1 April 2011 – 31 March 2012

TDS Informations-technologie AG: Annual report

Recipes for business success

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An overview of TDS Group performance

Key Group figures according to IFRS		
	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Total revenues	146,685	131,688
Revenues by region		
Revenues in Germany	144,465	129,467
Revenues in other countries	2,220	2,221
Revenues by business unit		
Revenues for IT Outsourcing	75,536	65,265
Revenues for HR Services & Solutions	56,381	54,245
Revenues for IT Consulting	14,768	12,178
Gross profit	25,237	19,643
in per cent of revenues (gross return on sales)	17.2	14.9
EBIT	2,193	-4,007
in per cent of revenues (EBIT margin)	1.5	-3.0
Consolidated profit or loss	376	-5,012
Earnings per share (basic, in €) [1)]	0.01	-0.17
Earnings per share (diluted, in €) [2)]	0.01	-0.17
Total assets	111,961	123,260
Shareholders' equity	61,113	60,636
Equity-to-total-assets ratio (in per cent)	54.6	49.2
Share capital	29,369	29,369
Liabilities	50,848	61,904
Number of employees at 31 March 2012 and at 31 March 2011	1,394	1,297

[1)] Weighted average of all outstanding shares used to calculate basic earnings per share at 31 March 2012: 29,312,402 (31 March 2011: 29,312,402)

[2)] Weighted average of all outstanding shares used to calculate diluted earnings per share at 31 March 2012: 29,312,402 (31 March 2011: 29,312,402)

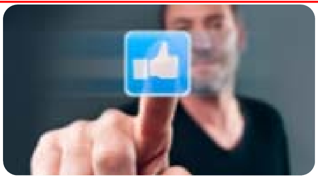
TDS fiscal year 2011/2012: the highlights

2011

April | May | June | July | August | September

Cloud services

Cloud services are one of IT's hottest topics, thanks to their flexibility and cost-efficiency. Yet many mid-sized companies have misgivings about cloud computing: they fear security standards are too low and that the solutions won't be the perfect fit for their specific needs. TDS' modular cloud offering has the answer: customers can configure IT services in line with their requirements. And operation in TDS' data centres ensures airtight security.



Satisfied customers

250 respondents participate in a customer satisfaction survey for fiscal 2010/2011 – and the results are just as positive as last year's, if not more so.

96 per cent of outsourcing customers would recommend TDS as a service provider.

Successful trainees

All of TDS' trainees from the class of 2011 pass their exams successfully. Systems integration specialists Marius Schneider and Robin Vetvicka receive a special award, after attaining the best possible result: grade 1. The German Chamber of Commerce and Industry (IHK) honour their achievement at a prize-giving event. Both will continue their careers with end-to-end IT and HR service provider TDS – along with nine colleagues who also completed the programme.

Certifications

Security is a top priority for an IT and HR service provider like TDS. TDS' commitment to the highest standards is demonstrated by extensive certification - including to ISO 27001 on the basis of IT Grundschutz certification (IT Baseline Protection) and ISO 27001:2005 (including VDA prototype protection). Moreover, TDS was classed "excellent" as part of the SAP Certified in Hosting Services audit. And that's not all: TDS' internal processes have been certified, too. The HR Services & Solutions business unit received Type II SAS 70 certification (Statement on Auditing Standards No. 70) for their controls across all services.

At the leading edge with SAP HANA

TDS and Fujitsu open the world's first SAP HANA Demo & Competence Center in Neckarsulm. The facility makes system landscapes, SAP HANA installations and consultants available to existing and potential customers – allowing them to try out new in-memory technology and benefit from a one-stop, end-to-end portfolio for SAP HANA.

One of the key forward-looking technologies in the SAP environment, in-memory computing analyses big data at high speed in working memory.

500th employee in Neckarsulm

TDS AG welcomes the 500th staff member to its Neckarsulm headquarters. Since 2006, the enterprise has almost doubled the employee base at its head office.

New customer in Switzerland

TDS HR Services & Solutions Switzerland secures new contracts: the company is tasked with payroll accounting and operation of SAP HCM HR software for Unilever Switzerland. Astramedia and Fujitsu Technology Solutions Switzerland also opt to benefit from TDS Switzerland's HR services.

Successful events
TDS presents its offerings over two days at the Fujitsu Forum in Munich, parent company Fujitsu's in-house trade fair. Drawing over 10,000 visitors, the Fujitsu Forum is Europe's largest in-house trade fair for IT.

TDS and the TDS Institute for HR Management at Pforzheim University organise the Business meets Science event. It is a resounding success: around 100 participants contribute to in-depth debates on HR theory and practice. Due to the high level of interest among industry experts, the event will be held regularly in the future.

Award
SAP names TDS AG Innovative Reseller of the Year. The award is testament to the two companies' hugely successful sales partnership over the past year. TDS' leading role in SAP HANA in-memory computing was a decisive factor in securing the title. TDS has over 25 years' SAP experience and is a long-standing SAP Gold Partner.

TDS at CeBIT
TDS focuses on private cloud services and SAP HANA in-memory technology at CeBIT 2012 in Hanover. Represented at both the Fujitsu and SAP stands, TDS offers the visiting crowds an insight into its SAP HANA offering.

Management team
The HR Services & Solutions business unit has a new managing director. The TDS AG Supervisory Board has secured a highly experienced candidate for the job: Peter Röd. He will head up the business unit with Thomas Eggert.

October | November | December | January | February | March

2012

Research on outsourcing and the cloud
TDS AG and the Information Systems department at TU Darmstadt university establish a joint research centre: the TDS Institute for IT Outsourcing and Cloud Services. The collaboration project aims to carry out in-depth applied research into IT outsourcing and cloud services.

Contract extension
Market-leading manufacturer of baked confectionary Bahlsen extends its outsourcing contract with TDS by a further five years to 2016. TDS has managed Bahlsen's entire IT infrastructure at eight European sites since 2008, and is responsible for an extensive range of tasks.

Major contract
Sodexo, a leading provider of services such as catering, facility management and employee incentives, chooses to partner with TDS for its HR outsourcing needs. Over the next six years, the HR Services & Solutions business unit will take responsibility for various administrative HR and IT tasks for Sodexo and Zehnacker and GA-Tec, members of the Sodexo Group. The contract is worth over six million euros.

sodexo

BRITISH AMERICAN TOBACCO

Seven-figure contract
British American Tobacco (BAT) Germany, one of Germany's largest tobacco companies, has selected SAP Human Capital Management (SAP HCM) as its new HR platform and TDS HR Services & Solutions GmbH as its implementation partner. TDS has been responsible for maintaining and operating the software since January 2013. The contract is worth seven figures.

Introduction by the CEO

Dear reader,

Looking back, it has been an eventful year at TDS. It was also the last full fiscal year TDS will spend as a publicly listed stock corporation. Since purchasing the initial shares in 2007, our parent company Fujitsu has continued to grow its stake in TDS. Over the past weeks and months, Fujitsu has taken the first steps towards complete acquisition of TDS. This means the end of our 14-year presence on the stock exchange is in sight – a period of impressive growth and many high points, although not without setbacks, too.

Our most recent challenge was improving profitability at HR Services & Solutions. Over the last twelve months, we have made significant progress on this front, as evidenced by the business unit's results. Moreover, we have reached and even exceeded the defined targets for IT Outsourcing, thanks to our first-rate product offering. And IT Consulting has secured a strong position in the market for innovative in-memory computing solutions based on SAP HANA. SAP recently presented TDS with the "Innovative Reseller of the Year 2012" award, underlining this success.

In-memory computing is a prime example of the ever-closer collaboration between TDS and Fujitsu, who together have founded the world's first SAP HANA Demo & Competence Center in Neckarsulm. And it also shows that the end of our presence on the stock market is by no means the end of TDS. On the contrary: Fujitsu has stated that it will continue to leverage and strengthen the TDS brand, especially in the SAP and mid-market space.

As we publish what is most likely the final TDS annual report, I wish to thank our team of 1,400 or so for all their hard work – which has played a key role in establishing TDS as a leading provider in the IT and HR services markets. I would also like to express my sincere appreciation to our shareholders for their loyalty to TDS over many years.

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 Informationstechnologie Aktiengesellschaft (hereinafter also referred to as TDS AG or TDS) 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), which is also published in German on the Company website at www.tds.fujitsu.com via the following path: www.tds.fujitsu.com>Unternehmen>Investor Relations>Corporate Governance>Erklärung zur Unternehmensführung.

TDS is committed to transparent, responsible and value-driven management and control of the company. The Executive Board and Supervisory Board of TDS AG observe the German Corporate Governance Code. The Supervisory Board has verified the status of implementation of targets regarding its composition.

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 2011/2012 and preceding fiscal years are available via the TDS website.

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 7 March 2012, 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 21 March 2011, the Company has complied and will continue to comply with the recommendations of the 26 May 2010 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. The Executive Board and Supervisory Board do not believe it necessary to include a deductible. Acting responsibly is an integral duty of Supervisory Board members, and as such an arrangement of this type would not have any tangible impact on their conduct and commitment.

Section 4.2.1, Sentence 1 of the Code recommends that the Executive Board comprise multiple members and have one chairperson. The TDS Executive Board, however, comprises just one member. As a result, the Executive Board does not have a chairperson. There are no plans to increase the size of the Executive Board in the foreseeable future. The Supervisory Board and the Executive Board of the company believe that a one-person Executive Board is capable of performing effectively performing all Executive Board duties, including operational and strategic management of the Company.

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, and make particular efforts to ensure women are included. As the Company's Executive Board comprises only one person for the time being, the issue of diversity is not relevant.

Neckarsulm, Germany, 7 March 2012

TDS Informationstechnologie Aktiengesellschaft

On behalf of the Executive Board:	*On behalf of the Supervisory Board:*
Dr Heiner Diefenbach	*Benno Zollner*
CEO	*Chairman of the Supervisory Board*

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, together with 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 http://www.tds.fujitsu.com/fileadmin/medienablage/website/investor-relations/corpgov/verhaltenskodex/Verhaltenskodex_200603_final.pdf.

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. At the annual shareholders' meeting, each share entitles the holder to one vote.

The Executive Board is responsible for operational management, and the Supervisory Board is responsible for business oversight. Both bodies cooperate closely for the good of the Company. The names of the Executive and Supervisory Board members are given in 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 2011/2012, the Executive Board of TDS AG comprised one member, Dr Heiner Diefenbach. As a result, no committees were formed. The Executive Board by-laws govern the principles of company management, specify those management actions that require approval, describe the Executive Board's duty to inform and right to be informed, and include guidelines regarding conflicts of interest.

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 2011/2012, 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, with whom he discusses strategy, business development and risk management at the Company. Moreover, 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 2011/2012, 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 (see the annual report). The Supervisory Board report also includes changes to the composition of the Supervisory Board in fiscal 2011/2012 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 2011/2012, 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 per cent insurance cover to ensure there is no shortfall. TDS AG does not believe that agreeing a deductible would have any tangible impact on the conduct and commitment of Supervisory Board members.

TDS has not implemented the recommendation specified in Section 4.2.1, Sentence 1 of the Code. In this regard, it should be noted that the Supervisory Board has decided that the Executive Board will comprise one person, in accordance with Section 7, Subsection 1, Sentence 3 of the Articles of Incorporation. Therefore the recommendation of Section 5.1.2, Subsection 1, Sentence 2 of the Code regarding diversity on the Executive Board could not be implemented. Moreover, these circumstances make it unnecessary to name a chairperson of the Executive Board.

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

Implementation status of objectives for the composition of the Supervisory Board

On 21 March 2011, the Supervisory Board defined specific objectives for its composition going forward. These objectives were published in the corporate governance report for fiscal 2010/2011, which is available in German on the Company’s website at www.tds.fujitsu.com>Unternehmen>Investor Relations>Corporate Governance>Erklärung zur Unternehmensführung. The Supervisory Board seeks to ensure that as a team, its members have the necessary expertise, skills and experience to effectively perform their tasks, and that each member meets to a significant degree at least three of the criteria set out in a detailed skills profile – including experience and expertise in the application of accounting principles and internal financial controls, and experience and expertise in the IT industry. Moreover, when proposing candidates to the annual shareholders’ general 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 required skills during the selection process for Supervisory Board members. The Supervisory Board remains committed to these objectives, as evidenced by its current composition. As described in last year’s corporate governance report, the Supervisory Board proposed Claus-Peter Unterberger as a candidate at the last annual shareholders’ meeting. Mr Unterberger had been appointed to the Supervisory Board by court ruling, and he was proposed as a candidate in the interest of continuity of the Board’s work. Manuela Beier’s presence on the Supervisory Board means that one member is a woman. 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 and in the interest of the company, rather than on the candidate’s gender.

Transparency

TDS informs shareholders and interested members of the public regularly, promptly and equally about the Company’s situation and significant business changes. Against this background, TDS AG published three disclosures in fiscal 2010/2011. The disclosure of 9 June 2011 provided information on plans to restructure TDS to create a holding company. On 29 December 2011, a disclosure announced the proposed squeeze out, and on 9 March 2012 the Company published a disclosure regarding the demand for transfer of shares by Fujitsu Overseas Holding Limited. If new information is shared with financial analysts or comparable individuals, this information is also immediately made available to shareholders. 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 Board 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 dealings in TDS shares or related financial instruments (directors' dealings). This also applies to certain employees in management roles and related parties. In fiscal 2011/2012, no directors' dealings were reported.

