in Germany, Austria, Switzerland and the UK. The company generates 98.3 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 cloud computing. 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 an annual shareholders' meeting.

The Executive Board is responsible for day-to-day operational management and represents the Company in dealings with third parties. At the beginning of fiscal 2010/2011, the Executive Board comprised Dr. Heiner Diefenbach, Konrad Meier und Robert Battenstein. Dr. Heiner Diefenbach managed the IT Consulting business and was responsible for financials. Konrad Meier was tasked with the IT Outsourcing segment, as well as HR, purchasing and internal IT. Robert Battenstein became an Executive Board member on 1 April 2010, with responsibility for the HR Services & Solutions business unit. He resigned from his position on the TDS Executive Board, effective from 25 February 2011, with Dr. Heiner Diefenbach assuming his portfolio. Konrad Meier resigned from his position on the Executive Board, effective from 15 September 2010. Dr. Heiner Diefenbach will assume Mr Meier's Executive Board duties and management of the IT Outsourcing 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. On 31 March 2011, the Supervisory Board comprised the following members: Benno Zollner (Chairman), Claus-Peter Unterberger (Deputy Chairman) and Manuela Beier.

A shareholders' meeting is held at least once a year. The last ordinary TDS shareholders' meeting was held on 16 September 2010. 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. Moreover, resolutions were passed to create new authorised capital and to terminate authorised-but-contingent capital IV and V.

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 2010/2011, 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 overshadowed by crisis and recession. As a result, many countries introduced stimulus packages. Due in part to these government measures, a slight recovery began in mid-2009. This trend has continued into 2010, resulting in a strong recovery throughout the global economy.

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 grew by 0.4 per cent in the first quarter of 2010. In the second quarter it increased by 0.6 percentage points to 1.0 per cent. The third quarter saw GDP rise by 0.3 per cent, and this rate remained constant in the fourth quarter.

At 0.6 per cent, the German growth rate in the first quarter of 2010 was 0.2 percentage points higher than that of the eurozone as a whole. Positive economic developments were reflected in a significantly higher rate of 2.2 per cent in the second quarter. Growth continued into the third quarter, with GDP rising by 0.7 per cent, while in the fourth quarter it fell to 0.4 per cent – 0.1 percentage point higher than the overall eurozone rate.

The German business sentiment index compiled by research institute ifo is an early indicator of economic development. In February 2011 it rose for the ninth successive occasion, indicating a robust upswing and that companies are optimistic with regard to the business climate. The ifo index also registered a significant improvement in eurozone business sentiment for the first quarter of 2011. These results indicate that the eurozone continues to recover; however, significant differences exist between member states. Respondents believe that the situation in Germany and Austria, for example, is very favourable, whereas in Greece, Ireland, Spain and Portugal, considerable challenges remain.

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) developed extremely well in 2010. In the fourth quarter of 2010, the BITKOM index was at 69 points, the highest level since its introduction in 2001. Moreover, 90 per cent of IT service providers surveyed are expecting increased revenues.

According to EITO, German IT market volume was €65.9 billion in 2010, with hardware accounting for €18.1 billion, software for €14.8 billion and IT services for €33 billion. This signifies a 3 per cent growth when compared with the 2009 market volume of €64 billion. The German hardware market grew by 5.1 per cent in 2010, to €18.1 billion. For software the figure was €14.8 billion, an increase of 3.5 per cent; for IT services €33 billion, a rise of 1.7 per cent.

Assessment by the Executive Board

The general recovery in the IT industry was only reflected at TDS in the IT Outsourcing segment. Here, revenues increased over the previous fiscal year, while they fell short in the other business units. At approximately €132 million, total TDS revenues remained constant year-on-year. This was primarily attributable to software licensing sales, which were below expectations, and a lack of new business and additional business with existing customers in the HR Services segment. Profitability was negatively impacted by the reassessment of accounts receivable at risks and additional expenses related to complex major projects on the part of HR Services & Solutions, together with increased depreciation and additional start-up costs for the new data centre on the part of TDS AG.

Overview of TDS business development

TDS posted consolidated profit/loss of minus €5,012 thousand in fiscal 2010/2011, compared to €5,101 thousand in fiscal 2009/2010.

This fall of €10,113 thousand results primarily from a significant rise in the cost of sales and other operating expenses.

3 Business development

Comparison of actual and forecast business development

TDS generated revenues of €132 million in fiscal 2010/2011, falling short of the projected figure of around €137 million due to a lack of new business in the HR Services & Solutions segment. Furthermore, the Company failed to reach the target EBIT margin of 6 per cent in continuing operations; the actual figure was minus 3 per cent.

Discontinued operations

In March 2010 TDS announced its intention to sell its stake 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 requires the corresponding figures to be reported as a separate item on the balance sheet and income statement.

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 2010/2011, TDS generated 98.3 per cent of revenues in Germany (95.9 per cent in fiscal 2009/2010).

Development of earnings

Overview of earnings at TDS:

	2010/2011		2009/2010	
	€ thousand	%	€ thousand	%
Revenues	131,688	100.0	132,214	100.0
Cost of sales	-112,045	-85.1	-101,686	-76.9
Gross profit	**19,643**	**14.9**	**30,528**	**23.1**
Operating income/expenses	-23,650	-18.0	-19,954	-15.1
Earnings before interest and taxes (EBIT)	**-4,007**	**-3.0**	**10,574**	**8.0**
Financial income/expenses	-1,074		-1,127	
Earnings before taxes (EBT)	**-5,081**		**9,447**	
Tax income (last year: tax expense)	1,230		-2,879	
Gains or losses relating to continuing operations	**-3,851**		**6,568**	
Gains or losses relating to discontinued operations after tax	**-1,161**		**-1,467**	
Consolidated net income	**-5,012**		**5,101**	

As these figures suggest, EBIT margin fell by 11 percentage points in comparison to fiscal 2009/2010, from 8.0 per cent to minus 3.0 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)	
	2010/ 2011 € thousand	2009/ 2010 € thousand	2010/ 2011 € thousand	2009/ 2010 € thousand	2010/ 2011 € thousand	2009/ 2010 € thousand	2010/ 2011 € thousand	2009/ 2010 € thousand
External revenues	65,265	60,619	54,245	55,416	12,178	16,179	131,688	132,214
Cost of sales/ Operating income/ expenses	-60,435	-52,559	-62,566	-53,203	-12,728	-15,966	-135,695	-121,640
EBIT	4,830	8,060	-8,321	2,213	-550	213	-4,007	10,574
EBIT margin (in %)	7.4	13.3	-15.3	4.0	-4.5	1.3	-3.0	8.0

IT Outsourcing

In IT Outsourcing, TDS generated revenues of €65,265 thousand in fiscal 2010/2011, up 7.7 per cent over fiscal 2009/2010 (€60,619 thousand). This was primarily due to subcontracted projects for Fujitsu customers and services for sister company Fujitsu Technology Solutions GmbH, Munich.

In fiscal 2010/2011, order intake amounted to €108,819 thousand (€64,050 thousand in fiscal 2009/2010), of which approximately €40,000 thousand is attributable to a major outsourcing contract. Order backlog was €159,262 thousand on 31 March 2011 (€115,709 thousand on 31 March 2010). Order backlog is equivalent to a period of up to five years.

EBIT margin fell from 13.3 per cent in fiscal 2009/2010 to 7.4 per cent in fiscal 2010/2011. This was due to increased depreciation and additional start-up costs related to the new data centre, completed in early fiscal 2010/2011.

At 31 March 2011, the IT Outsourcing segment had 492 employees.

HR Services & Solutions

Revenues from HR Services & Solutions fell by €1,171 thousand (2.1 per cent), from €55,416 thousand to €54,245 thousand, in fiscal 2010/11. This was primarily due to software licensing sales, which were below expectations, and a lack of new business and additional business with existing customers.

In fiscal 2010/2011, order intake amounted to €82,212 thousand (€67,738 thousand in fiscal 2009/2010). Order backlog was €113,456 thousand on 31 March 2011 (€85,495 thousand on 31 March 2010). Order backlog is equivalent to approximately 1.5 years.

In comparison to fiscal 2009/2010, EBIT margin fell by 19.3 percentage points to minus 15.3 per cent. This was primarily attributable to poor sales combined with a significant rise in costs, related in particular to the reassessment of accounts receivable at risk and additional expenses incurred for the implementation of complex major projects.

At 31 March 2011, 719 staff were employed in this segment.

IT Consulting

In IT Consulting, the TDS Group posted revenues of €12,178 thousand in fiscal 2010/2011, a decrease of 24.7 per cent over fiscal 2009/2010 (€16,179 thousand). This was attributable to a change in strategy, which saw SAP services become the new focus. This included transferring maintenance contracts from IT Outsourcing, assigning application management activities to IT Outsourcing and HR Services & Solutions, and moving SAP HCM from IT Consulting to HR Services & Solutions. This largely accounts for the fall in revenues year-on-year.

In fiscal 2010/2011, order intake amounted to €15,601 thousand (€13,306 thousand in fiscal 2009/2010). Order backlog was €6,915 thousand at 31 March 2011 (€3,492 thousand on 31 March 2010).

EBIT margin dropped from 1.3 per cent in fiscal 2009/2010 to minus 4.5 per cent in fiscal 2010/2011. This was mainly due to changes in strategy involving realigning business units within the TDS Group, leading to a smaller business volume and correspondingly a lower absolute margin.

At 31 March 2011, the TDS Group employed 86 staff in this segment.

Financial income (interest)

Negative financial income (interest) improved by €53 thousand over fiscal 2010/2011, from minus €1,127 thousand to minus €1,074 thousand. This is mainly due to a decrease in financial liabilities from €35,418 thousand to €30,316 thousand.

Income taxes

Tax income amounted to €1,230 thousand in fiscal 2010/2011, corresponding to an effective tax rate of minus 24.2 per cent. This resulted primarily from the realisation of deferred tax assets from tax loss carryforwards. In fiscal 2009/2010, on the other hand, the Company posted tax expense in the amount of €2,879 thousand.

Profit or loss after tax of discontinued operations

Profit/loss of discontinued operations improved by €306 thousand year-on-year to minus €1,161 thousand (minus €1,467 thousand in fiscal 2009/2010). This was largely attributable to the lower headcount; with on average ten fewer employees over the year.

Assets and financial situation

Consolidated balance sheet: assets

	31 March 2011 € thousand	31 March 2010 € thousand
Non-current assets		
Intangible assets	41,469	43,353
Property, plant and equipment	36,126	33,372
Other assets	7,917	7,003
	85,512	83,728
Current assets		
Trade receivables	20,039	25,744
Cash and cash equivalents	537	549
Other assets	16,853	3,712
	37,429	30,005
Non-current assets held for sale	319	3,752
Total assets	123,260	117,485

Intangible assets decreased by 4.3 per cent, totalling €41,469 thousand on 31 March 2011 in comparison to €43,353 thousand on 31 March 2010. These include licences (mainly for software) of €8,089 thousand (€9,025 thousand at 31 March 2010), capitalised software development costs of €1,990 thousand (€2,634 thousand at 31 March 2010), rented software in the amount of €203 thousand (€507 thousand at 31 March 2010) and goodwill in the amount of €31,187 thousand (€31,187 thousand at 31 March 2010).

Property, plant and equipment rose by €2,754 thousand, due primarily to the construction of the data centre in Neuenstadt.

Trade receivables fell by €5,705 thousand, from €25,744 thousand in fiscal 2009/2010 to €20,039 thousand in fiscal 2010/2011. This was due to valuation allowances of approximately €564 thousand, completion of fixed-price projects in the amount of €2,300 thousand and customer payments to the value of around €3,000 thousand.

Other current assets include inventories to the value of €2 thousand (€36 thousand at 31 March 2010), current tax assets in the amount of €1,113 thousand (€440 thousand at 31 March 2010), prepaid expenses of €2,524 thousand (€2,563 thousand at 31 March 2010), other assets to the value of €1,872 thousand (€673 thousand at 31 March 2010) and TDS AG's claim for compensation from the majority shareholder for losses incurred, in accordance with the subordination agreement, in the amount of €11,342 thousand (€0 thousand on 31 March 2010).