At 31 March 2012, 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 2012. 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 2012.

Compensation report

The compensation report of TDS Informationstechnologie AG describes the principles for defining Executive and Supervisory Board remuneration. Disclosures regarding the amounts of compensation and the number of shares held by Executive and Supervisory Board members can be found in the notes (note 44 "Further relevant information concerning the Executive and Supervisory Board").

Executive Board compensation

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

Executive Board compensation breaks down as follows:

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

- Variable compensation is in the form of an annual, performance-related bonus. Calculation of the bonus is based on the individual performance of Executive Board members and the performance of the Company, comparing actual performance to the targets set for each Executive Board member at the beginning of the year. The definition of targets and the extent to which they are met are subject to the discretion of the Supervisory Board.

- 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.

Compensation for Executive Board members totalled €590 thousand in fiscal 2011/2012.

Details on compensation for individual Executive Board members in fiscal 2011/2012 can be found in the table in note 44 "Further relevant information concerning the Executive and Supervisory Board" in the notes to the consolidated financial statements.

Other business

TDS has a Directors and Officers Insurance (D&O insurance) for Executive Board members 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 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, he shall receive compensation based on his basic salary for the total remaining term of his employment contract, plus bonuses.

If the Executive Board contract of Dr Heiner Diefenbach comes to an end on 31 December 2012, he 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.

No loans or advance payments were granted to Executive Board members in fiscal 2011/2012; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In fiscal 2011/2012, 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 €66 thousand in fiscal 2011/2012 (€57 thousand in fiscal 2010/2011) (see note 44 "Further information concerning the Executive and Supervisory Board"). However, as in the previous year, the Supervisory Board members have signed agreements waiving their right to compensation for fiscal 2011/2012, 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 2011 to 31 March 2012

Dear shareholders,

The Supervisory Board continued to work closely with the Executive Board in fiscal 2011/2012, 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 strategy, corporate planning, business development, risks, risk management and compliance. Executive Board reports on business development focussed on the Company's assets, revenues 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. The Supervisory Board was always given the opportunity to critically review these reports and proposals, and to contribute its own ideas and suggestions. 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, the Chairman of the Supervisory Board in particular communicated regularly with the Executive Board. He was informed on Company matters such as strategy, planning, business development, risks, risk management and compliance, and both parties exchanged opinions on issues such as current KPIs and other material developments. This direct communication took the form of regular telephone calls and face-to-face meetings. Regular telephone conferences were held to discuss the status and development of the HR Services & Solutions business unit, which was a particular focus during the reporting period due to poor profitability.

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

Eight Supervisory Board meetings were held in fiscal 2011/2012, three in the form of a telephone conference. In addition, further resolutions were 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, risk reports, general business planning and strategy, the financial situation, the status of the HR Services & Solutions business unit and subsidiary TDS MultiVision AG, as well as the proposal to spin off the IT Outsourcing business unit to create a separate subsidiary. The topics discussed were regularly assessed to ascertain whether opportunities existed to improve the Company's position through cooperation with the Fujitsu Group. The Executive Board provided comprehensive reports on each of these topics, with reference to the documents sent in advance of the meetings.

As the Supervisory Board comprises three members, no committees were formed. All Supervisory Board members attended the meetings and voted on resolutions.

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 a teleconference on 15 April 2011, continued on 19 April 2011, the Supervisory Board discussed Executive Board compensation in detail (including specifying bonuses), together with planning for fiscal 2011/2012 and medium-term planning. The Supervisory Board's financial expert reported on the status of the audit of the year-end financial statements.

On 16 May 2011, the Supervisory Board approved in writing the Declaration on Company Management and the Corporate Governance Report.

On 25 May 2011, the Supervisory Board approved the annual and consolidated financial statements for the fiscal year 1 April 2010 to 31 March 2011, together with the Company and Group management reports. Prior to this, the meeting documents were discussed in detail, with a particular focus on material changes compared with the previous year's results, and valuation methods in accordance with the act passed to modernise balance sheet reporting (BilMoG). The Supervisory Board's financial expert reported on the progress of the audit. Representatives of the auditing company informed the Board in detail about their activities and the results of their audit, and this was then discussed in depth. In addition, the Supervisory Board report was approved. The Executive Board presented the Supervisory Board with plans to restructure the Company as a holding company, whereby the IT Outsourcing business unit would be spun off and operated as a separate subsidiary on the market, as is already the case with the other two business units. It was decided to postpone detailed discussion of this matter until a dedicated meeting at a later date. Moreover, the Supervisory Board was informed about the possible liquidation of subsidiary TDS MultiVision AG and the proposed course of action.

On 9 June 2011, after a teleconference, the Supervisory Board approved in principle by way of a written resolution and teleconference the Executive Board's plans to restructure the Company to create a holding company, and requested that the Executive Board examine further details of this restructuring. The Supervisory Board reserved its final decision on the restructuring plans.

At the meeting on 26 July 2011, the Supervisory Board approved the agenda for the annual shareholders' meeting, including proposed resolutions, and decided on the location. In preparation for the annual shareholders' meeting, the Executive and Supervisory Boards considered the relevant recommendations and suggestions of the German Corporate Governance Code. The Executive Board reported on the proposed extension of the data centre in Neuenstadt, the status of the proposed spin-off of the IT Outsourcing business unit, and further activities at subsidiary level. Regarding the expansion of the data centre, the Supervisory Board suggested clarification be sought on how this expansion is to be incorporated into the corresponding Fujitsu strategy. Moreover, the Supervisory Board examined various individual projects and cooperation between the Company and other entities in the Fujitsu Group. Employees from the Fujitsu Services legal department provided the Supervisory Board with an overview of key duties related to corporate conduct and reporting with regards to capital markets. In addition, the Supervisory Board was briefed on the main results of the internal audit by Kanzlei Hamann, which is carried out regularly to verify internal processes.

On 5 September 2011, the Supervisory Board passed a resolution circulated amongst members approving the annual financial statements of TDS MultiVision AG and TDS HR Services & Solutions Switzerland AG for the fiscal year 1 April 2010 to 31 March 2011.

On 4 October 2011, the Supervisory Board passed a resolution circulated amongst members approving a supplement to a cooperation agreement between Fujitsu Services AB and the Company, and the resulting modification of personal performance targets for the Executive Board and other Company employees. This supplement was passed as the result of an instruction issued by the Company's majority shareholder.

At the meeting following the annual shareholders' meeting on 6 October 2011, at which Claus-Peter Unterberger was elected to the Supervisory Board (after he was initially appointed to the Board by court order), the Supervisory Board confirmed Mr Unterberger as Deputy Chairman and Mr Benno Zollner as Chairman of the Supervisory Board. The focus of this meeting was an extensive discussion about the situation and goals of the HR Services & Solutions business unit, and how these could be improved. The Executive Board also reported on the finalised audit on the part of German tax authorities, and discussed matters of compliance management with the Supervisory Board.

During the business update at the meeting on 22 December 2011, the Supervisory Board discussed receivables management in more detail, in addition to standard agenda items such as KPIs and discrepancies between original targets and actual figures. Moreover, the Executive Board reported on the current status of the sale/liquidation of TDS MultiVision AG and the proposed spin-off of the IT Outsourcing business unit, as well as further individual projects. The strategy for the HR Services & Solutions business unit was also discussed. Further topics addressed at the meeting were the review of the efficiency of the work of the Supervisory Board, compliance organisation, and strategic issues regarding cloud computing and Business ByDesign. Related to this, opportunities presented by cooperation between the Company and other Fujitsu companies were also discussed.

On 31 January 2012, the Supervisory Board passed a resolution circulated amongst members that, provided certain conditions were met, TDS MultiVision AG would be sold by the end of March 2012 – or that, alternatively, the liquidation process for TDS MultiVision AG would be initiated.

In addition to the business update, at the meeting on 8 February 2012 the Supervisory Board discussed in detail and approved medium-term TDS Group planning. They also addressed the squeeze-out process, taking into account the points that require input from the Supervisory Board. Moreover, the Supervisory Board analysed the results of the review of the efficiency of their work and discussed suggestions for potential improvements. The Executive Board reported on planning for the upcoming audit, the status of TDS MultiVision AG, the spin-off of the IT Outsourcing business unit and other projects. In addition, the Supervisory Board discussed proposed changes to senior management at TDS HR Services & Solutions GmbH.

On 7 March 2012, the Supervisory Board set the date for the extraordinary shareholders' meeting on 18 April 2012, approved the agenda and proposed resolutions, and selected the location. Moreover, the Supervisory Board carefully examined the valuation methodology used by Fujitsu Services Overseas Holdings Ltd. to calculate suitable cash compensation for the squeeze out, and the plausibility of this valuation. In addition, the Supervisory Board discussed the recommendations of the German Corporate Governance Code and a corresponding declaration was agreed.

On the 28 March 2012, the Supervisory Board passed a resolution circulated amongst members approving the sale of TDS MultiVision AG to Fujitsu Technology Solutions (Holdings) B. V., headquartered in Maarssen, the Netherlands. This was the result of an instruction issued by Fujitsu Services Overseas Holdings Ltd. to the Executive Board.

Changes to the composition of the Supervisory Board and the Executive Board

Claus-Peter Unterberger was appointed to the Supervisory Board by Stuttgart Local Court, and his appointment was approved by the annual shareholders' meeting on 6 October 2011.

The composition of the Executive Board remained unchanged during the reporting period, with Dr Heiner Diefenbach as the sole member.

German Corporate Governance Code

The Supervisory Board monitors the development of corporate governance standards, and analysed the recommendations and suggestions of the German Corporate Governance Code again 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 7 March 2012 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 2012, 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. 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 focussed on:

a) In the financial statements of TDS AG:

- process of preparation of financial statements
- impairment of financial assets
- accrual basis in revenue recognition
- plausibility of forecasts in the consolidated management report

b) In the consolidated financial statements:

- the preparation of financial statements and the financial statements of companies included in the consolidated financial statements
- consolidation of capital and other consolidation measures
- impairment of goodwill
- 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 2012, 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 23 May 2012, 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 23 May 2012, 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 appraisal 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 results posted in TDS Informationstechnologie AG's 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 disclosure of 9 June 2011 provided information on the plans to restructure TDS to create a holding company. On 29 December 2011, a disclosure announced the proposed squeeze out, and on 9 March 2012 the Company published a disclosure regarding the demand for transfer of shares by Fujitsu Overseas Holding Limited.

The Supervisory Board would like to take this opportunity to sincerely thank the Executive Board and all Company and Group employees for their personal commitment and hard work over the year.

Munich, 24 May 2012

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 (until 30 June 2011)
- 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

- Claus-Peter Unterberger does not hold any other mandates

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

- Manuela Beier does not hold any other mandates

On 31 March 2012, Supervisory Board members held no shares in the Company (compared with 0 shares at 31 March 2011).

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

Dr Heiner Diefenbach
CEO, Seeheim-Jugenheim, Germany

- 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 (until 3 June 2011)
- President of the Administrative Board, TDS MultiVision AG, Regensdorf, Switzerland (since 3 June 2011)
- Managing Director, TDS IT Consulting GmbH, Neckarsulm, Germany

On 31 March 2012, Executive Board members held no shares in the Company (compared with 0 shares at 31 March 2011).

Management report for fiscal 2011/2012

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 organisations, 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' shares in TDS MultiVision AG, Regensdorf, Switzerland, were sold on 31 March 2012.

TDS has the following direct and indirect subsidiaries:

Subsidiaries	Holding in per cent
Germany	
TDS HR Services & Solutions GmbH, Neckarsulm, Germany	100 %
TDS IT Consulting GmbH, Neckarsulm, Germany	100 %
ROSEA GmbH, Neckarsulm, Germany	100 %
Outside Germany	
TDS HR Services & Solutions Austria GmbH, Vienna, Austria	100 %
TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland	100 %
TDS Systemhouse plc., Chesterfield, UK	100 %

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

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.

After purchasing additional shares, FSOHL owns over 95 per cent of TDS shares as of 31 March 2012. As a result, FSOHL is the majority shareholder in accordance with Section 327a, Subsection 1, Sentence 1 of the German Stock Corporation Act (AktG). Against this background, an extraordinary shareholders' meeting on 18 April 2012 approved the transfer of shares held by TDS minority shareholders to FSOHL in exchange for appropriate cash compensation pursuant to AktG, Sections 327a onwards. Cash compensation will total €4.32 per share.

Significant products, services and processes

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

a) IT Outsourcing

The IT Outsourcing business unit provides application hosting at its state-of-the-art data centres, application management services (maintenance and updates), 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.

As part of its application management services, TDS maintains and updates customer software. The latter includes upgrading to new application releases, for example – meaning customers benefit from the very latest software without requiring in-house application specialists. Software can be operated on customers' own IT systems, enabling TDS to assume complete process responsibility with regard to the customers' SAP and ECM applications.

As part of its end-to-end outsourcing services, TDS assumes complete responsibility for the processes associated with customers' entire IT landscape, from end devices and local networks to application operations.

b) HR Services & Solutions

The HR Services & Solutions segment provides end-to-end payroll-accounting solutions within the scope of Business Process Outsourcing (BPO), and many other employee-management services. It also develops and markets software for HR. Many HR Services & Solutions customers are non-profit organisations, including 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 licences 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. These ECM solutions include SAP archiving and workflow systems, as well as systems for the digital management and archiving of employee records.