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

Consolidated balance sheet: shareholders' equity and liabilities

	31 March 2011 € thousand	31 March 2010 € thousand
Shareholders' equity	60,636	54,144
Non-current liabilities		
Financial liabilities	967	2,664
Provisions for pensions	6,754	5,565
Other liabilities	593	69
	8,314	8,298
Current liabilities		
Financial liabilities	30,316	35,418
Trade payables	4,167	5,252
Provisions	13,392	10,373
Other liabilities	5,715	2,919
	53,590	53,962
Liabilities of discontinued operations	720	1,081
Total shareholders' equity and liabilities	123,260	117,485

The equity-to-total-assets ratio increased from 46.1 per cent in fiscal 2009/2010 to 49.2 per cent. This was partly due to negative consolidated net income and partly to the inclusion in additional paid-in capital of TDS AG's claim for compensation from the majority shareholder for losses incurred.

Financial liabilities of continuing operations break down as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Amounts due to the majority shareholder	28,599	32,551
Finance leases	2,684	5,531
	31,283	38,082
of which non-current liabilities	967	2,664
of which current liabilities	30,316	35,418

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

Finance leases were mainly deployed to finance customer projects in TDS data centres. Further information regarding liabilities related to finance leases is given in note 20 "Leased assets". These have fallen significantly, from €5,531 thousand to €2,684 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 positive cash flows from ongoing operations, ensure that TDS currently has sufficient cash reserves at its disposal.

Net financial liabilities of continuing operations developed as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Amounts due to Fujitsu Services Limited	28,599	32,551
Gross financial liabilities	**28,599**	**32,551**
Cash and cash equivalents	537	549
Net financial liabilities	**28,062**	**32,002**

Within the scope of the intercompany loan arrangement concluded between TDS and Fujitsu Services Limited, London, UK (Fujitsu Services) on 10 August 2010, Fujitsu Services granted a variable rate non-amortising loan with a credit line of €20,000 thousand, maturing on 9 August 2011. At the balance-sheet date, €8,624 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 1.936 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 2012, was agreed within the scope of a further intercompany loan arrangement between TDS and Fujitsu Services concluded on 17 January 2011. At the balance-sheet date, €19,975 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 1.936 per cent at the balance-sheet date.

Fujitsu Services has approved renewal of the intercompany loan facility.

Statement of cash flows (executive summary)

	2010/2011 € thousand	2009/2010 € thousand
Cash flows from operating activities	**19,226**	**16,842**
Cash flows from investing activities	**-15,461**	**-25,510**
Cash flows from financing activities	**-6,848**	**11,475**
Currency translation effects	203	68
Change in cash and cash equivalents	-2,880	2,875
Cash and cash equivalents at the balance-sheet date	**657**	**3,537**
Of which cash and cash equivalents relating to non-current assets held for sale	120	2,988
Of which cash and cash equivalents relating to continuing operations	537	549

Cash flows from operating activities improved by €2,384 thousand compared to fiscal 2009/2010. This was firstly due to increased depreciation and higher provisions totalling approximately €6,000 thousand included in consolidated profit or loss. Secondly, there was a positive change in net cash payments with regard to operating assets and liabilities in the amount of around €8,300 thousand, but this had no effect on profit or loss.

In fiscal 2010/2011, the TDS Group invested €16,132 thousand (€28,877 in fiscal 2009/2010) in intangible assets and property, plant and equipment. Total capital expenditure included actual payments of €16,106 thousand (€26,835 thousand in fiscal 2009/2010), with €49 thousand due for future payment under leasing agreements (€2,037 thousand in fiscal 2009/2010). Capital expenditure was offset by proceeds from the disposal of non-current assets, of €645 thousand in fiscal 2010/2011 (€1,325 thousand in fiscal 2009/2010), leading to net capital expenditure of €15,461 thousand (€25,510 in fiscal 2009/2010).

Capital expenditure for property, plant and equipment totalled €12,675 thousand (€25,364 thousand in fiscal 2009/2010), and was primarily attributable to construction of the Neuenstadt data centre. This expenditure includes buildings, plant and equipment and office furniture and fixtures. The Group invested €3,457 thousand in intangible assets (€3,513 thousand in fiscal 2009/2010). This was mainly for in-house software development in the amount of €389 thousand (€942 thousand in fiscal 2009/2010) and new concessions and licenses in the amount of €3,068 thousand (€2,534 thousand in fiscal

2009/2010). Capital expenditure in intangible assets and in property, plant and equipment includes leased assets to the value of €49 thousand for customer projects (€2,037 thousand in fiscal 2009/2010).

The fall in cash flows from financing activities – from €11,475 thousand to minus €6,848 thousand – results mainly from repayments of loans granted by the majority shareholder.

Other performance indicators

IT Outsourcing services are handled at state-of-the-art TDS data centres in Neckarsulm and Neuenstadt, Germany. The facilities meet all the latest security standards and are certified to ISO 27001, ISO 27001:2005 including VDA (German automotive industry association) prototype protection requirements ISO 20000:2005 and ISO 9001:2008. Furthermore, they are validated in accordance with EU-cGMP (Good Manufacturing Practice) (confirming compliance with validation and qualification processes in the pharmaceutical industry) and Section 25a, Subsections 1 and 2 of the German Banking Law (KWG) (confirming that systems operation complies with the requirements of the German Banking Law). A Statement on Auditing Standards Nr. 70 (SAS 70) Type 2 Report confirms the existence of an effective monitoring and control system in outsourcing in accordance with Control Objectives for Information and Related Technology (CobiT) in outsourcing.

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 2010/2011

In summary, the Executive Board is not satisfied with business development in fiscal 2010/2011, in particular as the HR Services & Solutions segment failed to perform as anticipated. This is primarily attributable to poor sales combined with a significant rise in costs, related especially to the reassessment of accounts receivable at risk and additional expenses related to complex major projects. Furthermore, increased headcount and depreciation of capital expenditure together with higher operating costs in the IT Outsourcing segment contributed to the decline in 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 €389 thousand in fiscal 2010/2011 (€942 thousand in fiscal 2009/2010).

5 Employees

The TDS Group employed 1,297 staff at the balance-sheet date (1,191 at 31 March 2010), of which 492 were employed at IT Outsourcing (406 at 31 March 2010), 719 in the HR Services & Solutions segment (621 at 31 March 2010) and 86 at IT Consulting (164 at 31 March 2010). The average age was 40.4. At 31 March 2011, there were 52 trainees (44 at 31 March 2010). 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 11.93 per cent.

In fiscal 2010/2011, the Company invested €1,342 thousand in the external training and development of staff (€957 thousand in fiscal 2009/2010). 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 elements should generally account for at least 10 per cent of an employee's total salary. Employee performance is assessed on the basis of personal targets, 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 43 "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. The payment of nearly half of this bonus is linked to key performance targets over the coming years.

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 €1,624 thousand in fiscal 2010/2011.

Further information on compensation for individual Executive Board members in fiscal 2010/2011 can be found in the table in note 43 “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. As of 1 July 2010, the D&O insurance policy for Executive Board members includes a deductible as defined by Subsection 3.8 of the German Corporate Governance Code.

Should the present sole Executive Board member, 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 did not include explicit provisions for compensation in the event of premature termination of their contracts. However, the severance agreements of both Konrad Meier and Robert Battenstein included provisions for one-off payments as compensation for the loss of their positions.

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 did not include a commitment to provide compensation for premature termination of the contracts resulting from a change of control.

No loans or advanced payments were granted to Executive Board members in fiscal 2010/2011; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In fiscal 2010/2011, 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 €57 thousand in fiscal 2010/2011 (see note 43 "Further relevant information concerning the Executive and Supervisory Board"); however, the Supervisory Board members have signed agreements waiving their entitlement to compensation for fiscal 2010/2011 and for their remaining period of office.

The Company did not make any payments or grant any benefits for services provided personally by Supervisory Board members, in particular for consulting or brokering services, during the reporting period.

There are no share option programmes or other securities-based incentivisation systems in place at present.

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 2011, 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 €14,684,308 until 15 September 2015, by issuing a total of up to 14,684,308 bearer shares with a stated value of €1.00 against cash or non-cash contributions.

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 suitable 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 business units 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 business units (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 for 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 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. In conjunction with the financial disclosures calendar, which applies to the entire TDS Group, these form the basis for the preparation of year-end financial statements. Employees responsible for financial reporting are provided with special training in TDS' internal policies and processes.

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 financial reporting process is based on ongoing accounting and includes all aspects of preparing annual and consolidated financial statements.

The internal control and risk management system for the financial reporting process includes policies and procedures, together with proactive and reactive controls. The following are examples of the components of this system at TDS:

- The internal guide to 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.

In principal, TDS' internal control and risk management system for the financial reporting process is verified by TDS' internal auditors. However, TDS does not have a corresponding department and has therefore given responsibility for this function to an external consulting company. The internal auditors carry out checks and controls within the scope of the programme of standard audits plus special one-off audits, including of the effectiveness of the internal control and risk management system for the financial reporting process. The findings of these internal checks and controls are reported directly to the TDS AG Executive Board, and this report in turn forms the basis for the Executive Board's report to the Supervisory Board.

The internal control and risk management system for the financial reporting process is designed to ensure with sufficient certainty that published financial statements comply with applicable legislation. Due to its inherent limitations, however, it cannot fully guarantee that financial statements are entirely free from material misstatements. In addition, the internal auditors check that internal policies are in place, and monitor compliance with both these and legal requirements.

Operational risk

Economic risks

The demand for IT products and services depends on the development of the economy as a whole. Should the economy slip back into recession, companies will be reluctant to invest. It is possible that demand for IT services may fall, and investment in new projects may be postponed, or fail to materialise. At present, two risks are regarded as material. The repercussions of the nuclear crisis in Japan together with the debate surrounding the shutdown of German reactors could possibly result in increased energy costs. Moreover, the proposed sale of TDS MultiVision AG constitutes a risk because if a sale does not occur, losses from the activities in Switzerland could negatively affect the consolidated net income of TDS.

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 should the economy not develop as expected.

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 FSOHL, the majority shareholder, TDS has a strong, reliable partner and access to liquidity of around €40 million. €28,599 thousand of this amount had been claimed at the balance-sheet date, resulting in zero liquidity risk. Fujitsu Services Limited has approved renewal of the intercompany loan facility.

The agreements with Fujitsu Services Limited 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 from the negative development of financial markets on the financial situation and earnings of TDS, insofar as this is possible. In fiscal 2010/2011 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 have been no transactions of particular significance since the balance-sheet date 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 2011) 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 fiscal year is positive, with expectations of increased revenues and an EBIT margin of around 1 per cent.

The selective outsourcing offering of the IT Outsourcing business unit is tailored closely to customers' real-world needs; as a result, we are optimistic about future expansion. New private cloud services will allow TDS to establish and strengthen strategic partnerships with its customers. This entails working closely with clients to plan, implement and operate leading-edge IT services that offer superior flexibility in usage and pricing, while ensuring a high degree of security. IT resources are no longer seen in terms of pre-defined and limited functions; rather, they can be consumed by business users and corresponding processes in line with demands.

This combination of benefits is new to the market and allows TDS to fulfil current and future requirements of both new and existing customers – laying the groundwork for sustainable growth in TDS' core segment.

Economic environment and services

The global financial crisis fuelled a 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. To maintain their competitive edge, many are 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 partners such as Fujitsu Services and its Munich-based sister company Fujitsu Technology Solutions GmbH (FTS), TDS can win 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 its customers.

General economic outlook

Forecast for economic development

In a joint report published in autumn 2010, ifo, in conjunction with other market research organisations, suggested that the developed economies are likely to see lower growth in 2011. The institutes predict that although the economic recovery will slow down, a return to recession is improbable. They expect German GDP to increase by an average of 2.0 per cent in 2011, and total global output by 2.8 per cent. Growth of 6.8 per cent in international trade is expected, corresponding approximately to the average over the past two decades.