Markets and competitive position

TDS is represented in Germany, Austria, Switzerland and the UK. The company generates 98.6 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 a 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 management and represents the Company in dealings with third parties. Dr Heiner Diefenbach was the sole Executive Board member in fiscal 2011/2012. He managed the IT Consulting, IT Outsourcing and HR Services & Solutions business units. In addition, he was responsible for financials, HR, purchasing and internal IT.

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 2012, 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 6 October 2011. 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, a vote to choose the auditors, and the election of Supervisory Board member Claus-Peter Unterberger.

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 2011/2012, 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. It is designed to ensure sustainable financial success, and to 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

Following the recession in 2008-2009, the global economy recovered rapidly in 2010. This upswing continued in the first half of 2011, with real GDP returning to pre-crisis levels in the second quarter. However, the final six months of 2011 saw a slowdown in growth, and a significant deterioration in the general outlook.

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 territory.

According to the Statistical Office of the European Communities (Eurostat), EU GDP grew by 0.7 per cent in the first quarter of 2011. In the second quarter, the growth rate slumped by 0.2 percentage points. GDP rose by 0.3 per cent in the third quarter, but contracted by 0.3 per cent in the fourth quarter.

At 1.3 per cent, the German growth rate in the first quarter of 2011 was 0.6 percentage points higher than that of the EU as a whole. The second quarter of 2011 saw growth increase by 0.3 percentage points compared to the previous quarter. The growth rate rose 0.6 percentage points in the third quarter. In the fourth quarter of 2011, GDP contracted by 0.2 per cent compared to the previous quarter – 0.1 percentage points less than the eurozone as a whole.

The German business sentiment index compiled by research institute ifo is an early indicator of economic development. In March 2012, it rose for the fifth successive occasion. German economic growth is currently being driven by the domestic economy; however, this momentum is slackening and the business environment showed no improvement in March 2012. The outlook for the eurozone remains uncertain. Only in Germany and Estonia is the current economic situation is rated as good, and in Finland and Slovakia as satisfactory. In most other countries – such as Austria, the Netherlands, Belgium, Ireland, France and Italy – the economic situation has deteriorated further, and it now described as unfavourable or weak. In Greece, Portugal, Spain and Cyprus, the current economic situation is rated as poor.

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 upturn in the information technology market (IT hardware, software and services) continued in early 2011 – in the first quarter of 2011, the BITKOM index recorded an all-time record high of 72 points. It fell slightly in the second quarter, but rose again in the following quarters, and is now slightly above the long-term average. 79 per cent of IT service providers surveyed are expecting increased revenues in 2012, 16 per cent are expecting stable revenues, and only 5 per cent expect their revenues to fall.

According to EITO, German IT market volume was €70.0 billion in 2011, with hardware accounting for €19.6 billion, software for €16.2 billion and IT services for €34.2 billion. This signifies a 3.2 per cent increase when compared with the 2010 market volume of €67.8 billion. The German hardware market grew by 1.1 per cent in 2011, to €19.6 billion. For software the figure was €16.2 billion, an increase of 5.1 per cent; for IT services €34.2 billion, a rise of 3.6 per cent.

Assessment by the Executive Board

All business units at TDS have benefitted from increased demand in the IT sector. Revenues rose over the previous fiscal, from approx. €132 million to approx. €147 million in fiscal 2011/2012 – primarily from transactions with Fujitsu Group companies. There was a marked improvement in profitability in the HR Services & Solutions business unit, attributable to a new strategy and organisational changes, and a combination of growing revenues and falling costs. In the IT outsourcing segment, too, profitable new business contributed to a rise in earnings.

Overview of TDS business development

TDS posted a consolidated profit of €376 thousand in fiscal 2011/2012, compared with a loss of minus €5,012 thousand in fiscal 2010/2011.

This rise of €5,388 thousand is mainly due to an increase in business volume accompanied by a less marked increase in cost of sales. Furthermore, the negative impact of the discontinued operation, TDS MultiVision AG, Regensdorf, Switzerland, was not as significant as in fiscal 2010/2011.

3 Business development

Comparison of actual and forecast business development

In fiscal 2010/2011, TDS forecast revenues of €140 million and an EBIT margin just within positive territory. The Company was able to exceed these projected figures, posting revenues of €147 million and an EBIT margin of approx. 1.5 per cent in fiscal 2011/2012.

Discontinued operations

In March 2010, TDS announced its intention to sell its stake in TDS MultiVision AG, Regensdorf, Switzerland (hereafter TDS MV). The contract for the sale to Fujitsu Technology Solutions (Holding) B.V., Maarssen, the Netherlands, was signed on 30 March 2012, with effect on 31 March 2012.

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 2011/2012, TDS generated 98.6 per cent of revenues in Germany (98.3 per cent in fiscal 2010/2011).

Development of earnings

Overview of earnings at TDS:

	2011/2012		2010/2011	
	€ thousand	%	€ thousand	%
Revenues	146,685	100.0	131,688	100.0
Cost of sales	-121,448	-82.8	-112,045	-85.1
Gross profit	25,237	17.2	19,643	14.9
Operating income/expenses	-23,044	-15.7	-23,650	-18.0
Earnings before interest and taxes (EBIT)	2,193	1.5	-4,007	-3.0
Financial income/expense	-806		-1,074	
Earnings before taxes (EBT)	1,387		-5,081	
Tax expense (last year: tax income)	-706		1,230	
Gains or losses relating to continuing operations	681		-3,851	
Gains or losses relating to discontinued operations after tax	-305		-1,161	
Consolidated net income	376		-5,012	

As these figures suggest, EBIT margin rose by 4.5 percentage points in comparison to fiscal 2010/2011, from minus 3.0 per cent to 1.5 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 was as follows:

	IT Outsourcing		HR Services & Solutions		IT Consulting		Group (consolidated)	
	2011/2012 € thousand	2010/2011 € thousand	2011/2012 € thousand	2010/2011 € thousand	2011/2012 € thousand	2010/2011 € thousand	2011/2012 € thousand	2010/2011 € thousand
External revenues	75,536	65,265	56,381	54,245	14,768	12,178	146,685	131,688
Cost of sales/Operating income/expenses	-68,955	-60,435	-60,357	-62,566	-15,228	-12,728	-144,492	-135,695
EBIT	6,581	4,830	-3,976	-8,321	-460	-550	2,193	-4,007
EBIT margin (in %)	8.7	7.4	-7.1	-15.3	-3.1	-4.5	1.5	-3.0

IT Outsourcing

In IT Outsourcing, TDS generated revenues of €75,536 thousand in fiscal 2011/2012, up 15.7 per cent over fiscal 2010/2011 (€65,265 thousand). This was primarily due to a significant volume of subcontracted work for Fujitsu Group companies.

In fiscal 2011/2012, order intake amounted to €72,444 thousand (€108,819 thousand in fiscal 2010/2011). Last year's figures included approximately €40,000 thousand attributable to a major outsourcing contract. Order backlog was €156,170 thousand on 31 March 2012 (€159,262 thousand on 31 March 2011). Order backlog is equivalent to a period of up to five years.

EBIT margin grew from 7.4 per cent in fiscal 2010/2011 to 8.7 per cent in fiscal 2011/2012. This is largely due to the healthy margins achieved from additional business with Fujitsu Group companies.

At 31 March 2012, the IT Outsourcing segment had 562 employees.

HR Services & Solutions

Revenues from HR Services & Solutions rose by €2,136 thousand (3.9 per cent), from €54,245 thousand to €56,381 thousand in fiscal 2011/2012. This was primarily due to the acquisition of new customers.

In fiscal 2011/2012, order intake amounted to €56,033 thousand (€82,212 thousand in fiscal 2010/2011). Order backlog was €113,107 thousand on 31 March 2012 (€113,456 thousand on 31 March 2011). Order backlog is equivalent to approximately two years.

In comparison to fiscal 2010/2011, EBIT margin increased by 8.2 percentage points to minus 7.1 per cent. This is primarily attributable to a reduction in value allowances, revenues generated from new customers, and improved processes and operations.

At 31 March 2012, 731 staff were employed in this segment.

IT Consulting

In IT Consulting, the TDS Group posted revenues of €14,768 thousand in fiscal 2011/2012, an increase of 21.3 per cent over fiscal 2010/2011 (€12,178 thousand). This is mainly as a result of additional business with Fujitsu Group companies.

In fiscal 2011/2012, order intake amounted to €28,599 thousand (€15,601 thousand in fiscal 2010/2011). Order backlog was €20,746 thousand at 31 March 2012 (€6,915 thousand at 31 March 2011).

EBIT margin grew from minus 4.5 per cent in fiscal 2010/2011 to minus 3.1 per cent in fiscal 2011/2012. This was primarily due to positive developments in licensing and better margins for long-term application management services.

At 31 March 2012, the TDS Group employed 101 staff in this segment.

Financial income (interest)

Negative financial income (interest) improved by €286 thousand over fiscal 2010/2011, from minus €1,074 thousand to minus €806 thousand. This is mainly due to a decrease in financial liabilities from €30,316 thousand to €19,519 thousand.

Income taxes

Tax expense amounted to €706 thousand in fiscal 2011/2012, corresponding to an effective tax rate of 35.8 per cent. In fiscal 2010/2011, on the other hand, the Company posted tax income of €1,230 thousand, resulting primarily from the realisation of deferred tax assets from tax loss carryforwards.

Profit or loss after tax of discontinued operations
Profit/loss of discontinued operations improved by €856 thousand year-on-year to minus €305 thousand (minus €1,161 thousand in fiscal 2010/2011), due to the gradual discontinuation of services in fiscal 2011/2012 following the sale.

Assets and financial situation

Consolidated balance sheet: assets

	31 March 2012 € thousand	31 March 2011 € thousand
Non-current assets		
Intangible assets	41,408	41,469
Property, plant and equipment	35,536	36,126
Other assets	6,819	7,917
	83,763	85,512
Current assets		
Trade receivables	23,179	20,039
Cash and cash equivalents	933	537
Other assets	4,086	16,853
	28,198	37,429
Non-current assets held for sale	0	319
Total assets	111,961	123,260

Intangible assets remained practically unchanged year-on-year, totalling €41,408 thousand on 31 March 2012, in comparison with €41,469 thousand on 31 March 2011. Intangible assets include licences (mainly for software) of €9,182 thousand (€8,089 thousand at 31 March 2011), capitalised software development costs of €961 thousand (€1,990 thousand on 31 March 2011), rented software in the amount of €78 thousand (€203 thousand on 31 March 2011) and goodwill in the amount of €31,187 thousand (€31,187 thousand on 31 March 2011).

Trade receivables rose by €3,140 thousand, from €20,039 thousand in fiscal 2010/2011 to €23,179 thousand in fiscal 2011/2012. This increase is attributable to new business with companies related to the majority shareholder. Other current assets include current tax assets in the amount of €132 thousand (€1,113 thousand on 31 March 2011), prepaid expenses of €3,157 thousand (€2,524 thousand on 31 March 2011) and other assets to the value of €796 thousand (€1,872 thousand on 31 March 2011). In fiscal 2010/2011 the *other assets* item also included TDS AG's claim for compensation from the majority shareholder for losses incurred, in accordance with the subordination agreement, totalling €11,342 thousand, and inventories in the amount of €2 thousand.

Non-current assets held for sale in fiscal 2010/2011 refer to discontinued operations, namely TDS MV.

Consolidated balance sheet: shareholders' equity and liabilities

	31 March 2012 € thousand	31 March 2011 € thousand
Shareholders' equity	61,113	60,636
Non-current liabilities		
Financial liabilities	77	967
Provisions for pensions	7,155	6,754
Other liabilities	740	593
	7,972	8,314
Current liabilities		
Financial liabilities	19,519	30,316
Trade payables	3,369	4,167
Provisions	14,937	13,392
Other liabilities	5,051	5,715
	42,876	53,590
Liabilities of discontinued operations	0	720
Total shareholders' equity and liabilities	111,961	123,260

The equity-to-total asset ratio increased from 49.2 per cent in fiscal 2010/2011 to 54.6 per cent in fiscal 2011/2012. The reasons for this are twofold: firstly, TDS posted a consolidated profit, and secondly, there was a reduction in financial liabilities and a corresponding decrease in balance sheet total.

As regards non-current liabilities, provisions for pensions grew from €6,754 thousand to €7,154 thousand as a result of the annual contribution of €401 thousand. Current provisions increased by €1,545 thousand, from €13,392 thousand to €14,937 thousand. A key reason for this development is that provisions were formed for outstanding payables for services performed by third parties.

Financial liabilities of continuing operations break down as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Amounts due to related companies	18,629	28,599
Finance leases	967	2,684
	19,596	31,283
of which non-current liabilities	77	967
of which current liabilities	19,519	30,316

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 the new TDS data centre in Neuenstadt. Further information regarding liabilities related to finance leases is given in note 20 “Leased assets”. These have fallen significantly year-on-year, from €2,684 thousand to €967 thousand, due to the expiration of leasing agreements.

Net financial liabilities

Minimising financial risks and continuously optimising financing agreements 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. A credit line has been made available by Fujitsu Technology Solutions (Holding) B. V., Maarssen, the Netherlands (FTSH BV), and has not yet been wholly taken up by TDS. Together with positive cash flows from ongoing operations, this ensures that TDS currently has sufficient cash reserves at its disposal.

Net financial liabilities of continuing operations developed as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Amounts due to related companies	18,629	28,599
Gross financial liabilities	18,629	28,599
Cash and cash equivalents	933	537
Net financial liabilities	17,696	28,062

In October 2011, voting rights held in TDS were transferred within the Fujitsu Group from Fujitsu Services Limited, London, UK (Fujitsu Services) to Fujitsu Technology Solutions (Holding) B. V., Maarssen, the Netherlands (FTSH BV). The voting rights of FTSH BV are held by Fujitsu Services Overseas Holdings Limited, London, UK (FSOHL), and FSOHL is owned and controlled by FTSH BV. Against this background, FTSH BV cancelled all loans granted by Fujitsu Services in full, and the amounts were once again lent to TDS within the scope of an intra-group agreement between FTSH BV and TDS. This agreement specifies the terms and conditions of the FTS cash management solution via an in-house bank, and forms the contractual basis for an in-house bank account for TDS at FTSH BV, and the granting of intercompany loans. On the basis of this intragroup agreement, TDS was granted a credit line in the amount of €25,000 thousand, of which TDS had taken up €18,629 thousand at the balance-sheet date. The interest rate for this intercompany loan is defined on a monthly basis. It is based on EURIBOR (European InterBank Offered Rate) as the reference rate plus a premium of 0.5 per cent, and was 1.07 per cent at the balance-sheet date. There are no restrictions on the term of the intragroup agreement. However, each party can opt out of the terms and conditions by giving 30 days’ notice.

Statement of cash flows (executive summary)

	2011/2012 € thousand	2010/2011 € thousand
Cash flows from operating activities	14,200	19,226
Cash flows from investing activities	-13,602	-15,461
Cash flows from financing activities	-345	-6,848
Currency translation effects	23	203
Change in cash and cash equivalents	276	-2,880
Cash and cash equivalents at the balance-sheet date	933	657
of which cash and cash equivalents relating to non-current assets held for sale	0	120
of which cash and cash equivalents relating to continuing operations	933	537

Despite the significant growth in profitability, cash flows from operating activities fell year-on-year by €5,026 thousand. This is primarily due to an increase in receivables and repayment of operating liabilities. Moreover, a fall in non-cash depreciation has affected consolidated profit or loss.

In fiscal 2011/2012, the TDS Group invested €13,610 thousand (€16,132 thousand in fiscal 2010/2011) in intangible assets and property, plant and equipment. Cash payments were made for all these investments in the reporting period, whereas in the previous fiscal, investments in the amount of €49 thousand were financed with leasing arrangements, with the result that cash payments will take place in the following periods.

Capital expenditure in fiscal 2011/2012 was offset by proceeds from the disposal of non-current assets, totalling €70 thousand (€645 thousand in fiscal 2010/2011). In addition, outgoing payments of €62 thousand were posted related to the sale of TDS MultiVision AG, with the result that net capital expenditure totalled €13,602 thousand (€15,461 thousand in fiscal 2010/2011).

Capital expenditure for property, plant and equipment totalled €9,429 thousand (€12, 675 thousand in fiscal 2010/2011), and was primarily attributable to computers and similar equipment and office equipment. The Group invested €4,181 thousand in intangible assets (€3,457 thousand in fiscal 2010/2011). This was mainly for new concessions and licences in the amount of €4,153 thousand. Capital expenditure in intangible assets and property, plant and equipment does not include leased assets for customer projects (leased assets for customer projects totalled €49 thousand in fiscal 2010/2011).

The increase in cash flows from financing activities from minus €6,848 thousand to minus €345 thousand is primarily attributable to a reduction in net payments to the majority shareholder. Although loan repayments of €9,970 thousand were made, the Company also received a compensation payment of €11,342 thousand from the majority shareholder for losses incurred. Another factor was a reduction in payments for liabilities arising from finance leases.

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). An ISAE3402 Type 2 Report (international standard) and an SSAE16 Type 2 Report (US standard) confirm the existence of an effective monitoring and control system 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 2011/2012

In summary, the Executive Board is satisfied with business development in fiscal 2011/2012. Defined targets for revenues and earnings were met. The strong recovery of the German economy has had a positive impact on TDS' financial position and profitability.

4 Research and development

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 €28 thousand in fiscal 2011/2012 (€389 thousand in fiscal 2010/2011).

5 Employees

The TDS Group employed 1,394 staff at the balance-sheet date (1,297 on 31 March 2011), of which 562 were employed in IT Outsourcing (492 on 31 March 2011), 731 in the HR Services & Solutions segment (719 on 31 March 2011), and 101 in IT Consulting (86 on 31 March 2011). The average age was 40. On 31 March 2012 there were 48 trainees (52 on 31 March 2011). 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 10 per cent.

In fiscal 2011/2012, the Company invested €1,282 thousand in the external training and development of staff (€1,342 thousand in fiscal 2010/2011). 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). Moreover, because TDS is part of the Fujitsu Group, employees took part in Fujitsu management training courses.

6 Compensation report

The TDS compensation report describes the principles for defining Executive and Supervisory Board remuneration. Disclosures regarding the amounts of compensation and the number of shares held by Executive and Supervisory Board members can be found in the notes to the consolidated financial statements, see note 44 "Further relevant information concerning the Executive and Supervisory Board".

Executive Board compensation

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

Executive Board compensation breaks down as follows:

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

- Variable compensation is in the form of an annual, performance-related bonus. Calculation of the bonus is based on the individual performance of Executive Board members and the performance of the Company, comparing actual performance to the targets set for each Executive Board member at the beginning of the year. The Supervisory Board defines these targets. The extent to which the targets are achieved is subject to the discretion of the Supervisory Board.

- 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.

Compensation for active Executive Board members totalled €590 thousand in fiscal 2011/2012.

Further information on compensation for individual Executive Board members in fiscal 2011/2012 can be found in the table in note 44 "Further relevant information concerning the Executive and Supervisory Board" in the notes to the consolidated financial statements.

Other business

TDS has a Directors' and Officers' Insurance (D&O insurance) policy for Executive 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 current CEO Dr Heiner Diefenbach be dismissed from his position as an Executive Board member for reasons other than gross misconduct, and should his relationship with the Company come to an end prematurely as a result of this dismissal, he shall receive compensation based on his basic salary for the total remaining term of his employment contract, plus bonuses.

If Dr Heiner Diefenbach's contract comes to an end on 31 December 2012, he 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.

No loans or advanced payments were granted to Executive Board members in fiscal 2011/2012; in addition, TDS did not enter into any agreements with Executive Board members that led to contingent liabilities for the Company.

In fiscal 2011/2012, 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. In addition, the Company reimburses VAT on payments they have received from TDS.

Compensation for Supervisory Board members would have totalled €66 thousand in fiscal 2011/2012 (€57 thousand in fiscal 2010/2011) (see note 44 "Further relevant information concerning the Executive and Supervisory Board"); however, as was the case in fiscal 2010/2011, the Supervisory Board members have signed agreements waiving their entitlement to compensation for fiscal 2011/2012 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 2012, Fujitsu Services Overseas Holdings Limited, 22 Baker Street, London W1U 2BW, UK, directly held over 95 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 overall economic climate deteriorate or should the economy fall back into recession, companies will be reluctant to invest. It is possible that demand for IT services might fall, and investment in new projects may be postponed, or fail to materialise. The euro crisis is currently regarded as the key material risk. It cannot be ruled out that a continued deterioration in the economic situation in eurozone countries will have a negative impact on TDS customers and therefore on TDS itself. Furthermore, there is a risk that energy prices could increase as a result of the German government's decision to abandon nuclear power and focus on renewables.

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 the 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 cash flows 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 FTSH BV, the majority shareholder, TDS has a strong, reliable partner and access to liquidity of around €25 million. €18,629 thousand of this amount had been claimed at the balance-sheet date, resulting in zero liquidity risk.

The agreement with FTSH BV specifies a variable interest rate. 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 2011/2012 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 and/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 2012) that could lead to a change in the assessment of the Company's situation.

An extraordinary shareholders' meeting held on 18 April 2012 approved the transfer of shares held by TDS minority shareholders to Fujitsu Services Overseas Holdings Limited, London, UK (majority shareholder), in exchange for appropriate cash compensation pursuant to Sections 327a onwards of the German Stock Corporation Act (AktG).

10 Outlook

Outlook for TDS

The outlook for TDS for the coming fiscal year is positive. Revenues are expected to increase; however, EBIT margin is forecast to be just within negative territory, due to one-off costs for an improvement programme.

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 predefined and limited functions; rather, they can be consumed by business users and corresponding processes in line with demands.

This delivery model 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.

<u>Economic environment and services</u>

The overall positive development of the German economy 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.

<u>Partnerships</u>

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.

<u>Fujitsu Services / Fujitsu Technology Solutions</u>

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.

<u>Organisation</u>

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.

<u>Human resources</u>

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 2011, ifo, in conjunction with other market research organisations, suggested that the developed economies are likely to see a significant economic slowdown in 2012. This is primarily due to the European sovereign debt crisis which has in turn triggered a crisis of confidence. The institutes predict that although these crises will remain manageable, they will pose an obstacle to a strong recovery in the eurozone. They expect German GDP to increase by an average of 1.3 per cent in 2012, and total global output by 2.5 per cent. Growth of 5.0 per cent in international trade is forecast.

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 2012. Sales of products in IT, telecommunications and consumer electronics for 2012 are expected to grow by 2.2 per cent to around €151.3 billion, exceeding the €150-billion-euro mark for the first time.

BITKOM forecasts that the German IT market will expand by 4.5 per cent in 2012 to €73.2 billion. The hardware market is predicted to expand by 5.2 per cent to €20.6 billion, the software industry by 5.2 per cent to €17.0 billion, and IT services by 3.8 per cent to €35.5 billion.

Earnings and financial situation

Assuming stable macroeconomic development and 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 approx. €159 million in fiscal 2012/2013, and an EBIT margin of minus 1.3 per cent. Increased revenues in the IT Outsourcing, HR Services & Solutions and IT Consulting segments are anticipated over fiscal 2011/2012. We expect that the HR Services & Solutions segment will post a negative EBIT margin in fiscal 2012/2013, as the result of a one-off improvement programme. EBIT margin is forecast to fall slightly in the IT Outsourcing segment, but to improve in IT Consulting.

The Executive Board expects TDS Group revenues to rise to approximately €169 million, and EBIT margin to grow to at least 3 per cent in fiscal 2013/2014.

To meet future growth, TDS plans to increase headcount in fiscal 2012/2013.

Expected capital expenditure

Capital expenditure is expected to total around €27.5 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 Technology Solutions.

Neckarsulm, 16 May 2012

The Executive Board

Consolidated financial statements

TDS AG consolidated income statement for the fiscal year from 1 April 2011 to 31 March 2012

	Notes	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Revenues	8	146,685	131,688
Cost of sales	9	-121,448	-112,045
Gross profit		25,237	19,643
Selling and marketing costs		-12,168	-11,935
General and administrative expenses		-11,526	-12,494
Other operating income and expenses	11	650	779
Earnings before interest and taxes (EBIT)		2,193	-4,007
Earnings from other investments (holdings)		5	5
Interest and similar income	13	82	89
Interest and similar expense	13	-924	-1,081
Other financial income/expense	13	31	-87
Earnings before taxes (EBT)		1,387	-5,081
Income/expense from income taxes	14	-706	1,230
Gains or losses relating to continuing operations		681	-3,851
Profit or loss after tax of discontinued operations	5	-305	-1,161
Consolidated profit or loss		376	-5,012

Earnings per share (basic)	15	0.01	-0.17
Earnings per share (diluted)	15	0.01	-0.17

TDS consolidated statement of comprehensive income for fiscal year 1 April 2011 to 31 March 2012

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Consolidated profit or loss	376	-5,012
Currency translation	101	162
Total comprehensive income	477	-4,850

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

Consolidated balance sheet of TDS Informationstechnologie AG at 31 March 2012

Assets	Notes	31 March 2012 € thousand	31 March 2011 € thousand
Non-current assets			
Intangible assets	16	41,408	41,469
Property, plant and equipment	18	35,536	36,126
Investment property	19	736	763
Other financial assets	21	50	50
Other non-current assets	22	1,461	2,127
Deferred tax assets	14, 23	4,572	4,977
		83,763	85,512
Current assets			
Inventories	24	0	2
Trade receivables	25	21,748	19,033
Receivables from ongoing projects not yet invoiced	26	1,431	1,006
Current tax assets	14	132	1,113
Other current assets	27	3,954	15,738
Cash and cash equivalents	28	933	537
		28,198	37,429
Assets of discontinued operations	5	0	319
Total assets		111,961	123,260