Industry-specific outlook

On the basis of data from the European Information Technology Observatory (EITO), Germany's IT industry association BITKOM predicts that the ICT market in Germany will develop positively in 2011. Sales of products in IT, telecommunications and consumer electronics for 2011 are expected to grow by 2.0 per cent to around €145.5 billion, corresponding to the 2010 figure of 2.0 per cent.

BITKOM forecasts that the German IT market will expand by 4.3 per cent in 2011 to €68.8 billion. The hardware market is predicted to expand by 5.6 per cent to €19.2 billion, the software industry by 4.5 per cent to €15.4 billion, and IT services by 3.5 per cent to €34.2 billion.

Earnings and financial situation

Assuming stable macroeconomic development and slight growth in the IT market, the Executive Board believes TDS business development will be positive, on the basis of current mid-term planning. We forecast revenues of €140 million in fiscal 2011/2012, and an EBIT margin just within positive territory. Increased revenues and a higher EBIT margin in the IT Outsourcing and IT Consulting segments are anticipated over fiscal 2010/2011. We expect no change to revenues in the HR Services & Solutions segment, but an improved – yet still negative – EBIT margin compared to the current fiscal year.

The Executive Board expects TDS Group revenues to rise to approximately €150 million and a higher EBIT margin of at least 3 per cent for fiscal 2012/2013.

To meet future growth, TDS plans to increase headcount in fiscal 2011/2012.

Expected capital expenditure

Capital expenditure is expected to total around €30 million over the next two years, mainly due to capital upgrades and additions for the data centres and corresponding infrastructure/equipment, and hardware and software for new and existing customers. These will be funded through cash flow from operating activities and through borrowing from Fujitsu Services.

Consolidated financial statements

TDS AG consolidated income statement for the fiscal year from 1 April 2010 to 31 March 2011

	Notes	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Revenues	8	131,688	132,214
Cost of sales	9	-112,045	-101,686
Gross profit		**19,643**	**30,528**
Selling and marketing costs		-11,935	-10,304
General and administrative expenses		-12,494	-12,836
Other operating income and expense	11	779	3,186
Earnings before interest and taxes (EBIT)		**-4,007**	**10,574**
Earnings from other investments (holdings)		5	5
Interest and similar income	13	89	43
Interest and similar expense	13	-1,081	-1,134
Other financial income/expense	13	-87	-41
Earnings before taxes (EBT)		**-5,081**	**9,447**
Income/expense from income taxes	14	1,230	-2,879
Gains or losses relating to continuing operations		**-3,851**	**6,568**
Profit or loss after tax of discontinued operations	5	**-1,161**	**-1,467**
Consolidated profit or loss		**-5,012**	**5,101**

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

TDS consolidated statement of comprehensive income for fiscal year 1 April 2010 to 31 March 2011

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Consolidated profit or loss	-5,012	5,101
Currency translation	162	-103
Total comprehensive income	**-4,850**	**4,998**

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

Consolidated balance sheet of TDS Informationstechnologie AG at 31 March 2011

Assets	Notes	31 March 2011 € thousand	31 March 2010 € thousand
Non-current assets			
Intangible assets	16	41,469	43,353
Property, plant and equipment	18	36,126	33,372
Investment property	19	763	790
Other financial assets	21	50	50
Other non-current assets	22	2,127	2,208
Deferred tax assets	14, 23	4,977	3,955
		85,512	83,728
Current assets			
Inventories	24	2	36
Trade receivables	25	20,039	25,744
Current tax assets	14	1,113	440
Other current assets	26	15,738	3,236
Cash and cash equivalents	27	537	549
		37,429	30,005
Assets of discontinued operations	5	319	3,752
Total assets		123,260	117,485

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

Shareholders' equity and liabilities	Notes	31 March 2011 € thousand	31 March 2010 € thousand
Shareholders' equity			
Share capital	28	29,369	29,369
Additional paid-in capital	28	47,165	35,823
Other comprehensive income	28	111	-51
Retained earnings and accumulated losses	28	-15,874	-10,862
Treasury shares	28	-135	-135
		60,636	54,144
Non-current liabilities			
Provisions for pensions	29	6,754	5,565
Other long-term provisions	30	31	17
Non-current financial liabilities	31	967	2,664
Other non-current liabilities	33	562	52
		8,314	8,298
Current liabilities			
Other short-term provisions	30	13,392	10,373
Customer downpayments	32	807	271
Trade payables	32	4,167	5,252
Current tax liabilities	32	351	0
Current financial liabilities	31	30,316	35,418
Other current liabilities	33	4,557	2,648
		53,590	53,962
Liabilities of discontinued operations	5	720	1,081
Total shareholders' equity and liabilities		123,260	117,485

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 2010 to 31 March 2011

	Notes	1 April 2010 to 31 March 2011		1 April 2009 to 31 March 2010	
		€ thousand	€ thousand	€ thousand	€ thousand
Consolidated gains or losses relating to continuing operations		-3,851		6,568	
Consolidated profit or loss after tax of discontinued operations		-1,161		-1,467	
Consolidated net income			-5,012		5,101
Non-cash income and expense					
Depreciation of property, plant and equipment	16, 18	14,469		12,008	
Changes in					
Provisions for pensions		1,249		365	
Other provisions		2,682		-73	
Profit/loss from disposal of non-current assets		348		-308	
Net change in deferred tax assets/liabilities	14	-815	17,933	1,730	13,722
Changes in operating assets and liabilities					
Inventories		34		14	
Receivables and other assets		4,120		1,964	
Liabilities		2,151	6,305	-3,959	-1,981
Cash flows from operating activities			**19,226**		**16,842**
Purchase of intangible assets, property, plant and equipment	16, 18	-16,106		-26,835	
Proceeds from disposal of non-current assets		645		1,325	
Cash flows from investing activities			**-15,461**		**-25,510**
Proceeds from bank loans	31	0		2,714	
Repayments of amounts due to banks	31	0		-7,714	
Repayments of obligations under finance leases	31	-2,896		-3,776	
Proceeds from loans granted by the majority shareholder	31	2,998		20,251	
Repayments of loans granted by the majority shareholder		-6,950		0	
Cash flows from financing activities			**-6,848**		**11,475**
Exchange-rate-related changes in cash and cash equivalents			203		68
Total change in cash and cash equivalents			-2,880		2,875
Cash and cash equivalents at the beginning of the period			3,537		662
Cash and cash equivalents at the end of the period			**657**		**3,537**
Of which cash and cash equivalents posted under current assets			537		549
Of which cash and cash equivalents of discontinued operations			120		2,988

Additional information	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Interest payments	-770	-921
Proceeds from interest	72	91
Tax payments	-1,177	-2,723
Proceeds from taxes	572	50
Dividend payments (incoming)	5	5

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	€ thousand	€ thousand	€ thousand	€ thousand	Number of shares	€ thousand	€ thousand
31 March 2009	29,368,616	29,369	35,823	52	-15,963	56,214	-135	49,146
Consolidated profit or loss					5,101			5,101
Currency translation				-103				-103
Total comprehensive income				*-103*	*5,101*			*4,998*
31 March 2010	29,368,616	29,369	35,823	-51	-10,862	56,214	-135	54,144
Consolidated profit or loss					-5,012			
Currency translation				162				
Comprehensive profit/loss				*162*	*-5,012*			*-4,850*
Compensation from majority shareholder for losses incurred			11,342					11,342
31 March 2011	29,368,616	29,369	47,165	111	-15,874	56,214	-135	60,636

Further details on shareholders' equity are included in note 28. 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, (FSOHL) 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 2011 are compiled in accordance with International Financial Reporting Standards (IFRS, formerly International Accounting Standards – IAS), as applicable in the European Union. The consolidated financial statements of TDS at 31 March 2011 will be disclosed in the electronic Federal Gazette, and are also available at www.unternehmensregister.de.

Application of the provisions of Section 264, Subsection 3 of the German Commercial Code (HGB) by subsidiaries

Both TDS HR Services & Solutions GmbH, Neckarsulm, Germany, and TDS IT Consulting GmbH, Neckarsulm, Germany, subsidiaries 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, make use of the exemption afforded by Section 264, Subsection 3 of HGB from the requirement for stock corporations to produce annual financial statements, and to subject these statements to audit.

Changes in accounting and valuation principles

The accounting and valuation principles used in the reporting period correspond to those used in fiscal 2009/2010. The following new or amended standards (IAS and IFRS) and interpretations (IFRIC) came into force this fiscal year; however, they did not have a material impact on the TDS consolidated financial statements:

- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards* (revised 2008)
  The amendment to IFRS 1 related only to its structure; the content did not change.

- Amendment to IFRS 3 *Business Combinations* (revised 2008)
  The amended IFRS 3 includes business combinations by contract alone or business combinations involving mutual entities in its scope. Furthermore, the amendment broadened the definition of a business, and states that contingent consideration must in future be measured at fair value at the time of the business combination. Moreover, an accounting policy choice was introduced to measure non-controlling interest either at fair value or at the non-controlling interest's proportionate share of net assets of the acquiree. All costs associated with the acquisition excluding costs of issuing debt or equity instruments (accounted for under IAS 32 and 39) must be expensed.

- Amendment to IAS 27 *Consolidated and Separate Financial Statements* (amended 2008)
  IAS 27 was revised in line with the revised IFRS 3. The amendment primarily relates to the reporting of changes to ownership interest. No gain or loss is recognised on changes in a parent's ownership interest in a subsidiary that do not result in a loss of control.

- Amendment to IFRS 1 *Additional Exemptions for First-time Adopters*
  IFRS 1 was amended to include exemptions from application of certain IFRS for oil and gas assets.

- Amendment to IFRS 2 *Group Cash-settled Share-based Payments Transactions*
  The amendments to IFRS 2 clarify how an individual subsidiary in a group should account for cash-settled share-based payment arrangements in its own financial statements.

- Amendment to IAS 39 Eligible Hedged Items
  The revised IAS 39 clarifies two hedge accounting issues: a one-sided risk in a hedged item, and inflation in a financial hedged item.

- IFRIC 12 Service Concession Arrangements
  IFRIC 12 addresses how entities that are contracted by a government or government agency to provide services such as developing or upgrading roads, airports or energy distribution networks report the rights and duties arising from these contractual obligations.

- IFRIC 15 Agreements for the Construction of Real Estate
  IFRIC 15 standardises accounting practice for real-estate developers for sale of units "off-plan" – that is, before construction is complete. IFRIC 15 defines whether such accounting is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
  This interpretation 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.

- IFRIC 17 Distribution of Non-cash Assets to Owners
  IFRIC 17 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 of the entity.

- IFRIC 18 Transfers of Assets from Customers
  IFRIC 18 specifies how an entity should report assets received from a customer, which must be used either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services.

- Amendment to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (improvements to IFRS 2008)
  IFRS 5 states that an entity that is committed to a sale involving loss of control of a subsidiary that qualifies for held-for-sale classification under IFRS 5 shall classify all of the assets and liabilities of that subsidiary as held for sale.

Impact of new, not yet applicable accounting standards
Several new or amended standards and interpretations have been published but were not binding for the fiscal year 1 April 2010 to 31 March 2011, and were not applied in the consolidated financial statements at 31 March. The Company does not expect that these new or amended standards and interpretations will have an impact on future TDS AG consolidated financial statements.

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, to the extent required by IFRS.

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).

Development costs
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 production of an asset that takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the acquisition/production costs of the corresponding asset. 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. 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 six years), customers gained through acquisitions (up to 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 2009/2010.

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 up to six 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. 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 and securities 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 liabilities 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 2010/2011 and fiscal 2009/2010 present income and expenses of discontinued operations separately from income and expenses related to continuing operations. Profit or loss of discontinued operations is 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.

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. 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, taking discontinued operations into account.

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. This includes other elements of income, in this instance comprising 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 on 15 March 2010 the Executive Board’s intention to sell all shares in TDS MultiVision AG, Regensdorf, Switzerland (TDS MV) to Fujitsu Technology Solutions AG, Regensdorf, Switzerland. This sale was not completed, and negotiations are taking place with a number of other interested parties at present.

TDS MV has been classified as a discontinued operation since the end of fiscal 2009/2010. 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 business in Switzerland represents a geographical area of operations, and as of 31 March 2011 the Executive Board expects it will be sold in the near future. As these criteria continue to apply, the Company management is still of the opinion that TDS MV qualifies for classification as a discontinued operation.

- 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 2010/2011 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 recoverability 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 occurrence, 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.

3 Principles of consolidation

Principles of consolidation

Consolidated financial statements include all subsidiaries (fiscal 2009/2010: all subsidiaries with the exception of RATIODATA Rechenzentrum AG, Oberengstringen, Switzerland, see note 4 “Changes to corporate structure and to consolidation”). 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, receivables, cash and cash equivalents and liabilities in foreign currencies are translated at the closing rate on 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 2011 Rate at balance-sheet date	31 March 2011 Average rate for fiscal year	31 March 2010 Rate at balance-sheet date	31 March 2010 Average rate for fiscal year
US dollars	1.42030	1.32292	1.35330	1.41458
Swiss francs	1.29950	1.33828	1.42450	1.50148
Pounds sterling	0.88290	0.84989	0.89180	0.88575

4 Changes to corporate structure and to consolidation

Fiscal 2010/2011

On 8 April 2010, TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland, (TDS HR Switzerland) a wholly owned subsidiary of TDS HR Services & Solutions GmbH, Neckarsulm, was entered into the commercial register. The company was founded through cash payment of share capital in the amount of 100,000.00 CHF (1,000 registered shares, each with a nominal value of 100 CHF) by TDS HR Services & Solutions GmbH, Neckarsulm.

TDS HR Switzerland offers services and solutions for all aspects of operational and to a certain extent strategic HR tasks, with the aim of replicating in Switzerland the success and market dominance the parent company enjoys in Germany and Austria. This allows customers headquartered in German-speaking Europe but with international operations to benefit from high-quality one-stop HR solutions.

The consolidated income statement also includes TDS HR Switzerland revenues of €17 thousand. Consolidated net income includes a loss of €406 thousand attributable to TDS HR Switzerland.

Effective 16 November 2010, RATIODATA Rechenzentrum AG, Oberengstringen, Switzerland, which had been in liquidation, was dissolved. This dissolution was entered into the canton of Zurich's commercial register on 16 November 2010. There was no impact on profit/loss.

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 was a business combination involving entities under common control, as described by IFRS 3. Therefore, as of 31 October 2009, ROSEA GmbH was 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 has therefore been included in the consolidated financial statements as a fully consolidated company since fiscal 2009/2010.

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

5 Discontinued operations

As part of the strategic reorganisation of the Group, TDS announced on 15 March 2010 the Executive Board's intention to sell all shares in TDS MultiVision AG, Regensdorf, Switzerland, (TDS MV) to Fujitsu Technology Solutions AG, Regensdorf, Switzerland (FTS Switzerland). This sale was not completed, but negotiations are taking place with a number of interested parties at present.

TDS MV has been classified as a discontinued operation since the end of fiscal 2009/2010. 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 business in Switzerland represents a geographical area of operations, and as of 31 March 2011 the Executive Board believes it is likely to be sold in the near future. As these criteria continue to apply, the Company management still believes that TDS MV qualifies for classification as a discontinued operation.

As in fiscal 2009/2010, the current profit/loss recorded by TDS MV was reported as current profit or loss of discontinued operations in the consolidated income statement, in accordance with IFRS 5 *Non-current assets held for sale and discontinued 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 in fiscal 2009/2010. Moreover capitalised software developed in-house to the value of €609 thousand was derecognised under *intangible assets* on 31 March 2010. In fiscal 2009/2010, a loss was incurred through the disposal of intangible assets in the amount of €609 thousand, which was not recognised for tax purposes.

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

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
TDS MV: income	2,806	3,759
TDS MV: expenditure	-3,622	-5,268
Current profit or loss of discontinued operations before tax	**-816**	**-1,509**
Income tax on profit or loss of discontinued operations	-228	42
Current profit or loss of discontinued operations after tax	**-1,044**	**-1,467**
Profit or loss resulting from valuation of discontinued operations	-117	0
Profit or loss of discontinued operations after tax	**-1,161**	**-1,467**

In addition to sales, TDS MV's income includes other operating income, interest and additional financial income. *Profit or loss resulting from valuation of discontinued operations* includes the unscheduled amortisation of TDS MV goodwill in the amount of €117 thousand.

At 31 March 2011, a tax loss carryforward of €3,818 thousand and temporary differences of €542 thousand attributable to TDS MV were posted, which would have resulted in deferred tax assets of €898 thousand. As TDS MV continues to make losses, however, the Executive Board has decided not to form any deferred tax assets. A valuation allowance was posted for deferred tax assets from fiscal 2009/2010, resulting in deferred tax expense of €227 thousand.

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 of discontinued operations listed in the consolidated balance sheet break down as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Goodwill held for sale	0	117
Property, plant and equipment held for sale	75	108
Other non-current assets held for sale	0	207
Receivables and other current assets held for sale	124	332
Cash and cash equivalents held for sale	120	2,988
Assets of discontinued operations	**319**	**3,752**

	31 March 2011 € thousand	31 March 2010 € thousand
Pension provisions of discontinued operations	495	434
Current liabilities of discontinued operations	225	647
Liabilities of discontinued operations	**720**	**1,081**

TDS MV liabilities to TDS AG in the amount of €482 thousand (€2,642 thousand in fiscal 2009/2010) were eliminated within the scope of debt consolidation.

Cash flows of discontinued operations break down as follows:

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Cash flows attributable to operating activities	-1,097	-463
Cash flows attributable to investing activities	-22	-107
Cash flows attributable to financing activities	-1,945	3,146
Currency translation effects	196	66
Total change in cash and cash equivalents of discontinued operations	**-2,868**	**2,642**
Cash and cash equivalents of discontinued operations at the beginning of the period	2,988	346
Cash and cash equivalents of discontinued operations at the end of the period	**120**	**2,988**

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 2011 € thousand	31 March 2010 € thousand
Trade receivables (Germany)	16,510	19,418
Trade receivables (other countries)	2,523	2,987
Receivables from ongoing projects not yet invoiced (PoC)	1,006	3,339
Cash and cash equivalents	537	549
Other receivables	13,853	2,014
	34,429	**28,307**

Other receivables allocated to financial assets, in the amount of €13,853 thousand (€2,014 thousand in fiscal 2009/2010) are included under other non-current assets and other current assets, of which €11,342 thousand is attributable to TDS AG’s claim for compensation from FSOHL for losses incurred.

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

	31 March 2011 € thousand	31 March 2010 € thousand
Trade receivables	105	313
Cash and cash equivalents	120	2,988
Other receivables	12	5
	237	3,306

Valuation allowances for financial assets:

	Lendings		Trade receivables		Receivables from ongoing projects not yet invoiced (PoC)		Cash and cash equivalents		Other receivables	
	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand
Cost of acquisition	0	811	20,991	23,799	1,006	3,339	537	549	13,868	2,014
Valuation allowances	0	-811	-1,958	-1,394	0	0	0	0	-15	0
	0	0	19,033	22,405	1,006	3,339	537	549	13,853	2,014

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

At 31 March 2011, financial liabilities that were overdue but not impaired broke down as follows:

Trade receivables

€ thousand				Overdue but not impaired				
		Total	Not overdue	Less than 30 days	31-60 days	61-90 days	91-120 days	Over 121 days
31 March 2011	Gross value	20,991	14,125	2,255	917	913	127	2,654
	Valuation allowance	-1,958	0	0	0	-97	-34	-1,827
31 March 2010	Gross value	23,799	15,487	3,279	1,412	888	290	2,443
	Valuation allowance	-1,394	0	0	0	0	0	-1,394

Other receivables

€ thousand				Overdue but not impaired				
		Total	Not overdue	Less than 30 days	31-60 days	61-90 days	91-120 days	Over 121 days
31 March 2011	Gross value	13,868	13,853	0	0	0	0	15
	Valuation allowance	-15						-15
31 March 2010	Gross value	2,014	2,014	0	0	0	0	0
	Valuation allowance	0	0	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 2011, the Group's financial liabilities had the following maturities. Figures are based on contractual, non-discounted payment amounts.

31 March 2011	Carrying amount € thousand	Payments € thousand	2011/ 2012 € thousand	2012/ 2013 € thousand	2013/ 2014 € thousand	2014/ 2015 € thousand	2015/ 2016 onwards € thousand
Amounts due to related companies	28,599	28,973	28,973	0	0	0	0
Finance leases	2,684	2,830	1,844	908	78	0	0
Trade payables	4,167	4,167	4,167	0	0	0	0
Other liabilities	319	319	319	0	0	0	0
Total	**35,769**	**36,289**	**35,303**	**908**	**78**	**0**	**0**

Fiscal 2009/2010

31 March 2010	Carrying amount € thousand	Payments € thousand	2010/ 2011 € thousand	2011/ 2012 € thousand	2012/ 2013 € thousand	2013/ 2014 € thousand	2014/ 2015 onwards € thousand
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**

Interest-rate-related risk

TDS is financed via two short-term 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 2011	Increase/decrease in interest rate in base points	Change in earnings before taxes € thousand
	+100	-325
	-100	+325

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

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

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. The IT Consulting portfolio comprises SAP-related consulting, licensing and maintenance.

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. 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. 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 2009/2010 have been adjusted to represent continuing operations.

Figures for individual operating segments

1 April 2010 to 31 March 2011	IT Outsourcing	HR Services & Solutions	IT Consulting	Reconciliation	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Income statement					
External revenues	65,265	54,245	12,178	0	131,688
EBIT	4,830	-8,321	-550	34	-4,007
Financial income (interest)					-1,074
Earnings before taxes					-5,081

1 April 2009 to 31 March 2010	IT Outsourcing	HR Services & Solutions	IT Consulting	Reconciliation	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Income statement					
External revenues	60,619	55,416	16,179	0	132,214
EBIT	8,060	2,213	213	88	10,574
Financial income (interest)					-1,127
Earnings before taxes					9,447

Costs incurred centrally for holding-company and administrative functions are assigned to all segments in accordance with a pre-defined revenue-based key. The reconciliation in the table above includes effects of consolidation in the amount of €10 thousand (minus €2 thousand in fiscal 2009/2010) and ROSEA GmbH's operating profit/loss of €24 thousand (€90 thousand in fiscal 2009/2010).

In fiscal 2010/2011, valuation allowances for trade receivables led to non-cash expenses of €612 thousand (€1,352 thousand in fiscal 2009/2010), of which €40 thousand is attributable to IT Outsourcing (€572 thousand in fiscal 2009/2010), €570 thousand to HR Services & Solutions (€714 thousand in fiscal 2009/2010) and €2 thousand to IT Consulting (€66 thousand in fiscal 2009/2010).

Analysis of revenues by geographical region

External revenues	Germany € thousand	Rest of Europe € thousand	Total € thousand
1 April 2010 to 31 March 2011	129,467	2,221	131,688
1 April 2009 to 31 March 2010	129,707	2,507	132,214

External revenues are allocated to the country where the company providing the service 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 € thousand	Rest of Europe € thousand	Total € thousand
31 March 2011	76,485	1,873	78,358
31 March 2010	75,648	1,867	77,515

Non-current assets comprise intangible assets (including goodwill), property, plant and equipment, and investment property.

Notes to the consolidated income statement

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

8 Revenues

Revenues of €131,688 thousand (€132,214 thousand in fiscal 2009/2010) 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 €1,955 thousand were generated from customer-specific contracts in fiscal 2010/2011 (€4,459 thousand in fiscal 2009/2010) according to the percentage-of-completion method.