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

Shareholders' equity and liabilities	Notes	31 March 2012 € thousand	31 March 2011 € thousand
Shareholders' equity			
Share capital	29	29,369	29,369
Additional paid-in capital	29	47,165	47,165
Other comprehensive income	29	212	111
Retained earnings and accumulated losses	29	-15,498	-15,874
Treasury shares	29	-135	-135
		61,113	60,636
Non-current liabilities			
Provisions for pensions	30	7,155	6,754
Other long-term provisions	31	138	31
Non-current financial liabilities	32	77	967
Other non-current liabilities	34	602	562
		7,972	8,314
Current liabilities			
Other short-term provisions	31	14,937	13,392
Customer downpayments	33	448	807
Trade payables	33	3,369	4,167
Current tax liabilities	33	0	351
Current financial liabilities	32	19,519	30,316
Other current liabilities	34	4,603	4,557
		42,876	53,590
Liabilities of discontinued operations	5	0	720
Total shareholders' equity and liabilities		111,961	123,260

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 2011 to 31 March 2012

	Notes	1 April 2011 to 31 March 2012		1 April 2010 to 31 March 2011	
		€ thousand	€ thousand	€ thousand	€ thousand
Consolidated gains or losses relating to continuing operations		681		-3,851	
Consolidated profit or loss after tax of discontinued operations		-305		-1,161	
Consolidated net income			376		-5,012
Non-cash income and expense					
Depreciation/amortisation of property, plant and equipment, investment property, and intangible assets	16, 18, 19	14,074		14,469	
Changes in					
Provisions for pensions		-93		1,249	
Other provisions		1,545		2,682	
Profit/loss from the disposal of non-current assets		219		348	
Net change in deferred tax assets/liabilities	14	405	16,150	-815	17,933
Changes in operating assets and liabilities					
Inventories		2		34	
Receivables and other assets		-787		4,120	
Liabilities		-1,541	-2,326	2,151	6,305
Cash flows from operating activities			**14,200**		**19,226**
Purchase of intangible assets, property, plant and equipment	16, 18	-13,610		-16,106	
Proceeds from the disposal of non-current assets		70		645	
Payments related to the sale of consolidated subsidiaries including their cash and cash equivalents		-62		0	
Cash flows from investing activities			**-13,602**		**-15,461**
Proceeds from financial obligations on the part of the majority shareholder	36	11,342		0	
Repayments of loans granted by the majority shareholder	32, 36	-11,140		-6,950	
Proceeds from loans granted by the majority shareholder	32, 36	1,170		2,998	
Repayments of obligations under finance leases	32	-1,717		-2,896	
Cash flows from financing activities			**-345**		**-6,848**
Exchange-rate-related changes in cash and cash equivalents			23		203
Total change in cash and cash equivalents			276		-2,880
Cash and cash equivalents at the beginning of the period			657		3,537
Cash and cash equivalents at the end of the period			**933**		**657**
of which cash and cash equivalents posted under current assets			933		537
of which cash and cash equivalents of discontinued operations			0		120

Additional information	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Interest payments	-498	-770
Proceeds from interest	39	72
Tax payments	-442	-1,177
Proceeds from taxes	368	572
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 2010	29,368,616	29,369	35,823	-51	-10,862	56,214	-135	54,144
Consolidated profit or loss					-5,012			-5,012
Currency translation				162				162
Total comprehensive income				*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
Consolidated profit or loss					376			376
Currency translation				101				101
Total comprehensive income				*101*	*376*			*477*
31 March 2012	29,368,616	29,369	47,165	212	-15,498	56,214	-135	61,113

Further details on shareholders' equity are included in note 29. 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). The IT Consulting business unit provides consulting and project services for SAP (SAP R/3, SAP HANA – High-Performance Analytic Appliance and SAP Business ByDesign) and enterprise content management (ECM).

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

Principles of reporting

Pursuant to Section 315a of the German Commercial Code (HGB), the consolidated financial statements of TDS AG at 31 March 2012 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 2012 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 2010/2011. 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:

- Improvements to IFRS 2010
  Amendments have been made to individual IFRS to clarify the existing standards Certain amendments have an impact on reporting and valuation methods.

- Amendment to IAS 24 *Related Party Disclosures*
  The amended IAS 24 introduces modified disclosure requirements regarding transactions with certain related parties, primarily for transactions between an entity and a government that controls, jointly controls, or significantly influences the entity. It also applies to transactions between an entity and another entity under control, joint control or significant influence of the same government.

  Moreover, the definition of a related party has been amended to make it symmetrical: if two entities are related from the perspective of one of the entities, they are now also related from the perspective of the other entity.

- Amendment to IAS 32 *Classification of Rights Issues*
  The amended IAS 32 addresses the reporting of rights issues, options or warrants offered pro rata to all existing shareholders of a class of equity for a fixed amount of currency. IAS 32 states that these rights issues, options or warrants should be classified as equity, regardless of the currency in which the exercise price is denominated.

- Amendment to IFRS 1 *Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
  The amended IFRS 1 exempts first-time adopters from providing comparative information as required by the amended IFRS 7 issued in March 2009.

- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
  This amendment affects IFRIC 14, an interpretation of IAS 19 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.* IFRIC 14 specifies accounting practice for defined benefit plans where plan assets exceed the defined benefit obligation, creating a net surplus. The amendment applies in circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendment permits the entity to treat the benefit of this early payment as an asset.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments*
  IFRIC 19 addresses accounting practice for a debtor issuing shares or other equity instruments to a creditor to extinguish all or part of a financial liability. The interpretation specifies that such equity instruments are "consideration paid" in accordance with IAS 39.41. The debtor should measure the equity instruments issued to the creditor at fair value. If fair value is not reliably determinable, the equity instruments issued must be measured at the fair value of the liability extinguished. The debtor recognises in profit or loss the difference between the carrying amount of the financial liability extinguished and the measurement of the equity instruments issued.

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 2011 to 31 March 2012, and were not applied in the consolidated financial statements at 31 March. These new or amended standards and interpretations are being assessed to determine what, if any, impact they will have on future consolidated financial statements of TDS AG.

IAS 19 *Employee Benefits* (revised 2011)

In addition to detailed disclosure requirements for employee benefits, the amended standard includes the following key changes:

There are currently three permissible methods under IAS 19 for recognising actuarial gains and losses (unexpected changes in pension obligations). They can be either: (a) recognised in profit and loss, (b) recognised in other comprehensive income (OCI), or (c) deferred using the "corridor approach". According to the amended IAS 19, actuarial gains and losses must be recognised in other comprehensive income. This will create greater transparency and allow for easier comparison.

In addition, expected return on plan assets is currently calculated based on the subjective expectations of management regarding the development of the asset portfolio. The amended IAS 19 (revised 2011) specifies that expected return must be measured using the "net interest approach", which effectively assumes an expected rate of return on plan assets equal to the discount rate and ignores the plan's asset allocation.

The amended standard is applicable to fiscal years beginning on or after 1 January 2013 – pending incorporation into EU law.

As the TDS Group employs the corridor approach at present, this change – if applied to the figures posted on 31 March 2012 – would have led to an increase in provisions for pensions of €909 thousand. Future TDS Group income statements will not be affected by actuarial gains and losses (e.g. as a result of interest rate fluctuations), as the new reporting method requires these to be included in other comprehensive income.

Further new and amended standards will not have any significant impact on the TDS Group.

2 Principles of accounting and valuation
The following principles of accounting and valuation 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 (€ thousand).

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 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 2010/2011.

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 according to the straight-line method 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 2011/2012 and fiscal 2010/2011 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, and these are included in the statement of cash flows. They 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 be 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 cash flows.

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 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 2011/2012 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 recoverabilitiy of trade receivables

- Note 26 "Receivables from ongoing projects not yet invoiced": Valuation of receivables from ongoing projects not yet invoiced

- Note 30 "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 31 "Other 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. All other affiliated companies 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 purchase. The difference in the cost of acquisition and equity holding is allocated to the subsidiary's assets, liabilities and contingent liabilities at their fair values, regardless of the stake held by the parent company. 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 2012 Rate at balance-sheet date	31 March 2012 Average rate for fiscal year	31 March 2011 Rate at balance-sheet date	31 March 2011 Average rate for fiscal year
US dollars	1.3333	1.37771	1.42030	1.32292
Swiss francs	1.2047	1.21453	1.29950	1.33828
Pounds sterling	0.8329	0.86303	0.88290	0.84989

4 Changes to corporate structure and to consolidation

Fiscal 2011/2012

TDS MultiVision AG, Regensdorf, Switzerland (TDS MV) has been sold to Fujitsu Technology Solutions (Holding) B. V., Maarssen, the Netherlands, for €21 thousand. The contract for the sale was signed on 30 March 2012, with effect on 31 March 2012. On 31 March 2012, TDS MV was deconsolidated. Profit or loss resulting from deconsolidation is included in *profit or loss of discontinued operations* in the consolidated income statement.

The following assets and liabilities of TDS MV were transferred to the buyer within the scope of the purchase:

	Carrying amount at the time of sale € thousand
Receivables and other current assets held for sale	25
Cash and cash equivalents held for sale	62
Assets of discontinued operations	**87**
Current liabilities of discontinued operations	-77
Liabilities of discontinued operations	**-77**
Assets and liabilities of discontinued operations, net	**10**

Cash and cash equivalents totalling €62 thousand were transferred to the buyer on the sale of TDS MV.

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 for fiscal 2010/2011 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.

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 MV to Fujitsu Technology Solutions AG, Regensdorf, Switzerland (FTS Switzerland). However, the sale was not completed at that time.

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, and the business in Switzerland represents a geographical area of operations.

The contract for the sale of TDS MV to Fujitsu Technology Solutions (Holding) B. V., Maarssen, the Netherlands, was signed on 30 March 2012, with effect on 31 March 2012. As a result, TDS MV was deconsolidated on 31 March 2012.

In accordance with IFRS 5 *Non-current assets held for sale and discontinued operations*, the profit/loss resulting from deconsolidation following the sale of the discontinued operation and the current profit/loss of TDS MV were reported in the consolidated income statement as *profit or loss resulting from the sale of discontinued operations* and *current profit or loss of discontinued operations* respectively.

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

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
TDS MV: income	1,206	2,806
TDS MV: expenditure	-1,247	-3,622
Current profit or loss of discontinued operations before tax	**-41**	**-816**
Income tax on profit or loss of discontinued operations	-16	-228
Current profit or loss of discontinued operations after tax	**-57**	**-1,044**
Profit or loss resulting from the sale of discontinued operations	-248	0
Profit or loss resulting from valuation of discontinued operations	0	-117
Profit or loss of discontinued operations after tax	**-305**	**-1,161**

In addition to sales, TDS MV's income includes other operating income, interest and additional financial income. *Profit or loss resulting from the sale of discontinued operations* represents the profit/loss resulting from the deconsolidation of TDS MV. This includes proceeds from the sale, together with expenses incurred by the disposal of assets and transfer of liabilities of TDS MV and by the derecognition of TDS MV's currency reserves.

Cash flows of discontinued operations break down as follows:

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Cash flows attributable to operating activities	-217	-1,097
Cash flows attributable to investing activities	0	-22
Cash flows attributable to financing activities	150	-1,945
Currency translation effects	9	196
Total change in cash and cash equivalents of discontinued operations	**-58**	**-2,868**
Cash and cash equivalents of discontinued operations at the beginning of the period	120	2,988
Cash and cash equivalents of discontinued operations at the time of sale (Last year: at the end of the period)	**62**	**120**

Fiscal 2010/2011

In fiscal 2010/2011, *profit or loss resulting from valuation of discontinued operations* included the unscheduled amortisation of TDS MV goodwill in the amount of €117 thousand.

In fiscal 2010/2011, 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 was continuing to make losses, however, the Executive Board decided not to form any deferred tax assets at that time. A valuation allowance was posted for existing deferred tax assets in fiscal 2009/2010, resulting in deferred tax expense of €227 thousand.

The balance sheet included 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 for fiscal 2010/2011 break down as follows:

	31 March 2011 € thousand
Goodwill held for sale	0
Property, plant and equipment held for sale	75
Other non-current assets held for sale	0
Receivables and other current assets held for sale	124
Cash and cash equivalents held for sale	120
Assets of discontinued operations	319

	31 March 2011 € thousand
Pension provisions of discontinued operations	495
Current liabilities of discontinued operations	225
Liabilities of discontinued operations	720

In fiscal 2010/2011, TDS MV liabilities to TDS AG in the amount of €482 thousand were eliminated within the scope of debt consolidation.

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 2012 € thousand	31 March 2011 € thousand
Trade receivables (Germany)	20,282	16,510
Trade receivables (other countries)	1,466	2,523
Receivables from ongoing projects not yet invoiced (PoC)	1,431	1,006
Cash and cash equivalents	933	537
Other receivables	998	13,853
	25,110	34,429

Other receivables allocated to financial assets, in the amount of €998 thousand (€13,853 thousand in fiscal 2010/2011), are included under *other non-current assets* and *other current assets*. In fiscal 2010/2011, this item included €11,342 thousand attributable to TDS AG's claim for compensation from FSOHL for losses incurred.