9 Cost of sales

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Expenditure for services received	16,138	20,366
Expenditure for finished goods and products	833	712
Cost of materials	16,971	21,078
Personnel costs	57,149	51,207
Depreciation and amortisation	13,618	10,802
Other expenditure	24,307	18,599
Cost of sales	**112,045**	**101,686**

10 Depreciation and amortisation

Scheduled amortisation and depreciation of intangible assets, property, plant and equipment and investment property of continuing operations totalled €14,297 thousand (€11,776 thousand in fiscal 2009/2010). 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 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Income from other general costs charged to customers	108	76
Income from other general costs charged to related companies	500	2,508
Income from disposal of non-current assets	137	322
Other operating income	631	1,216
	1,376	4,122
Expenses from other general costs charged to customers	84	80
Expenses from other general costs charged to related companies	13	215
Other tax expense	5	4
Expenses from disposal of non-current assets	485	22
Other operating expenses	10	615
	597	936
Other operating income and expense, net	779	3,186

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 2010 to 31 March 2011, income from other fiscal years totalled €1,200 thousand (€668 thousand in fiscal 2009/2010). This figure includes €860 thousand for the reversal of provisions, €137 thousand for proceeds from the disposal of assets, €122 thousand in tax refunds from previous years, and €81 thousand for other items. Expenses from other fiscal years totalled €594 thousand (€201 thousand in fiscal 2009/2010), including €106 thousand for back taxes for previous years, €485 thousand for expenses from disposal of non-current assets, and €3 thousand for other items not attributable to 2010/2011.

12 Personnel costs

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

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Salaries and wages	62,455	56,654
Social security costs	9,254	8,364
Net periodic pension costs	197	92
Other pension costs	125	146
	72,031	65,256

The average headcount for fiscal 2010/2011 was as follows:

	Fiscal 2010/2011	Fiscal 2009/2010
Number of employees, production	1,012	940
Number of employees, sales and marketing	81	74
Number of employees, administration	154	113
of which attributable to discontinued operations	-7	-17
	1,240	1,110

13 Financial income/expense

This item comprises the following:

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Interest and similar income	89	43
Interest and similar expense	-1,081	-1,134
Interest income/loss, net	**-992**	**-1,091**
Other financial income	11	153
Other financial expense	-98	-194
Other financial income/expense, net	**-87**	**-41**
	-1,079	**-1,132**

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 €65 thousand (€42 thousand in fiscal 2009/2010), and €744 thousand (€832 thousand in fiscal 2009/2010) respectively.

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

Interest income/loss, net includes income from interest on TDS HR Switzerland pension plan assets of €7 thousand (€0 in fiscal 2009/2010). Income from interest on TDS MV pension plan assets totalled €9 thousand for fiscal 2010/2011 (€23 thousand in fiscal 2009/2010), and is posted under *profit or loss of discontinued operations*.

14 Income taxes

Income taxes break down as follows:

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Current tax expense	0	-1,230
Income from income taxes	208	134
Deferred taxes attributable to measurement differences	751	-86
Deferred tax on loss carryforwards	271	-1,697
Tax in the consolidated income statement	**1,230**	**-2,879**

For German companies, at 31 March 2011, deferred taxes were calculated at a German corporation tax rate of 15 per cent (15 per cent in fiscal 2009/2010). 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 trade tax of 13.21 per cent (13.21 per cent in fiscal 2009/2010). Taking into account the solidarity surcharge and trade tax, a deferred tax rate of 29.035 per cent applied in fiscal 2010/2011 (29.035 per cent in fiscal 2009/2010).

Changes to fiscal law in Germany, effective from 2004, led to greater restrictions being placed on the use of tax loss carry-forwards. As a result, corporation-/trade-tax loss carryforwards may only be netted in full against €1,000 thousand of total positive earnings, and by up to 60 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 2011 (29.035 per cent in fiscal 2009/2010) by pre-tax earnings.

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Expected tax expense	1,475	-2,743
Effects of foreign operations taxed at various rates	-30	10
Non-tax-deductible expense	-17	-267
Trade-tax deviation	-92	-78
Valuation allowance for deferred tax assets	-426	176
Currency exchange for deferred tax assets	9	0
Tax from previous reporting periods	271	20
Other additions	40	3
Actual tax expense	1,230	-2,879

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 2011 € thousand	31 March 2010 € thousand
Deferred tax assets		
Tax loss carryforwards	8,423	7,727
Intangible assets	81	87
Provisions for pensions	504	418
Provisions	75	32
Finance leases	61	71
	9,144	8,335
Valuation allowance	-2,141	-1,715
Total deferred tax assets	7,003	6,620
Deferred tax liabilities		
Property, plant and equipment	-19	-20
Percentage of completion	-81	-393
Customer base, licences used by customers	-1,200	-1,313
Intangible assets	-627	-841
Receivables	-99	-98
Total deferred tax liabilities	-2,026	-2,665
Deferred tax assets/liabilities	4,977	3,955

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 2011, TDS AG posted corporation-tax loss carryforwards totalling €24,476 thousand (€22,394 thousand in fiscal 2009/2010), and trade-tax loss carryforwards totalling €20,765 thousand (€18,681 thousand in fiscal 2009/2010). Impairment testing for tax loss carryforwards is based on taxable income over a five-year period. The limitations placed 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 €6,282 thousand were carried in the financial statements (€6,012 thousand in fiscal 2009/2010). A valuation allowance of €335 thousand (€0 in fiscal 2009/2010) was formed.

TDS HR posted corporation-tax loss carryforwards in the amount of €4,922 thousand (€4,922 thousand in fiscal 2009/2010), and trade-tax loss carryforwards totalling €4,807 thousand (€4,807 thousand in fiscal 2009/2010). 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, the deferred tax assets for loss carryforwards continue to be valued at €0.

TDS HR Services & Solutions Switzerland AG was founded in fiscal 2010/2011, leading to start-up losses totalling €435 thousand. A valuation allowance was formed for the full amount (€90 thousand) of the resulting deferred tax assets.

At 31 March 2011, TDS Systemhouse PLC, Chesterfield, UK, posted corporation tax loss carryforwards of €1,044 (€1,004 thousand in fiscal 2009/2010). In the United Kingdom there is no time limit on the use of tax loss carryforwards. A valuation allowance was formed for the full amount of the resulting deferred tax assets.

At 31 March 2011, TDS MultiVision AG, Regensdorf, Switzerland, was classified as a discontinued operation due to the proposed sale. Therefore the change in tax assets/liabilities totalling €227 thousand is posted under *profit and loss of discontinued operations*.

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 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Gains or losses relating to continuing operations after tax	-3,851	6,568
Profit or loss of discontinued operations after tax	-1,161	-1,467
Consolidated net income	-5,012	5,101

	Fiscal 2010/2011 Number of shares	Fiscal 2009/2010 Number of shares
Weighted average of all outstanding shares used to calculate basic earnings per share	29,312,402	29,312,402
Dilutive effects of share options	0	0
Weighted average of all outstanding shares used to calculate diluted earnings per share	29,312,402	29,312,402

	Fiscal 2010/2011 €	Fiscal 2009/2010 €
Earnings per share (basic) of continuing operations after tax	-0.13	0.22
Earnings per share (basic) of discontinued operations after tax	-0.04	-0.05
Consolidated earnings per share (basic)	-0.17	0.17

	31 March 2011 €	31 March 2010 €
Earnings per share (diluted) of continuing operations after tax	-0.13	0.22
Earnings per share (diluted) of discontinued operations after tax	-0.04	-0.05
Consolidated earnings per share (diluted)	-0.17	0.17

16 Intangible assets

Intangible assets developed as follows during the period 1 April 2010 to 31 March 2011:

	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
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Cost of acquisition					
1 April 2010	28,348	6,777	2,245	41,950	79,320
Currency translation effects	0	0	0	0	0
Additions	3,068	389	0	0	3,457
Reallocations	351	0	-400	0	-49
Disposals	5,864	504	93	0	6,461
31 March 2011	25,903	6,662	1,752	41,950	76,267
Depreciation and amortisation					
1 April 2010	19,323	4,143	1,738	10,763	35,967
Currency translation effects	0	0	0	0	0
Additions	3,835	551	239	0	4,625
Reallocations	325	0	-334	0	-9
Disposals	5,669	22	94	0	5,785
31 March 2011	17,814	4,672	1,549	10,763	34,798
Carrying amounts					
31 March 2011	8,089	1,990	203	31,187	41,469
31 March 2010	9,025	2,634	507	31,187	43,353

TDS does not carry out its own R&D. All development costs, to the value of €389 thousand (€942 thousand in fiscal 2009/2010), 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 2009 to 31 March 2010, 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
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
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 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

17 Goodwill

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

CGU	Legal entity
IT Consulting Germany	TDS IT Consulting GmbH, Neckarsulm, Germany
IT Outsourcing	TDS Informationstechnologie AG, Neckarsulm, Germany
HR Germany	TDS HR Services & Solutions GmbH, Neckarsulm, Germany
HR Austria	TDS HR Services & Solutions Austria GmbH, Vienna, Austria (formerly effect Personalmanagement GmbH, Pasching, Austria)

As part of a change in strategy, selected business activities of the IT Consulting Germany CGU have been reallocated to other segments. This involved assigning application management to IT Outsourcing and HR Services & Solutions, and SAP HCM to HR Germany. The restructuring required changes to the way goodwill was reported for IT Consulting Germany. Goodwill was allocated to the IT Outsourcing and HR Germany CGUs in accordance with the respective values of the business activities transferred.

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. Impairment testing is performed on the 31 October of each fiscal year. The interest paid by a typical market participant is applied for discounting cash flows. Company planning is for a period of three years. Perpetuity is calculated on the basis of discounted cash flows for the third year. The Company assumes sustainable growth of 0 per cent.

According to impairment testing at 31 October 2010, there was no need for write-downs. In fiscal 2010/2011, a post-tax interest rate of 6.94 per cent (7.47 per cent in fiscal 2009/2010) was used for the company planning period. The corresponding nominal pre-tax interest rate is 9.92 per cent (10.53 per cent in fiscal 2009/2010). Impairment testing conducted on 31 October 2010 revealed that fair value less costs to sell of the HR Germany CGU was €416 thousand higher than its carrying amount. Due to increased interest rates and changes to company planning, the goodwill for the HR Germany CGU was tested again for impairment on 31 March 2011. This did not result in the need for a write-down. For the purposes of impairment testing, a post-tax interest rate of 7.42 per cent was applied for the company planning period. The corresponding nominal pre-tax interest rate is 10.60 per cent.

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.

As in fiscal 2009/2010, goodwill for the CGU IT Consulting Switzerland was reallocated to *assets of discontinued operations*. At 31 March 2011, value impairment led to goodwill being written down to zero. The corresponding value allowance of €117 thousand is posted under *profit or loss of discontinued operations*.

For fiscal 2010/2011, goodwill broken down by cash-generating unit (CGU) was as follows:

	IT Consulting Germany	IT Outsourcing	HR Germany	HR Austria	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Cost of acquisition					
1 April 2010	13,960	0	26,231	1,759	41,950
Additions	0	0	0	0	0
Reallocations	-643	291	352		0
Disposals	0	0	0	0	0
31 March 2011	13,317	291	26,583	1,759	41,950
Depreciation and amortisation					
1 April 2010	10,763	0	0	0	10,763
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2011	10,763	0	0	0	10,763
Carrying amounts					
31 March 2011	2,554	291	26,583	1,759	31,187
31 March 2010	3,197	0	26,231	1,759	31,187

In fiscal 2009/2010, goodwill broken down by cash-generating unit was follows:

	IT Consulting Germany	IT Consulting Switzerland	HR Germany	HR Austria	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
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

18 Property, plant and equipment

In the fiscal year from 1 April 2010 to 31 March 2011, property, plant and equipment developed as follows:

	Leasehold buildings	Computers and similar equipment	Leased computer equipment, office equipment, etc.	Other computer equipment and office equipment, etc.	Downpayments, plant and equipment under construction	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Cost of acquisition						
1 April 2010	3,492	37,604	13,591	9,713	16,000	80,400
Currency translation effects	0	0	0	0	0	0
Additions	2,308	7,025	49	1,571	1,722	12,675
Reallocations	11,948	3,837	0	17	-15,753	49
Disposals	10	10,109	4,241	2,224	0	16,584
31 March 2011	17,738	38,357	9,399	9,077	1,969	76,540
Depreciation and amortisation						
1 April 2010	1,386	29,125	8,813	7,704	0	47,028
Currency translation effects	0	0	0	-1	0	-1
Additions	598	5,587	2,536	924	0	9,645
Reallocations	0	9	0	0	0	9
Disposals	8	10,029	4,220	2,010	0	16,267
31 March 2011	1,976	24,692	7,129	6,617	0	40,414
Carrying amounts						
31 March 2011	15,762	13,665	2,270	2,460	1,969	36,126
31 March 2010	2,106	8,479	4,778	2,009	16,000	33,372

At 31 March 2011, as in fiscal 2009/2010, TDS had not provided securities for its loans.

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 2010/2011 primarily comprised costs for the new data centre in Neuenstadt.

In the fiscal year from 1 April 2009 to 31 March 2010, property, plant and equipment developed as follows:

	Leasehold buildings	Computers and similar equipment	Leased computer equipment, office equipment, etc.	Other computer equipment and office equipment, etc.	Downpayments, plant and equipment under construction	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
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

19 Investment property

The following table shows changes in investment property in the fiscal year from 1 April 2010 to 31 March 2011:

	€ thousand
Cost of acquisition	
1 April 2010	2,491
Additions	0
Disposals	0
31 March 2011	2,491
Depreciation and amortisation	
1 April 2010	1,701
Current fiscal year	27
31 March 2011	1,728
Carrying amounts	
31 March 2011	763
31 March 2010	790

At 31 March 2011, fair value of investment property totalled €890 thousand (€900 thousand in fiscal 2009/2010). 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.

In fiscal 2010/2011, lease income from investment property amounted to €20 thousand (€27 thousand in fiscal 2009/2010). Operating expenses came to €13 thousand (€13 thousand in fiscal 2009/2010).

In fiscal 2009/2010, investment property developed as follows:

	€ thousand
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

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 leased 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 12.3 per cent.

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

	31 March 2011 € thousand		31 March 2010 € thousand	
	Minimum lease payments	Present value of the minimum lease payments	Minimum lease payments	Present value of the minimum lease payments
Less than one year	1,844	1,717	3,192	2,867
Between one and five years	986	967	2,783	2,664
Longer than five years	0	0	0	0
Total minimum lease payments	2,830		5,975	
Less interest	-146		-444	
Present value of minimum lease payments	2,684		5,531	

Operating leases

The Company also leases office space, office equipment, vehicles and certain services under operating leases. These leases generally include options for extension. Operating leases break down as follows:

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Lease expenses	4,671	4,260
Income from subleasing arrangements	-231	-243
	4,440	4,017

At 31 March 2011, future obligations under operating leases for the minimum lease term were as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Less than one year	4,324	3,966
Between one and five years	8,841	9,938
Longer than five years	17,645	19,376
	30,810	33,280

Future minimum income from subleases was as follows 31 March 2011:

	31 March 2011 € thousand	31 March 2010 € thousand
Less than one year	225	243
Between one and five years	201	409
Longer than five years	209	223
	635	875

21 Other financial assets

Development during the reporting period:

	Investments € thousand	Loans to investments valued at the cost of acquisition € thousand	Securities € thousand	Other lendings € thousand	Total € thousand
Cost of acquisition					
1 April 2010	1,131	77	16	734	1,958
Currency translation effects	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	77	0	734	811
31 March 2011	1,131	0	16	0	1,147
Depreciation and amortisation					
1 April 2010	1,093	77	4	734	1,908
Additions	0	0	0	0	0
Disposals	0	77	0	734	811
31 March 2011	1,093	0	4	0	1,097
Carrying amounts					
31 March 2011	38	0	12	0	50
31 March 2010	38	0	12	0	50

Development in fiscal 2009/2010:

	Investments € thousand	Loans to investments valued at the cost of acquisition € thousand	Securities € thousand	Other lendings € thousand	Total € thousand
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

The following companies are included at cost of acquisition:

Name of company	Holding in per cent
BFL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn, Germany (BFL)	0.32 %
Villa Rosa gGmbH, Heilbronn, Germany (Villa Rosa)	30.00 %
VisionOne Consulting AG i. I., Neuss, Germany (VisionOne)	8.55 %

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

	BFL**	Villa Rosa*
	€ thousand	€ thousand
Total assets	14,511	189
Total liabilities	913	41
Total revenues	0	637
Profit for the year	3,094	33

*) At 31 December 2010
**) At 31 December 2009

VisionOne is insolvent. It compiled financial statements for the last time on 31 December 2008.

A list of subsidiaries and holdings at 31 March 2011 follows these notes, and is an integral part of these notes.

22 Other non-current assets

	31 March 2011 € thousand	31 March 2010 € thousand
Cash surrender value of life insurance	291	332
Prepaid expenses	1,023	209
Other non-current assets	813	1,667
	2,127	2,208

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 2011 € thousand	31 March 2010 € thousand
Consumables	0	34
Commodities	2	2
	2	36

25 Trade receivables

	31 March 2011 € thousand	31 March 2010 € thousand
Trade receivables	20,991	23,799
Less valuation allowances	-1,958	-1,394
	19,033	22,405
Receivables from ongoing projects not yet invoiced (PoC)	1,006	3,339
Total trade receivables on the balance sheet	20,039	25,744

At 31 March 2011, receivables from ongoing projects not yet invoiced included incurred expenses of €2,850 thousand (€4,192 thousand in fiscal 2009/2010), gains of €279 thousand (€1,253 thousand in fiscal 2009/2010), and €696 thousand in losses (€61 thousand in the fiscal 2009/2010). However, these receivables were posted net of cash advances totalling €1,427 thousand (€2,045 thousand in fiscal 2009/2010). 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.

All trade receivables have a term of less than one year.

At 31 March 2011, an impairment loss was defined for trade receivables with a nominal value of €1,958 thousand (€1,394 thousand in fiscal 2009/2010). The valuation allowance developed as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
1 April 2010	1,394	113
Additions	612	1,352
Use	-44	-36
Reduction	-4	-35
31 March 2011	1,958	1,394

26 Other current assets

	31 March 2011 € thousand	31 March 2010 € thousand
Supplier credit	31	29
Deposit payments	25	38
Receivables from employees	21	17
Downpayments to suppliers	16	136
Claim for compensation from majority shareholder for losses incurred	11,342	0
Other receivables and assets	1,794	476
Valuation allowance	-15	-23
	13,214	673
Prepaid expenses	2,524	2,563
	15,738	3,236

Prepaid expenses comprise payments made in fiscal 2010/2011 for maintenance contracts representing work that will be performed in the future.

As a result of the transfer of staff from a customer, TDS has undertaken certain staff-related obligations and as such is entitled to compensation from the customer in the amount of €998 thousand.

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 2011, cash and cash equivalents totalled €537 thousand (€549 thousand in fiscal 2009/2010). TDS MV holds cash and cash equivalents totalling €120 thousand (€2,988 thousand in fiscal 2009/2010). These are posted under *assets of discontinued operations*.

28 Shareholders' equity

Share capital

At 31 March 2011, share capital comprised 29,368,616 (29,368,616 at 31 March 2010) 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. On 31 March 2011, additional paid-in capital rose by €11,342 thousand as a result of compensation received from the majority shareholder, Fujitsu Services Overseas Holding Limited, London, UK, (FSOHL) for losses incurred. The subordination agreement between FSOHL and TDS AG states that FSOHL is obliged to compensate TDS for any loss.

Authorised capital

On 16 September 2010, 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 €14,684 thousand by 15 September 2015, by means of issuing 14,684,308 bearer shares with a stated value of €1.00 against cash or non-cash contributions.

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 2010/2011.

Treasury shares

At 31 March 2011 the number of treasury shares remained the same year-on-year 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. Capital management aims to safeguard liquidity and limit financial risk. TDS borrows within the Fujitsu Group where possible.

In fiscal 2010/2011 – as in fiscal 2009/2010 – 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 2011 € thousand	31 March 2010 € thousand
Total shareholders' equity	60,636	54,144
Total assets	123,260	117,485
Equity-to-total-assets ratio	**49.2 %**	**46.1 %**

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

29 Pension obligations

At 31 March 2011, provisions for pensions broke down as follows:

	1 April	Currency translation adjustments	Use	Reduction	Addition	Reallocations to liabilities of discontinued operations	31 March
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
1 April 2010 to 31 March 2011	5,565	0	113	0	1,302	0	6,754
1 April 2009 to 31 March 2010	5,634	15	209	0	559	-434	**5,565**

On 31 March 2011, pension obligations for newly founded TDS HR Switzerland were included on the balance sheet for the first time. The pension plans of TDS HR Switzerland are financed exclusively by funds.

As the Group does not believe the pension obligations of TDS HR Switzerland to be of material importance, these are not posted separately in the following table but rather included under the Group pension plans for Germany.

Due to the proposed sale of TDS MultiVision AG, Regensdorf, Switzerland, (TDS MV) its pension plans are posted under *liabilities of discontinued operations* and not under *provisions for pensions* on the balance sheet.

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.

Company pensions within the Group are based primarily 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 entirely by provisions. The defined benefit plans of TDS MV and TDS HR Switzerland are financed exclusively by funds.

Costs for defined contribution plans totalled €33 thousand in fiscal 2010/2011 (€0 thousand in fiscal 2009/2010).

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 assumptions regarding life expectancy, the following assumptions, which depend on the economic environment of the specific country, are important:

	Germany		Switzerland (TDS HR Switzerland and TDS MV)	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
Discount rate	5.30 %	5.00 %	3.00 %	3.00 %
Expected return on assets	-	-	3.00 %	3.00 %
Rate of compensation increase	2.50 %	1.00 %	1.00 %	1.00 %
Rate of retirement-benefit increase	2.00 %	1.75 %	0.00 %	0.00 %

Projected staff turnover is based on the probability of employees leaving the company in accordance with age group (ranging from 2 to 10 per cent). The rate of compensation increase reflects expected future salary increases. These are estimated annually, taking into consideration factors such as inflation and the economic situation.

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

Increases or decreases in either the present value of the defined benefit plans, or in the fair value of the plan assets, can result in actuarial gains 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 performed 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:

	TDS Group (excluding TDS MV)		TDS MV (included in *liabilities of discontinued operations*)	
	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand
Present value of pension obligations financed by provisions	6,751	5,540	0	0
Present value of pension obligations financed by funds	458	0	253	682
Present value of defined benefit obligations	7,209	5,540	253	682
less plan assets at market value	-444	0	-201	-486
Net obligations	6,765	5,540	52	196
Adjustment due to actuarial gains and losses	-71	25	443	238
Balance sheet value	6,694	5,565	495	434
of which posted under provisions for pensions	6,754	5,565	495	434
of which posted under other non-current assets	-60	0	0	0

In the last five years, the present value of defined benefit obligations not covered by plan assets (including those of discontinued operations) developed as follows:

	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2009 € thousand	31 March 2008 € thousand	31 December 2007 € thousand	31 December 2006 € thousand
Present value of pension obligations	7,462	6,222	6,358	5,688	6,601	6,404
less plan assets at market value	-645	-486	-1,293	-1,226	-2,047	-1,304
Present value of defined benefit obligations not covered by plan assets	6,817	**5,736**	**5,065**	**4,462**	**4,554**	**5,100**

Adjustments to the present value of pension obligations based on experience	887	933	8	-628	-931	-395
Adjustments to the value of plan assets based on experience	103	268	-18	-392	-42	6

Development of the present values of pension obligations

	TDS Group (excluding TDS MV)		TDS MV (posted under *liabilities of discontinued operations*)	
	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand
1 April of the previous year	5,540	4,551	682	1,807
Transfers	885	0	0	0
Currency translation adjustments	0	0	55	101
Current service costs	188	119	87	258
Interest costs	282	273	14	38
Allocations of funds	22	0	54	95
Benefit payments*	216	-208	-550	-1,353
Actuarial gains and losses	76	805	-89	-264
31 March	7,209	5,540	253	682

Transfers are the result of pension obligations undertaken within the scope of an IT outsourcing contract.