Valuation allowances for financial assets:

	Trade receivables		Receivables from ongoing projects not yet invoiced (PoC)		Cash and cash equivalents		Other receivables	
	31 March 2012 € thousand	31 March 2011 € thousand	31 March 2012 € thousand	31 March 2011 € thousand	31 March 2012 € thousand	31 March 2011 € thousand	31 March 2012 € thousand	31 March 2011 € thousand
Cost of acquisition	23,105	20,991	1,431	1,006	933	537	998	13,868
Valuation allowances	-1,357	-1,958	0	0	0	0	0	-15
	21,748	19,033	1,431	1,006	933	537	998	13,853

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

At 31 March 2012, financial liabilities that were overdue but not impaired broke down as follows:

Trade receivables

€ thousand				Overdue but not impaired				
		Total	Not overdue	< 30 days	31-60 days	61-90 days	91-120 days	> 121 days
31 March 2012	Gross value	23,105	12,208	6,574	964	1,083	474	1,802
	Valuation allowance	-1,357	0	0	0	-203	-85	-1,069
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

Other receivables

€ thousand				Overdue but not impaired				
		Total	Not overdue	< 30 days	31-60 days	61-90 days	91-120 days	> 121 days
31 March 2012	Gross value	998	998	0	0	0	0	0
	Valuation allowance	0	0	0	0	0	0	0
31 March 2011	Gross value	13,868	13,853	0	0	0	0	15
	Valuation allowance	-15	0	0	0	0	0	-15

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 primarily through borrowing within the scope of an intragroup agreement between FTSH BV and TDS. There are no restrictions on the term of the intragroup agreement (see note 32 "Financial liabilities").

At 31 March 2012, the Group's financial liabilities had the following maturities. Figures are based on contractual, non-discounted payment amounts.

31 March 2012	Carrying amount € thousand	Payments € thousand	2012/ 2013 € thousand	2013/ 2014 € thousand	2014/ 2015 € thousand	2015/ 2016 € thousand	2016/ 2017 onwards € thousand
Amounts due to related companies	18,629	18,828	18,828	0	0	0	0
Finance leases	967	986	908	78	0	0	0
Trade payables	3,369	3,369	3,369	0	0	0	0
Other liabilities	300	300	300	0	0	0	0
Total	23,265	23,483	23,405	78	0	0	0

Fiscal 2010/2011

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

Interest-rate-related risk

TDS is financed via short-term loans based on variable interest rates within the scope of the intragroup agreement between FTSH BV and TDS. As a result, risks associated with fluctuations in market interest rates arise primarily from financial obligations towards FTSH BV.

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 2012	Increase/decrease in interest rate in base points	Change in earnings before taxes € thousand
	+100	-212
	-100	+212

31 March 2011	Increase/decrease in interest rate in base points	Change in earnings before taxes € thousand
	+100	-325
	-100	+325

Currency-related risk

Foreign-currency transactions are mainly carried out by TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland. 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 consulting and project services related to SAP (SAP R/3, SAP HANA – High-Performance Analytic Appliance, and SAP Business ByDesign) and enterprise content management (ECM).

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 and tax (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 2010/2011 have been adjusted to represent continuing operations.

Figures for individual operating segments

1 April 2011 to 31 March 2012	IT Outsourcing	HR Services & Solutions	IT Consulting	Reconciliation	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Income statement					
External revenues	75,536	56,381	14,768	0	146,685
EBIT	6,581	-3,976	-460	48	2,193
Financial income/expense (interest)					-806
Earnings before taxes					1,387

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/expense (interest)					-1,074
Earnings before taxes					-5,081

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 (€10 thousand in fiscal 2010/2011) and ROSEA GmbH's operating profit/loss of €38 thousand (€24 thousand in fiscal 2010/2011).

With the exception of an unscheduled write-down on software in development in-house in the HR Services & Solutions segment to the value of €483 thousand, the Company did not post any non-cash expenses that were of material significance for individual segments in fiscal 2011/2012. In fiscal 2010/2011, valuation allowances for trade receivables led to non-cash expenses of €612 thousand, of which €40 thousand was attributable to IT Outsourcing, €570 thousand to HR Services & Solutions and €2 thousand to IT Consulting.

Consolidated revenues include revenues of €33,445 thousand (€18,703 thousand in fiscal 2010/2011) generated from Fujitsu Group companies. These revenues are spread across all segments, but are primarily attributable to IT Outsourcing.

Analysis of revenues by geographical region

External revenues	Germany	Rest of Europe	Total
	€ thousand	€ thousand	€ thousand
1 April 2011 to 31 March 2012	144,465	2,220	146,685
1 April 2010 to 31 March 2011	129,467	2,221	131,688

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 mark-up.

Non-current assets	Germany	Rest of Europe	Total
	€ thousand	€ thousand	€ thousand
31 March 2012	76,295	1,868	78,163
31 March 2011	76,485	1,873	78,358

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 €146,685 thousand (€131,688 thousand in fiscal 2010/2011) 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 €2,076 thousand were generated from customer-specific contracts in fiscal 2011/2012 (€1,955 thousand in fiscal 2010/2011) according to the percentage-of-completion method.

9 Cost of sales

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Expenditure for services received	17,093	16,138
Expenditure for finished goods and products	5,477	833
Cost of materials	22,570	16,971
Personnel costs	66,693	57,149
Depreciation and amortisation	13,299	13,618
Other expenditure	18,886	24,307
Cost of sales	121,448	112,045

10 Depreciation and amortisation

Scheduled amortisation and depreciation of intangible assets, property, plant and equipment and investment property of continuing operations totalled €13,566 thousand (€14,297 thousand in fiscal 2010/2011). In addition, costs of €483 thousand were incurred due to an unscheduled write-down of software in development in-house. 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 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Income from other general costs charged to customers	100	108
Income from other general costs charged to related companies	156	500
Income from disposal of non-current assets	1	137
Other operating income	871	631
	1,128	1,376
Expenses from other general costs charged to customers	54	84
Expenses from other general costs charged to related companies	5	13
Other tax expense	14	5
Expenses from disposal of non-current assets	220	485
Other operating expenses	185	10
	478	597
Other operating income and expenditure, net	650	779

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 expense from other fiscal years

In the fiscal year from 1 April 2011 to 31 March 2012, income from other fiscal years totalled €2,598 thousand (€1,200 thousand in fiscal 2010/2011). This figure includes €1,795 thousand for the reversal of provisions, €1 thousand for proceeds from the disposal of assets, and €802 thousand for other items. Expenses from other fiscal years totalled €249 thousand (€594 thousand in fiscal 2010/2011), including €24 thousand for back taxes for previous years, €220 thousand for expenses from disposal of non-current assets, and €5 thousand for other items not attributable to 2011/2012.

12 Personnel costs

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

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Salaries and wages	71,293	62,455
Social security costs	10,481	9,254
Net periodic pension costs	259	197
Other pension costs	179	125
	82,212	72,031

The average headcount for fiscal 2011/2012 was as follows:

	Fiscal 2011/2012	Fiscal 2010/2011
Number of employees, production	1,111	1,012
Number of employees, sales and marketing	85	81
Number of employees, administration	152	154
of which attributable to discontinued operations	-2	-7
	1,346	1,240

13 Financial income/expense

This item comprises the following:

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Profit or loss from other investments (holdings)	5	5
Interest and similar income	82	89
Interest and similar expense	-924	-1,081
Interest income/expense, net	-842	-992
Other financial income	102	11
Other financial expense	-71	-98
Other financial income/expense, net	31	-87
	-806	-1,074

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 €40 thousand (€65 thousand in fiscal 2010/2011), and €491 thousand (€744 thousand in fiscal 2010/2011) 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 €15 thousand (€7 thousand in fiscal 2010/2011). Income from interest on TDS MV pension plan assets totalled €7 thousand for fiscal 2011/2012 (€9 thousand in fiscal 2010/2011), and is posted under *profit or loss of discontinued operations*.

14 Income taxes

Income taxes break down as follows:

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Current tax expense	-316	0
Income from income taxes	14	208
Deferred taxes attributable to measurement differences	345	751
Deferred tax on loss carryforwards	-749	271
Tax in the consolidated income statement	-706	1,230

For German companies, at 31 March 2012, deferred taxes were calculated at a German corporation tax rate of 15 per cent (15 per cent in fiscal 2010/2011). 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 2010/2011). Taking into account the solidarity surcharge and trade tax, a deferred tax rate of 29.035 per cent applied in fiscal 2011/2012 (29.035 per cent in fiscal 2010/2011).

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 2012 (29.035 per cent in fiscal 2010/2011) by pre-tax earnings.

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Expected tax expense	-403	1,475
Effects of foreign operations taxed at various rates	-24	-30
Non-tax-deductible expense	9	-17
Trade-tax deviation	-80	-92
Valuation allowance for deferred tax assets	-197	-426
Currency exchange for deferred tax assets	0	9
Tax from previous reporting periods	-11	271
Other additions	0	40
Actual tax expense	-706	1,230

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 2012 € thousand	31 March 2011 € thousand
Deferred tax assets		
Tax loss carryforwards	7,682	8,423
Intangible assets	69	81
Provisions for pensions	510	504
Provisions	233	75
Finance leases	28	61
	8,522	9,144
Valuation allowance	-2,138	-2,141
Total deferred tax assets	6,384	7,003
Deferred tax liabilities		
Property, plant and equipment	-19	-19
Percentage of completion	-154	-81
Customer base, licenses used by customers	-1,087	-1,200
Intangible assets	-438	-627
Receivables	-114	-99
Total deferred tax liabilities	-1,812	-2,026
Deferred tax assets/liabilities	4,572	4,977

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 2012, TDS AG posted corporation-tax loss carryforwards totalling €21,893 thousand (€24,476 thousand in fiscal 2010/2011), and trade-tax loss carryforwards totalling €17,814 thousand (€20,765 thousand in fiscal 2010/2011). 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 €5,534 thousand were carried in the financial statements (€6,282 thousand in fiscal 2010/2011). A valuation allowance of €284 thousand (€335 in fiscal 2010/2011) was formed.

TDS HR posted corporation-tax loss carryforwards in the amount of €4,922 thousand (€4,922 thousand in fiscal 2010/2011), and trade-tax loss carryforwards totalling €4,807 thousand (€4,807 thousand in fiscal 2010/2011). 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. Start-up losses of €841 thousand were posted on 31 March 2012 (€435 thousand on 31 March 2011), resulting in deferred tax assets of €173 thousand (€90 thousand in fiscal 2010/2011). A valuation allowance was formed for all but €10 thousand of this amount.

At 31 March 2012, TDS Systemhouse PLC, Chesterfield, UK, posted corporation tax loss carryforwards of €1,159 (€1,044 thousand in fiscal 2010/2011). 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.

TDS MultiVision AG, Regensdorf, Switzerland has been classified as a discontinued operation since the end of fiscal 2009/2010. The company was sold on 31 March 2012. In fiscal 2010/2011, a change in tax assets/liabilities totalling €227 thousand was 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 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Gains or losses relating to continuing operations after tax	681	-3,851
Profit or loss of discontinued operations after tax	-305	-1,161
Consolidated net income	376	-5,012

	Fiscal 2011/2012 Number of shares	Fiscal 2010/2011 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 2011/2012 €	Fiscal 2010/2011 €
Earnings per share (basic) of continuing operations after tax	0.02	-0.13
Earnings per share (basic) of discontinued operations after tax	-0.01	-0.04
Consolidated earnings per share (basic)	0.01	-0.17

	Fiscal 2011/2012 €	Fiscal 2010/2011 €
Earnings per share (diluted) of continuing operations after tax	0.02	-0.13
Earnings per share (diluted) of discontinued operations after tax	-0.01	-0.04
Consolidated earnings per share (diluted)	0.01	-0.17

16 Intangible assets

Intangible assets developed as follows during the period 1 April 2011 to 31 March 2012:

	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 2011	25,903	6,662	1,752	41,950	76,267
Currency translation effects	0	0	0	0	0
Additions	4,153	28	0	0	4,181
Reallocations	0	0	0	0	0
Disposals	451	1,111	95	6,128	7,785
31 March 2012	29,605	5,579	1,657	35,822	72,663
Depreciation and amortisation					
1 April 2011	17,814	4,672	1,549	10,763	34,798
Currency translation effects	0	0	0	0	0
Additions	2,900	1,057	125	0	4,082
Reallocations	0	0	0	0	0
Disposals	291	1,111	95	6,128	7,625
31 March 2012	20,423	4,618	1,579	4,635	31,255
Carrying amounts					
31 March 2012	9,182	961	78	31,187	41,408
31 March 2011	8,089	1,990	203	31,187	41,469

TDS does not carry out its own R&D. All development costs, to the value of €28 thousand (€389 thousand in fiscal 2010/2011), 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. Depreciation and amortisation includes an unscheduled write-down of software in development in-house, in the amount of €483 thousand, due to the revised outlook for revenues.

In the fiscal year 1 April 2010 to 31 March 2011, 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 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

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 Deutschland	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

Goodwill is subject to impairment testing at the end of each fiscal year. This establishes the recoverable amount at CGU level on the basis of fair value less costs to sell, using a discounted cash-flow method that is based on company planning. The interest paid by a typical market participant is applied for discounting cash flows. In fiscal 2011/2012, a post-tax interest rate of 7.08 per cent (6.94 per cent in fiscal 2010/2011) was used for the company planning period. The corresponding nominal pre-tax interest rate is 9.98 per cent (9.92 per cent in fiscal 2010/2011). 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. Impairment testing was performed on 31 March 2012, in conjunction with an external report on the value of TDS.

According to impairment testing, there was no need for write-downs. When determining fair value less costs to sell, TDS believes that plausible changes to material assumptions will not cause the units' carrying amount to significantly exceed their recoverable amount, with the exception of HR Germany. If planned cash flow were to fall by 10 per cent, the recoverable amount of the HR Germany CGU would be lower than its carrying amount by €165 thousand. Likewise, an increase in the discount rate of 1 per cent would lead to a recoverable amount €1,297 thousand less than the carrying amount.