Development of plan assets

	TDS Group (excluding TDS MV)		TDS MV (posted under *liabilities of discontinued operations*)	
	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2011 € thousand	31 March 2010 € thousand
1 April of the previous year	0	0	486	1,293
Currency translation adjustments	0	0	37	70
Expected return on plan assets	7	0	9	23
Actuarial gains and losses	-11	0	111	263
Employer contributions	97	0	54	95
Employee contributions	21	0	54	95
Benefit payments*	330	0	-550	-1,353
31 March	444	0	201	486

* 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.

The plan assets of TDS HR Switzerland are included solely under *TDS Group (excluding TDS MV)* and are managed by AXA Stiftung Berufliche Vorsorge within the scope of a collective insurance agreement operated by AXA Leben AG. All plan assets are direct 100 per cent entitlements vis-a-vis the insurance company.

The plan assets of TDS MV are managed by AXA Stiftung Berufliche Vorsorge and Allianz Suisse Lebensversicherungs-Gesellschaft within the scope of a single collective insurance agreement. All plan assets are direct 100 per cent entitlements vis-a-vis the insurance companies.

Expected long-term return on plan assets corresponds to assumed long-term interest rates.

In fiscal 2010/2011, contributions of €5,061 thousand were made to public pension funds (€4,759 thousand in fiscal 2009/2010).

Contributions to plan assets of €65 thousand are planned in fiscal 2011/2012.

Pension cost from defined benefit obligations

	TDS Group (excluding TDS MV)		TDS MV (posted under *liabilities of discontinued operations*)	
	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Current service costs (in operating profit/loss)	188	119	87	258
Interest expense (in financial profit/loss)	282	273	14	38
Expected return on plan assets (in financial profit/loss)	-7	0	-9	-23
Actuarial gains and losses (in operating profit (-)/loss (+))	9	-27	-21	13
	472	365	71	286

The actual return on plan assets from external pension funds totalled €116 thousand (€286 thousand in fiscal 2009/2010).

30 Other provisions

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

Provisions for payroll and related costs are primarily formed for special payments. The provisions include €388 thousand (€105 thousand in fiscal 2009/2010) for severance costs, lawyers' fees and costs for court proceedings.

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

At 31 March 2011, other provisions were as follows:

	1 April 2010 € thousand	Currency translation adjustments € thousand	Reallocations € thousand	Use € thousand	Reduction € thousand	Addition € thousand	31 March 2011 € thousand
Provisions for taxes	368	0	0	66	0	12	314
Other provisions							
Payroll and related costs	6,600	0	0	5,712	644	7,125	7,369
Warranty obligations and risks from pending transactions	233	0	0	31	99	1,522	1,625
Additional other provisions	3,189	0	0	2,414	117	3,457	4,115
	10,390	**0**	**0**	**8,223**	**860**	**12,116**	**13,423**

At 31 March 2011, the following items were estimated for provisions within the individual categories:

	Remaining term less than one year € thousand	Remaining term one to five years € thousand	Remaining term more than five years € thousand
Provisions for taxes	314	0	0
Payroll and related costs	5,087	0	31
Additional other provisions	5,363	0	0
Total	**10,764**	**0**	**31**
Non-cash provisions	2,628	0	0
Total provisions	**13,392**	**0**	**31**

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

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

31 Financial liabilities

Financial liabilities break down as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Amounts due to related companies	28,599	32,551
Obligations under finance leases	2,684	5,531
	31,283	**38,082**

Amounts due to related companies

Within the scope of the intercompany loan arrangement concluded between TDS and Fujitsu Services Limited, London, UK, (Fujitsu Services) on 10 August 2010, Fujitsu Services granted a variable rate non-amortising loan with a credit line of €20,000 thousand, maturing on 9 August 2011. At the balance-sheet date, €8,624 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 1.936 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 2012, was agreed within the scope of a further intercompany loan arrangement between TDS and Fujitsu Services concluded on 17 January 2011. At the balance-sheet date, €19,975 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 1.936 per cent.

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 2011	Remaining term less than one year € thousand	Remaining term one to five years € thousand	Remaining term more than five years € thousand	Total 31 March 2011 € thousand
Amounts due to related companies	28,599	0	0	28,599
Finance leases	1,717	967	0	2,684
Financial liabilities	**30,316**	**967**	**0**	**31,283**
Customer downpayments	807	0	0	807
Trade payables	4,167	0	0	4,167
Other liabilities	4,557	562	0	5,119
(for tax)	(1,835)	(0)	(0)	(1,835)
Current tax liabilities	351	0	0	351
Total	**40,198**	**1,529**	**0**	**41,727**

31 March 2010	Remaining term of less than one year € thousand	Remaining term of one to five years € thousand	Remaining term of more than five years € thousand	Total 31 March 2010 € thousand
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**

33 Other liabilities

Other liabilities break down as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Value-added tax and other tax liabilities	1,835	198
Salaries and wages	5	57
Customer credit	278	62
Interest due to related companies	14	13
Total of other liabilities	55	15
	2,187	**345**
Deferred revenue	2,932	2,355
	5,119	**2,700**

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 amount at 31 March 2011	Carrying amount	Market value	Carrying amount	Market value	Carrying amount	Market value
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Assets							
Trade receivables	19,033	19,033	19,033				
Receivables from ongoing projects not yet invoiced (PoC)	1,006	1,006	1,006				
Cash and cash equivalents	537	537	537				
Other receivables	13,853	13,853	13,853				
	34,429	**34,429**	**34,429**				
Shareholders' equity and liabilities							
Amounts due to the majority shareholder	28,599			28,599	28,599		
Finance leases	2,684					2,684	2,709
Trade payables	4,167			4,167	4,167		
Other liabilities	319			319	319		
	35,769			**33,085**	**33,085**	**2,684**	**2,709**

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 2011, the market interest rate varied between 3.02 per cent and 3.79 per cent, depending on the remaining term of the liability.

Other receivables allocated to financial assets, in the amount of €13,853 thousand (€2,014 thousand in fiscal 2009/2010) are included under *other non-current assets* and *other current assets*.

		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 amount 31 March 2010	Carrying amount	Market value	Carrying amount	Market value	Carrying amount	Market value
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
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**

35 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 Overseas Holding Limited, London, UK, (FSOHL) as majority shareholder and companies within the Fujitsu Group, 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.

Companies within the Fujitsu Group

Expenses and income for transactions with the majority shareholder FSOHL and companies within the Fujitsu Group in fiscal 2010/2011 were as follows:

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Sales revenues	18,703	10,159
Other operating income	500	2,672
Total income	**19,203**	**12,831**

Revenues mainly comprise income from services provided by TDS as a subcontractor to customers of Fujitsu Services Limited, London, UK (Fujitsu Services). Furthermore, they include services provided by TDS as a subcontractor of Fujitsu Technology Solutions GmbH, Munich, (FTS) and of Fujitsu Services GmbH, Frankfurt (FS). In fiscal 2010/2011, revenues were for the first time generated from renting out data centre space.

Other operating income primarily includes income from subcontracted services provided for FS/FTS customers.

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
For products and services	4,386	3,166
Interest expense	534	467
	4,920	3,633

These products and services comprise primarily infrastructure for data centre 4 and maintenance costs for the servers owned by FTS.

Interest expenses are for liabilities from loans granted by Fujitsu Services.

At 31 March 2011, receivables and liabilities for FSOHL and companies within the Fujitsu Group were as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Trade receivables	3,999	2,642
Claim for compensation for losses incurred	11,342	0
Receivables	15,341	2,642

In accordance with the subordination agreement concluded between FSOHL and TDS AG, FSOHL is obliged to compensate TDS for any losses. This has led to a claim for compensation from FSOHL of €11,342 thousand for losses incurred, resulting in a corresponding increase in additional paid-in capital (see note 28 “Shareholders’ equity”).

	31 March 2011 € thousand	31 March 2010 € thousand
Loan	28,599	32,551
Interest	14	13
Trade payables	1,501	1,355
Liabilities	30,114	33,919

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

Other investments

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

	Value of services provided € thousand		Value of services received € thousand	
	1 April 2010 to 31 March 2011	1 April 2009 to 31 March 2010	1 April 2010 to 31 March 2011	1 April 2009 to 31 March 2010
Villa Rosa gGmbH, Heilbronn, Germany	0	0	19	18

In fiscal 2010/2011, €19 thousand was contributed to Villa Rosa gGmbH for day care for TDS employees’ children (€18 thousand in fiscal 2009/2010).

At 31 March 2011, there were no receivables or liabilities for other investments.

Other related parties

No expenses were posted in fiscal 2010/2011 (€147 thousand in fiscal 2009/2010) 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.

In fiscal 2010/2011, 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 43 "Further relevant information concerning the Executive and Supervisory Board".

36 Other financial obligations

Future financial obligations break down as follows:

	31 March 2011 € thousand	31 March 2010 € thousand
Due in less than one year	6,595	5,702
Due in one to five years	9,883	10,193
Due in more than five years	18,421	19,652
	34,899	35,547

This item primarily consists of rental/lease expenses.

Obligations totalling €48 thousand (€1,122 thousand in fiscal 2009/2010) were posted under intangible assets for contracts concluded for capital expenditure projects (purchase obligations).

Obligations totalling €758 thousand (€3,020 thousand in fiscal 2009/2010) were posted under property, plant and equipment for contracts concluded for capital expenditure projects (purchase obligations).

37 Contingent liabilities

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

38 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 financial position of the Group.

39 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 21 March 2011, 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.

40 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.

41 Events after the balance-sheet date

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

42 Other information

The following auditors' fees were posted:

	1 April 2010 to 31 March 2011 € thousand	1 April 2009 to 31 March 2010 € thousand
Audit of year-end financial statements	253	187
Tax consulting services	173	194
Other services	29	7
	455	388

43 Further relevant information concerning the Executive and Supervisory Boards

In fiscal 2010/2011, the Executive Board comprised the following members:

- Dr. Heiner Diefenbach (sole Executive Board member since 26 February 2011, Chairman of the Executive Board until 25 February 2011)
- Robert Battenstein (until 25 February 2011)
- Konrad Meier until (15 September 2010)

Compensation

The total compensation package for members of the TDS AG Executive Board was €1,624 thousand in fiscal 2010/2011 (€832 thousand in fiscal 2009/2010), including a fixed component of €491 thousand (€439 thousand in fiscal 2009/2010), a performance-related component of €480 thousand (€393 thousand in fiscal 2009/2010), and – as a result of Executive Board members resigning their positions – performance-related one-off payments of €92 thousand (€0 in fiscal 2009/2010) and non-performance related one-off payments of €561 thousand (€0 in fiscal 2009/2010).

Supervisory Board compensation totalled €57 thousand in fiscal 2010/2011 (€70 thousand in fiscal 2009/2010). However, the Supervisory Board members have signed agreements waiving their entitlement to compensation for fiscal 2010/2011 and for their remaining period of office.

Executive Board compensation broke down as follows for individual members in fiscal 2010/2011:

Name	Fixed-rate	Performance-related	One-off payment		Total
			Performance-related	Non-performance related	
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Dr. Heiner Diefenbach	219	314	0	0	533
Robert Battenstein (until 25 February 2011)	171	120	0	311	602
Konrad Meier (until 15 September 2010)	101	46	92	250	489
Total	**491**	**480**	**92**	**561**	**1,624**

Executive Board compensation for active members broke down as follows in fiscal 2009/2010:

Name	Fixed-rate € thousand	Performance-related € thousand	Total € thousand
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 in fiscal 2009/2010:

Name	Fixed-rate € thousand	Performance-related € thousand	Attendance allowance € thousand	Total € thousand
Benno Zollner [1)]	7	2	2	11
Dieter Herzog [1)]	4	2	2	8
Manuela Beier [1)]	3	2	2	7
Yves Le Gélard	11	5	4	20
Andrew MacNaughton	5	3	4	12
Dr. Klaus-Dieter Rose	5	3	4	12
Total	**35**	**17**	**18**	**70**

[1)] These Supervisory Board members have signed agreements waiving their entitlement to compensation.

At 31 March 2011, as 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 2010/2011, no transactions by directors of the Company required disclosure pursuant to Section 15a of the German Securities Trading Act (WpHG).

Pension obligations

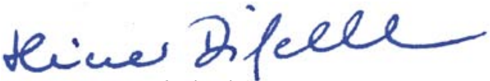
A total of €1,298 thousand (€1,272 thousand in fiscal 2009/2010) was set aside to fulfil pension obligations for former members of the Executive Board and their dependents.

44 Publication date for the financial statements

On 18 May 2011, the Executive Board approved publication of the financial statements for the fiscal year ending 31 March 2011.

Neckarsulm, 18 May 2011

The Executive Board



Dr. Heiner Diefenbach

TDS Informationstechnologie AG subsidiaries and affiliated companies at 31 March 2011

	Holding in per cent	Shareholders' equity at 31 March 2011 € thousand	Net income at 31 March 2011 € thousand	
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	100 %	764	136	
Outside Germany				
TDS HR Services & Solutions Austria GmbH, Vienna, Austria	100 %	741	180	[1)]
TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland	100 %	-420	-468	[1)]
TDS MultiVision AG, Regensdorf, Switzerland	100 %	-314	-585	
TDS Systemhouse plc., Chesterfield, UK	100 %	-324	-25	
2. Affiliated companies valued at cost				
BFL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn, Germany	0.32 %	13,598	3,094	[4)]
Villa Rosa gGmbH, Heilbronn, Germany	30 %	148	33	[3)]
VisionOne Consulting AG, in insolvency, Neuss, Germany	8.55 %	-414	6	[5)]

[1)] Indirect holding
[2)] Zero earnings due to a profit-transfer agreement
[3)] At 31 December 2010
[4)] At 31 December 2009
[5)] At 31 December 2008

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 2010 to 31 March 2011. 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 consolidated financial statements and the consolidated 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 315a, 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 consolidated 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, 18 May 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Gebele	Herbel
Auditor	Auditor

Director's responsibility statement

I confirm that, to the best of my 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, 18 May 2011

Heiner Diefenbach

Dr. Heiner Diefenbach

Financial calendar

2011/2012 Financial Calendar

11 August 2011	Publication on report of first quarter of 2011/2012
10 November 2011	Publication of six-month interim report for 2011/2012
6 October 2011	Annual shareholders' meeting for fiscal 2010/2011

Glossary

Application hosting	Application hosting is a service whereby a provider operates applications for customers at its data centre, allowing companies to benefit from cost advantages generated by the shared use of data centre resources.
Application management	Application management is a service whereby a provider is responsible for maintenance and updates of customer software, including upgrades to the latest application releases. Customers benefit from up-to-date software without requiring in-house specialists. The software can also be operated on the customer's own IT systems.
Asset-backed securities	Asset-backed securities are bonds or notes backed by loan paper or accounts receivable, originated by banks or other providers of credit.
Business intelligence	Business intelligence refers to computer-based processes for the systematic analysis of enterprise data, with the aim of gaining knowledge and insights to support operational or strategic decision making.
Cash flow	A measure of net cash receipts from business operations during a given period.
Change of control	In the case of TDS, a change of control occurs if a majority holding in the Company is acquired by a legal entity outside the Fujitsu Group.
Cloud	A much talked-about trend at present, cloud computing refers to how users access external computing power, storage space or applications, often from a variety of providers. The cloud offers high flexibility and cost savings, particularly in the instance of highly standardised – rather than made-to-measure – offerings that are often international in nature. A distinction is made between private and public clouds.
Compliance	Observance of codes of conduct, laws and internal policies throughout an organisation.
Consulting/IT consulting	IT consulting is the basis for implementing complex IT systems that are stable and reliable. TDS' IT Consulting business unit gives customers access to a range of IT experts and SAP specialists, whom they can task with planning and implementing SAP systems including maintenance and updates, for example.
Consumer electronics	Consumer electronics (CE) are electronic equipment intended for everyday use, most often entertainment devices such as televisions or gaming consoles.
Corporate governance	Corporate governance describes the framework of processes, rules and practices for management and oversight of company operations.
Data warehouse solutions	A data warehouse is a collection of data compiled from a variety of sources, designed to support a company's business intelligence processes.
Directors' dealings	The purchase or sale of shares in a publicly listed stock corporation by members of its management or related parties.
E-business solutions	The term e-business is used to mean many different things, but it is particularly used to refer to the processes of electronic commerce and related solutions.
Electronic data interchange (EDI)	Electronic data interchange is the asynchronous, fully automatic computer-to-computer exchange of electronic documents between a variety of applications operated by different organisations.

HR services (& solutions)	HR services provide a wide spectrum of support to human resource departments – such as managing payroll, for example. TDS' HR Services & Solutions business unit has a broad portfolio of HR offerings.
Impairment testing	A mandatory test to check if the value of a fixed asset has been impaired, i.e. has fallen in value.
Managed services	Service providers offering managed services are responsible for defined IT operation tasks, with hardware usually remaining at the customer site. The provider guarantees high-quality administration on the basis of defined service level agreements (SLAs).
Outsourcing/IT outsourcing	IT outsourcing describes all instances where IT operation and other IT services are managed by an external provider. TDS' IT Outsourcing business unit implements tailor-made solutions for its customers, including end-to-end operation of IT infrastructures. The service spectrum ranges from hosting individual applications or application service providing to assuming responsibility for the operation of IT and application environments, including all relevant services – from user support to maintenance.
SAP Business All-in-One (R/3)	SAP Business All-in-One is an SAP solution for mid-sized businesses and the subsidiaries of major corporations. The software is designed for all standard business processes in companies across a range of industries.
SAP Business ByDesign	SAP Business ByDesign is seamlessly integrated enterprise software, specially designed for mid-sized enterprises. Customers access solutions on demand over a network, without requiring corresponding in-house hardware. TDS is an SAP Business ByDesign solution reseller.

List of abbreviations

AktG	Aktiengesetz	The German Stock Corporation Act governs the foundation, articles of incorporation, financial reporting, annual shareholders' meeting and dissolution of stock corporations in Germany.
ASP	Application service providing	Application service providing is a service whereby an external provider assumes responsibility for all IT tasks related to applications. This not only includes maintenance and software updates (application management), but also operation of software and the systems on which it runs, plus data backup.
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht	The German Federal Financial Supervisory Authority is the country's main financial watchdog, headquartered in Frankfurt and Bonn.
GDP	Gross domestic product	The gross domestic product is the total market value of all goods and services produced within a country in a given period.
BITKOM	Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e. V.	BITKOM is the German IT industry association (German Association for Information Technology, Telecommunications and New Media).
BPO	Business process outsourcing	BPO involves outsourcing an entire business process to an external service provider, a common example being payroll accounting. An increasing number of companies are choosing to outsource other business processes too – such as travel expense accounting, applicant management (recruitment process outsourcing/RPO) or tasks related to company pension plans.
CMS	Content management system	A content management system supports the collaborative creation, processing and organisation of content in an enterprise.
D&O (insurance)	Directors' and officers' insurance	Directors' and officers' insurance is liability insurance for members of senior operational and non-executive management.
EBIT	Earnings before interest and tax	--
EBT	Earnings before tax	--
ECM	Enterprise content management	Enterprise content management describes the creation, administration, saving, storage and provision of documents to support business processes.
EITO	European Information Technology Observatory	The European Information Technology Observatory gathers and publishes information on European markets for information technology, telecommunications, and consumer electronics.
EPS	Earnings per share	--
ERP	Enterprise resource planning	The goal of enterprise resource planning is to deploy a company's capital, resources and staff as efficiently as possible to support and optimise business processes.
R&D	Research & development	--
FS	Fujitsu Services GmbH, Frankfurt	--

FSOHL	Fujitsu Services Overseas Holdings Limited, London, UK	--
FTS	Fujitsu Technology Solutions GmbH, Munich	--
FTS Schweiz	Fujitsu Technology Solutions GmbH, Regensdorf, Switzerland	--
Fujitsu Serivces	Fujitsu Services Limited, London, UK	--
HGB	Handelsgesetzbuch	The German Commercial Code (HGB) is the key German legislation governing business activities and accounting standards.
IaaS	Infrastructure as a service	Infrastructure as a service is the flexible delivery of IT resources (usually hardware and operating systems) over the Internet. Application service providing uses IaaS to a certain extent – resources for software operation and data backup are automatically provided to users.
IAS	International Accounting Standards	The International Accounting Standards are internationally converged rules for the preparation of companies' annual and consolidated financial accounts, issued by the former International Accounting Standards Committee (IASC, now IASB).
IASB	International Accounting Standards Board	The International Accounting Standards Board is an independent and international board of financial reporting experts that develops and revises the International Financial Reporting Standards (IFRS). The IFRS are principle-based, internationally converged standards for company financial reporting. Financial reporting in many countries, including those of the EU, is completed in accordance with IFRS.
IFRS	International Financial Reporting Standard	The International Financial Reporting Standards are principle-based, internationally converged standards for the preparation of annual and consolidated financial statements, published by the International Accounting Standards Board (IASB). In many countries, the financial statements of publicly-traded companies must be prepared in accordance with IFRS.
ITC	IT consulting	IT consulting is the basis for implementing complex IT systems that are stable and reliable. TDS' IT Consulting business unit gives customers access to a range of IT experts and SAP specialists, who they can task with planning and implementing SAP systems including maintenance and updates, for example.
ICT (market)	Information and communications technology	--

ITO	IT outsourcing	IT outsourcing describes all instances where IT operation and other IT services are managed by an external provider. TDS' IT Outsourcing business unit implements tailor-made solutions for its customers, including operation of the entire IT infrastructure. The service spectrum ranges from hosting individual applications or application service provision to assuming responsibility for operation of IT and application environments including all relevant services – from user support to maintenance.
PaaS	Platform as a service	Platform as a service is the delivery of a runtime/development environment in the form of a service that users can access and pay for on demand.
SaaS	Software as a service	Software as a service is the delivery of software/applications over the internet. Today's SaaS offerings share many similarities with the ASP solutions that have been available for some time.
SAP HCM	SAP Human Capital Management	SAP ERP HCM is an end-to-end HR solution, offering modules such as payroll accounting, personnel administration, personnel development and time management.
TDS MV	TDS MultiVision AG, Regensdorf, Switzerland	--
VorstAG	Gesetz zur Angemessenheit der Vorstandsvergütung	The German Executive Board Remuneration Act governs the appropriate amount of compensation for Executive Board members, with the aim of supporting sustainable company development and allowing for cutbacks in the event of a fall in company earnings.
WpHG	Wertpapierhandelsgesetz	The German Securities Trading Act (WpHG) governs the buying and selling of securities, and is the basis for the oversight of companies that trade in securities and futures, with the aim of protecting customers. It also specifies reporting and disclosure requirements for publicly listed companies.

About this publication

Published by
TDS Informationstechnologie AG
Konrad-Zuse-Straße 16
D-74172 Neckarsulm
Germany

Executive responsibility:
Tobias Wagner
Investor relations

Translation
Martin Crellin Copywriting and Translation Services, Ludwigsburg
Germany

Concept, copy layout and production:
TDS Informationstechnologie AG, Neckarsulm

TDS Informationstechnologie AG
Investor Relations
Konrad-Zuse-Straße 16
74172 Neckarsulm, Germany

Contact: investor@tds.fujitsu.com
Tel. +49 7132.366-1200
Fax: +49 7132.366-1188

tds.fujitsu.com