In fiscal 2011/2012, goodwill of continuing activities 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 2011	13,317	291	26,583	1,759	41,950
Additions	0	0	0	0	0
Reallocations	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2012	13,317	291	26,583	1,759	41,950
Depreciation and amortisation					
1 April 2011	10,763	0	0	0	10,763
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2012	10,763	0	0	0	10,763
Carrying amounts					
31 March 2012	2,554	291	26,583	1,759	31,187
31 March 2011	2,554	291	26,583	1,759	31,187

In fiscal 2010/2011, goodwill developed as follows:

As part of a change in strategy, selected business activities of the IT Consulting Germany CGU were reallocated to other segments in fiscal 2010/2011. This involved assigning application management to IT Outsourcing and HR Germany, 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.

	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	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

18 Property, plant and equipment

In the fiscal year from 1 April 2011 to 31 March 2012, 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.	Plant and equipment under construction	Total
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Cost of acquisition						
1 April 2011	17,738	38,357	9,399	9,077	1,969	76,540
Currency translation effects	0	0	0	0	0	0
Additions	670	7,326	0	1,048	385	9,429
Reallocations	1,512	190	0	0	-1,702	0
Disposals	9	833	1,860	60	0	2,762
31 March 2012	19,911	45,040	7,539	10,065	652	83,207
Depreciation and amortisation						
1 April 2011	1,976	24,692	7,129	6,617	0	40,414
Currency translation effects	0	0	0	0	0	0
Additions	660	6,795	1,468	1,017	0	9,940
Reallocations	0	0	0	0	0	0
Disposals	6	778	1,850	49	0	2,683
31 March 2012	2,630	30,709	6,747	7,585	0	47,671
Carrying amounts						
31 March 2012	17,281	14,331	792	2,480	652	35,536
31 March 2011	15,762	13,665	2,270	2,460	1,969	36,126

At 31 March 2012, as in fiscal 2010/2011, TDS had not provided securities for its loans.

Capital expenditure in fiscal 2011/2012 primarily comprised payments for data centre infrastructure.

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.	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

19 Investment property

The following table shows changes in investment property in the fiscal year from 1 April 2011 to 31 March 2012:

	€ thousand
Cost of acquisition	
1 April 2011	2,491
Additions	0
Disposals	0
31 March 2012	2,491
Depreciation and amortisation	
1 April 2011	1,728
Current fiscal year	27
31 March 2012	1,755
Carrying amounts	
31 March 2012	736
31 March 2011	763

At 31 March 2012, fair value of investment property totalled €820 thousand (€890 thousand in fiscal 2010/2011). 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 2011/2012, lease income from investment property amounted to €27 thousand (€20 thousand in fiscal 2010/2011). Operating expenses came to €27 thousand (€13 thousand in fiscal 2010/2011).

In fiscal 2010/2011, investment property developed as follows:

	€ 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

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 2012 € thousand		31 March 2011 € 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	908	890	1,844	1,717
Between one and five years	78	77	986	967
Longer than five years	0	0	0	0
Total minimum lease payments	986	967	2,830	2,684
Less interest	-19		-146	
Present value of minimum lease payments	967		2,684	

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 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Lease expenses	4,921	4,671
Income from subleasing arrangements	-222	-231
	4,699	4,440

At 31 March 2012, future obligations under operating leases for the minimum lease term were as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Less than one year	4,739	4,324
Between one and five years	9,556	8,841
Longer than five years	16,231	17,645
	30,526	30,810

Future minimum income from subleases was as follows 31 March 2012:

	31 March 2012 € thousand	31 March 2011 € thousand
Less than one year	155	225
Between one and five years	73	201
Longer than five years	195	209
	423	635

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 2011	1,131	0	16	0	1,147
Currency translation effects	0	0	0	0	0
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2012	1,131	0	16	0	1,147
Depreciation and amortisation					
1 April 2011	1,093	0	4	0	1,097
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
31 March 2012	1,093	0	4	0	1,097
Carrying amounts					
31 March 2012	38	0	12	0	50
31 March 2011	38	0	12	0	50

Development in fiscal 2010/2011:

	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 amount					
31 March 2011	38	0	12	0	50
31 March 2010	38	0	12	0	50

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. L., Neuss, Germany (VisionOne)	8.55 %

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

	BFL** € thousand	Villa Rosa* € thousand
Total assets	17,071	148
Total liabilities	1,541	32
Total revenues	0	644
Profit/loss for the year	5,621	-32

* At 31 December 2011

** At 31 December 2010

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

A list of subsidiaries and holdings at 31 March 2012 follows these notes, and is an integral part of these notes.

22 Other non-current assets

	31 March 2012 € thousand	31 March 2011 € thousand
Cash surrender value of life insurance	277	291
Prepaid expenses	1,053	1,023
Other non-current assets	131	813
	1,461	2,127

Prepaid expenses primarily comprise prepaid maintenance services for hardware and software. In fiscal 2010/2011, other non-current assets included receivables from the sale of operations totalling €671 thousand.

23 Deferred tax assets

Details of deferred tax assets are provided in note 14 “Income taxes”.

24 Inventories

	31 March 2012 € thousand	31 March 2011 € thousand
Commodities	0	2
	0	2

25 Trade receivables

	31 March 2012 € thousand	31 March 2011 € thousand
Trade receivables	23,105	20,991
Less valuation allowances	-1,357	-1,958
	21,748	19,033

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

At 31 March 2012, an impairment loss was defined for trade receivables with a nominal value of €1,357 thousand (€1,958 thousand in fiscal 2010/2011). The valuation allowance developed as follows:

	2012 € thousand	2011 € thousand
1 April	1,958	1,394
Additions	62	612
Use	-564	-44
Reduction	-99	-4
31 March	1,357	1,958

26 Receivables from ongoing projects not yet invoiced

At 31 March 2012, receivables from ongoing projects not yet invoiced included expenses of €3,596 thousand (€2,850 thousand in fiscal 2010/2011), gains of €523 thousand (€279 thousand in fiscal 2010/2011), and €37 thousand in losses (€696 thousand in fiscal 2010/2011). However, these receivables were posted net of cash advances totalling €2,651 thousand (€1,427 thousand in fiscal 2010/2011). 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.

27 Other current assets

	31 March 2012 € thousand	31 March 2011 € thousand
Supplier credit	57	31
Deposit payments	27	25
Receivables from employees	5	21
Downpayments to suppliers	66	16
Claim for compensation from majority shareholder for losses incurred	0	11,342
Other receivables and assets	642	1,794
Valuation allowance	0	-15
	797	13,214
Prepaid expenses	3,157	2,524
	3,954	15,738

Prepaid expenses comprise payments made in fiscal 2011/2012 for maintenance contracts representing work that will be performed in the future.

As a result of the transfer of staff from a customer in fiscal 2010/2011, TDS undertook certain staff-related obligations and as such was entitled to compensation from the customer totalling €998 thousand.

28 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 2012, cash and cash equivalents totalled €933 thousand (€537 thousand in fiscal 2010/2011). In fiscal 2010/2011, TDS MV held cash and cash equivalents totalling €120 thousand, which were posted under assets of discontinued operations.

29 Shareholders' equity

Share capital

At 31 March 2012, share capital comprised 29,368,616 (29,368,616 at 31 March 2011) 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 2011/2012.

Treasury shares

At 31 March 2012 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 2011/2012 – as in fiscal 2010/2011 – 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 2012 € thousand	31 March 2011 € thousand
Total shareholders' equity	61,113	60,636
Total assets	111,961	123,260
Equity-to-total-assets ratio	54.6 %	49.2 %

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

30 Pension obligations

At 31 March 2012, provisions for pensions broke down as follows:

	1 April	Use	Reduction	Addition	31 March
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
1 April 2011 to 31 March 2012	6,754	159	0	560	7,155
1 April 2010 to 31 March 2011	5,565	113	0	1,302	6,754

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 plan of TDS HR Switzerland is 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.

TDS MV was sold on 31 March 2012. In fiscal 2010/2011, provisions for the funded pension plans of TDS MV were posted under *liabilities of discontinued operations* and not under *provisions for pensions* on the balance sheet.

Costs for defined contribution plans totalled €36 thousand in fiscal 2011/2012 (€33 thousand in fiscal 2010/2011).

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	
	31 March 2012	31 March 2011	31 March 2012	31 March 2011
Discount rate	4.70 %	5.30 %	2.60 %	3.00 %
Expected return on assets	-	-	2.50 %	3.00 %
Rate of compensation increase	2.50 %	2.50 %	1.00 %	1.00 %
Rate of retirement-benefit increase	2.00 %	2.00 %	0.00 %	0.00 %

Projected staff turnover is based on the probability of employees leaving the company in accordance with age group (ranging from 0 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.

For pension plans financed by funds, 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 2012 € thousand	31 March 2011 € thousand	31 March 2012 € thousand	31 March 2011 € thousand
Present value of pension obligations financed by provisions	7,942	6,751	0	0
Present value of pension obligations financed by funds	567	458	0	253
Present value of defined benefit obligations	8,509	7,209	0	253
less plan assets at market value	-494	-444	0	-201
Net obligations	8,015	6,765	0	52
Adjustments due to actuarial gains (+) and losses (-)	-909	-71	0	443
Balance (net)	7,106	6,694	0	495
of which posted under *provisions for pensions*	7,155	6,754	0	495
of which posted under *other non-current assets*	-49	-60	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 2012 € thousand	31 March 2011 € thousand	31 March 2010 € thousand	31 March 2009 € thousand	31 December 2008 € thousand	31 December 2007 € thousand
Present value of pension obligations	8,509	7,462	6,222	6,358	5,688	6,601
less plan assets at market value	-494	-645	-486	-1,293	-1,226	-2,047
Present value of defined benefit obligations not covered by plan assets	8,015	6,817	5,736	5,065	4,462	4,554
Adjustments to the present value of pension obligations based on experience	896	887	933	8	-628	-931
Adjustments to the value of plan assets based on experience	-40	103	268	-18	-392	-42

Development of the present value of pension obligations:

	TDS Group (excluding TDS MV)		TDS MV (posted under *liabilities of discontinued operations*)	
	2012 € thousand	2011 € thousand	2012 € thousand	2011 € thousand
1 April previous year	7,209	5,540	253	682
Transfers	0	885	0	0
Currency translation adjustments	37	0	18	55
Current services costs	260	188	9	87
Interest costs	372	282	8	14
Allocations of funds	29	22	19	54
Benefit payments*	-178	216	-236	-550
Actuarial gains and losses	780	76	-36	-89
Reduction as a result of deconsolidation	0	0	-35	0
31 March	8,509	7,209	0	253

In fiscal 2010/2011, transfers were 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*)	
	2012 € thousand	2011 € thousand	2012 € thousand	2011 € thousand
1 April previous year	444	0	201	486
Currency translation adjustments	35	0	14	37
Expected return on plan assets	15	7	7	9
Actuarial gains and losses	-50	-11	11	111
Employer contributions	41	97	19	54
Employee contributions	28	21	19	54
Benefit payments*	-19	330	-236	-550
Reduction as a result of deconsolidation	0	0	-35	0
31 March	494	444	0	201

* 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 (which was sold on 31 March 2012) 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 2011/2012, contributions of €5,697 thousand were made to public pension funds (€5,061 thousand in fiscal 2010/2011).

Contributions to plan assets of €41 thousand are planned in fiscal 2012/2013.

Pension cost from defined benefit obligations:

	TDS Group (excluding TDS MV)		TDS MV (posted under *liabilities of discontinued operations*)	
	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Current service costs (in operating profit/loss)	260	188	9	87
Interest expense (in financial profit/loss)	372	282	8	14
Expected return on plan assets (in financial profit/loss)	-15	-7	-7	-9
Actuarial gains (-) and losses (+) (in operating profit/loss)	-1	9	-520	-21
	616	472	-510	71

The actual return on plan assets from external pension funds totalled minus €18 thousand (€116 thousand in fiscal 2010/2011).

31 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 €551 thousand (€388 thousand in fiscal 2010/2011) 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 2012, other provisions were as follows:

	1 April 2011	Currency translation adjustments	Reallocations	Use	Reduction	Addition	31 March 2012
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Provisions for taxes	314	0	0	21	14	230	509
Other provisions							
Payroll and related costs	7,369	0	0	6,301	808	9,048	9,308
Warranty obligations and risks from pending transactions	1,625	0	0	1,055	560	696	706
Additional other provisions	4,115	0	0	2,490	413	3,340	4,552
	13,423	**0**	**0**	**9,867**	**1,795**	**13,314**	**15,075**

At 31 March 2012, the following items were estimated for provisions within the individual categories:

	Remaining term less than one year	Remaining term one to five years	Remaining term more than five years
	€ thousand	€ thousand	€ thousand
Provisions for taxes	509	0	0
Payroll and related costs	6,677	0	33
Additional other provisions	4,829	105	0
Total	**12,015**	**105**	**33**
Non-cash provisions	2,922	0	0
Total provisions	**14,937**	**105**	**33**

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

	Remaining term less than one year	Remaining term one to five years	Remaining term more than five years
	€ thousand	€ thousand	€ 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**

32 Financial liabilities

Financial liabilities break down as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Amounts due to related companies	18,629	28,599
Obligations under finance leases	967	2,684
	19,596	31,283

Amounts due to related companies

Fiscal 2011/2012

In October 2011, voting rights held in TDS were transferred within the Fujitsu Group from Fujitsu Services Limited, London, UK (Fujitsu Services) to Fujitsu Technology Solutions (Holding) B. V., Maarssen, the Netherlands (FTSH BV). The voting rights of FTSH BV are held by Fujitsu Services Overseas Holdings Limited, London, UK (FSOHL), and FSOHL is owned and controlled by FTSH BV. Against this background, FTSH BV cancelled all loans granted by Fujitsu Services in full, and the amounts were once again lent to TDS within the scope of an intra-group agreement between FTSH BV and TDS. This agreement specifies the terms and conditions of the FTS cash management solution via an in-house bank, and forms the contractual basis for an in-house bank account for TDS at FTSH BV, and the granting of intercompany loans. On the basis of this intragroup agreement, TDS was granted a credit line in the amount of €25,000 thousand, of which TDS had taken up €18,629 thousand at the balance-sheet date. The interest rate for this intercompany loan is defined on a monthly basis. It is based on EURIBOR (European InterBank Offered Rate) as the reference rate plus a premium of 0.5 per cent, and was 1.07 per cent at the balance-sheet date. There are no restrictions on the term of the intragroup agreement. However, each party can opt out of the terms and conditions by giving 30 days' notice.

Fiscal 2010/2011

Within the scope of the intercompany loan agreement concluded between TDS and Fujitsu Services Limited, London, UK (Fujitsu Services), on 10 August 2010, Fujitsu Services granted a variable rate non-amortising loan in fiscal 2010/2011 with a credit line of €20,000 thousand, maturing on 9 August 2011. At 31 March 2011, €8,624 thousand of this had been taken up. The interest rate was 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 31 March 2011.

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. On 31 March 2011, €19,975 thousand of this had been taken up. The interest rate was 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 31 March 2011.

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".

33 Term of liabilities

31 March 2012	Remaining term less than one year € thousand	Remaining term one to five years € thousand	Remaining term more than five years € thousand	Total 31 March 2012 € thousand
Amounts due to related companies	18,629	0	0	18,629
Finance leases	890	77	0	967
Financial liabilities	**19,519**	**77**	**0**	**19,596**
Customer downpayments	448	0	0	448
Trade payables	3,369	0	0	3,369
Other liabilities	4,603	602	0	5,205
(for tax)	(1,900)	(0)	(0)	(1,900)
Total	**27,939**	**679**	**0**	**28,618**

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

34 Other liabilities

Other liabilities break down as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Value-added tax and other tax liabilities	1,900	1,835
Salaries and wages	1	5
Customer credit	284	278
Interest due to related companies	0	14
Total additional liabilities	56	55
	2,241	2,187
Deferred revenue	2,362	2,932
	4,603	5,119

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.

35 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 2012	Carrying amount	Market value	Carrying amount	Market value	Carrying amount	Market value
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
Assets							
Trade receivables	21,748	21,748	21,748				
Receivables from ongoing projects not yet invoiced (PoC)	1,431	1,431	1,431				
Cash and cash equivalents	933	933	933				
Other receivables	998	998	998				
	25,110	**25,110**	**25,110**				
Shareholders' equity and liabilities							
Amounts due to the majority shareholder	18,629			18,629	18,629		
Finance leases	967					967	964
Trade payables	3,369			3,369	3,369		
Other liabilities	300			300	300		
	23,265			**22,298**	**22,298**	**967**	**964**

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 2012, the market interest rate varied between 2.11 per cent and 2.22 per cent, depending on the remaining term of the liability.

Other receivables allocated to financial assets, in the amount of €998 thousand (€13,853 thousand in fiscal 2010/2011) are included under *other non-current assets* and *other current assets*.

		Valued 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 on 31 March 2011 € thousand	Carrying amount € thousand	Market value € thousand	Carrying amount € thousand	Market value € thousand	Carrying amount € thousand	Market value € 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

36 Related parties

According to IAS 24 *Related Party Disclosures*, any individual or entity that may be expected to influence, or be influenced by, the reporting company, must be disclosed. This excludes companies included in the consolidated financial statements. Relationships between parent companies and subsidiaries must be disclosed. Relationships with related parties must only be disclosed if transactions have taken place. Related parties within the TDS Group include Fujitsu Services 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 Fujitsu Group companies in fiscal 2011/2012 are as follows:

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Sales revenue	33,445	18,703
Other operating income	247	500
Total income	33,692	19,203

Revenues mainly comprise income from services provided by TDS to Fujitsu Group customers as a subcontractor for Fujitsu Group companies, particularly for Fujitsu Services Limited, London, UK (Fujitsu Services), Fujitsu Services AB, Kista, Sweden, and Fujitsu Services GmbH, Frankfurt am Main (FS). Moreover, revenues were generated from renting out data centre space.

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

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
For products and services	4,917	4,386
Interest expense	405	534
	5,322	4,920

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

Interest expenses are for liabilities from loans granted by Fujitsu Services and FTSH BV (see note 32 "Financial liabilities").

At 31 March 2012, receivables and liabilities for FSOHL and companies within the Fujitsu Group were as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Trade receivables	6,149	3,999
Claim for compensation from losses incurred	0	11,342
Receivables	6,149	15,341

In accordance with the subordination agreement concluded between FSOHL and TDS AG, FSOHL is obliged to compensate TDS for any loss. In fiscal 2010/2011, TDS made a claim for compensation against FSOHL of €11,342 thousand for losses incurred. As TDS posted a profit in fiscal 2011/2012, it was not necessary to claim for compensation against the majority shareholder.

	31 March 2012 € thousand	31 March 2011 € thousand
Loan	18,629	28,599
Interest	0	14
Trade payables	1,358	1,501
Liabilities	19,987	30,114

Details on the loan are given in note 32 "Financial liabilities".

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

	Value of services provided € thousand		Value of services received € thousand	
	1 April 2011 to 31 March 2012	1 April 2010 to 31 March 2011	1 April 2011 to 31 March 2012	1 April 2010 to 31 March 2011
Villa Rosa gGmbH, Heilbronn, Germany	0	0	22	19

In fiscal 2011/2012, €22 thousand was contributed to Villa Rosa gGmbH for day care for TDS employees' children (€19 thousand in fiscal 2010/2011).

At 31 March 2012, there were no receivables or liabilities for other investments.

Other related parties
In fiscal 2011/2012 and 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 44 "Further relevant information concerning the Executive and Supervisory Board".

37 Other financial obligations

Future financial obligations break down as follows:

	31 March 2012 € thousand	31 March 2011 € thousand
Due in less than one year	7,640	6,595
Due in one to five years	11,276	9,883
Due in more than five years	16,231	18,421
	35,147	34,899

This item primarily consists of rental/lease expenses.

Obligations totalling €965 thousand (€48 thousand in fiscal 2010/2011) were posted under intangible assets for contracts concluded for capital expenditure projects (purchase obligations).

Obligations totalling €712 thousand (€758 thousand in fiscal 2010/2011) were posted under property, plant and equipment for contracts concluded for capital expenditure projects (purchase obligations).

38 Contingent liabilities

At 31 March 2012, the Company had obligations arising from bank guarantees in the amount of €1,940 thousand (€1,949 thousand in fiscal 2010/2011). TDS believes that it is highly improbable that these guarantees will be enforced, on the basis of their knowledge of the assets, financial situation and profitability of the entities for whom they were undertaken.

39 Legal proceedings

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

40 Declaration of compliance with the German Corporate Governance Code

The Executive Board and the Supervisory Board of TDS issued a declaration of compliance with the German Corporate Governance Code on 7 March 2012, pursuant to Section 161 of the German Stock Corporation Act (AktG), and have made this declaration permanently available to shareholders at www.tds.fujitsu.com/Unternehmen/Investor Relations/Corporate Governance.

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

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

42 Events after the balance sheet date

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

On 18 April 2012, an extraordinary shareholders' meeting was held to vote on the transfer of shares held by TDS AG minority shareholders to FSOHL (the majority shareholder) in exchange for appropriate cash compensation pursuant to sections 327a onwards of AktG.

43 Other information

The following auditors' fees were posted:

	1 April 2011 to 31 March 2012 € thousand	1 April 2010 to 31 March 2011 € thousand
Audit of year-end financial statements	237	253
Tax consulting services	157	173
Other services	95	29
	489	455

44 Further relevant information concerning the Executive and Supervisory Boards

In fiscal 2011/2012, Dr Heiner Diefenbach was the sole member of the Executive Board.

The TDS Supervisory Board comprised the following members in fiscal 2011/2012:

- Benno Zollner (Chairman)
- Claus-Peter Unterberger (Deputy Chairman)
- Manuela Beier

Compensation

The total compensation package for the TDS AG Executive Board was €590 thousand in fiscal 2011/2012 (€1,624 thousand in fiscal 2010/2011), including a fixed component of €218 thousand (€491 thousand in fiscal 2010/2011) and a performance-related component of €372 thousand (€480 thousand in fiscal 2010/2011).

A total of €320 thousand (€0 in fiscal 2010/2011) was set aside for compensation due to Dr Heiner Diefenbach if he serves his contract to the end of its natural term.

In fiscal 2010/2011, Executive Board compensation included performance-related one-off payments of €92 thousand and non-performance-related one-off payments of €561 thousand, as a result of Executive Board members resigning their positions.

Executive Board compensation broke down as follows for individual members in fiscal 2011/2012:

Name	Fixed-rate	Performance-related	Total
	€ thousand	€ thousand	€ thousand
Dr Heiner Diefenbach	218	372	590
Total	**218**	**372**	**590**

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 since 25 February 2011)
- Robert Battenstein (until 25 February 2011)
- Konrad Meier (until 15 September 2010)

Executive Board compensation breaks 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**

Compensation for Supervisory Board members would have totalled €66 thousand in fiscal 2011/2012 (€57 thousand in fiscal 2010/2011). However, as in the previous year, the Supervisory Board members have signed agreements waiving their right to compensation for fiscal 2011/2012, and for their remaining period in office at TDS AG.

At 31 March 2012, as at 31 March 2011, there were no outstanding advance payments or loans to members of the TDS AG Executive Board or Supervisory Board.

Directors' dealings

In fiscal 2011/2012, no transactions by directors of the Company required disclosure pursuant to Section 15a of the German Securities Trading Act (WpHG).

Former Executive Board members

Total compensation for former Executive Board members amounted to €460 thousand for fiscal 2011/2012 (€40 thousand in fiscal 2010/2011).

A total of €1,302 thousand (€1,298 thousand in fiscal 2010/2011) was set aside to fulfil pension obligations for former members of the Executive Board and their dependents. As the corridor method was applied, €192 thousand (€90 thousand in fiscal 2010/2011) of this amount was not posted under provisions.

45 Publication date for the financial statements

On 16 May 2012, the Executive Board approved publication of the financial statements for the fiscal year ending 31 March 2012.

Neckarsulm, 16 May 2012

The Executive Board

Dr Heiner Diefenbach

TDS Informationstechnologie AG subsidiaries and affiliated companies at 31 March 2012

	Holding in per cent	Shareholders' equity[1)] at 31 March 2012	Net income[1)] at 31 March 2012	
		€ thousand	€ 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, Germany	100 %	702	14	
Outside Germany				
TDS HR Services & Solutions Austria GmbH, Vienna, Austria	100 %	859	118	3)
TDS HR Services & Solutions Switzerland AG, Regensdorf, Switzerland	100 %	-808	-345	3)
TDS Systemhouse plc., Chesterfield, UK	100 %	-360	-16	
2. Affiliated companies valued at cost				
BFL Gesellschaft des Bürofachhandels mbH & Co. KG, Eschborn, Germany	0.32 %	15,530	5,621	5)
Villa Rosa gGmbH, Heilbronn, Germany	30 %	116	-32	4)
VisionOne Consulting AG, in liquidation, Neuss, Germany	8.55 %	-414	6	6)

1) Drawn up according to applicable national accounting standards
2) Zero earnings due to a profit-transfer agreement
3) Indirect holding
4) At 31 December 2011
5) At 31 December 2010
6) 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 2011 to 31 March 2012. Preparation of the consolidated financial statements and management report in line with International Financial Reporting Standards (IFRS), as they are applied in the EU, and in line with the supplementary provisions of Section 315a, Subsection 1 of the German Commercial Code (HGB), is the responsibility of the Company's Executive Board. Our role is to express an opinion on the consolidated financial statements and the management report based on our audit.

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

Our audit has not led to any reservations.

Based on the findings of our audit, we believe that the consolidated financial statements comply fully with IFRS, as they are applied in the EU, that they comply with the supplementary provisions of Section 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 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, 16 May 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

KPMG AG WIRTSCHAFTSPRÜFUNGSGESELLSCHAFT
WIRTSCHAFTS-
PRÜFUNGS-
GESELLSCHAFT
SIEGEL
BERLIN

Schwebler
Auditor

Herbel
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, 16 May 2012

The Executive Board

Dr Heiner Diefenbach

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' meetings 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, Germany	--
FSOHL	Fujitsu Services Overseas Holdings Limited, London, UK	--
FTS	Fujitsu Technology Solutions GmbH, Munich, Germany	--
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.

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