ATOSS

2011

ATOSS in Figures

CONSOLIDATED OVERVIEW ACCORDING TO IFRS: 12-MONTH COMPARISON IN T EUR PER DECEMBER 31

	01.01.2011 - 31.12.2011	Proportion of Total Sales	01.01.2010 - 31.12.2010	Proportion of Total Sales	Change 2011 / 2010
Total Sales	**31,575**	**100%**	**29,314**	**100%**	**8%**
Software	18,821	60%	17,847	61%	5%
Licensing	6,686	21%	6,541	22%	2%
Maintenance	12,135	38%	11,306	39%	7%
Consulting	8,382	27%	7,914	27%	6%
Hardware	2,806	9%	2,452	8%	14%
Other	1,566	5%	1,101	4%	42%
EBITDA	7,794	25%	7,290	25%	7%
EBIT	**7,308**	**23%**	**6,840**	**23%**	**7%**
EBT	8,411	27%	6,958	24%	21%
Net income	**5,675**	**18%**	**4,799**	**16%**	**18%**
Cash flow	5,317	17%	5,635	19%	-6%
Liquidity (1/2)	24,851		21,091		18%
EPS (in EUR)	1.43		1.21		18%
Employees (3)	269		247		9%

CONSOLIDATED OVERVIEW ACCORDING TO IFRS: QUARTERLY COMPARISON IN T EUR

	Q4/11	Q3/11	Q2/11	Q1/11	Q4/10
Total Sales	**8,229**	**7,585**	**7,913**	**7,848**	**7,870**
Software	4,891	4,651	4,705	4,574	4,652
Licensing	1,772	1,586	1,676	1,652	1,711
Maintenance	3,119	3,065	3,029	2,922	2,941
Consulting	2,145	1,931	2,184	2,122	2,204
Hardware	607	764	548	887	809
Other	586	239	476	265	206
EBITDA	1,894	1,792	2,054	2,054	1,684
EBIT	**1,766**	**1,665**	**1,941**	**1,936**	**1,582**
EBIT margin in %	21%	22%	25%	25%	20%
EBT	1,812	2,617	2,015	1,967	1,642
Net income	**1,199**	**1,772**	**1,367**	**1,337**	**1,183**
Cash flow	-1,784	3,170	843	3,088	-1,328
Liquidity (1/2)	24,851	26,349	22,375	23,682	21,091
EPS (in EUR)	0.30	0.45	0.34	0.34	0.30
Employees (3)	269	259	249	253	247

(1): Cash and cash equivalents, current and non-current financial assets (e.g. gold, equities)
(2): Dividend of EUR 0.60 (previous year EUR 0.50) per share on 04.05.2011, equating to T EUR 2,386
(3): at the end of the year/quarter

Developments over six record years from 2006 to 2011

+55%

TOTAL SALES

+67%

SOFTWARE LICENCES SALES

+69%

CONSULTING SALES

+1.199%

EBIT

1.118

NEW CUSTOMERS

+64%

CAPITAL INVESTMENT ON R&D

“Success needs time and continuity”

Andreas F.J. Obereder
Founder and CEO
ATOSS Software AG

ATOSS Annual Report 2011

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Managing Volatility

An interview with Andreas F.J. Obereder, CEO and founder of ATOSS Software AG

Andreas F.J. Obereder

"We are operating in a market that is at the beginning of it's evolution ..."

Mr. Obereder, 2011 was another excellent year for ATOSS. Your company continues to chart a success course and your topics are widely discussed ...
It is gratifying to see that more and more companies are concerning themselves with workforce management and its potential for productivity gains. Who would have thought a few years ago that intelligent workforce management would be such a high priority item on the executive agenda? Our issues have definitely arrived on the top floors.

Economic developments have also played a role.
Absolutely, especially in such a crazy year like 2011. On the one hand, the German economy was humming, as if the Lehmann crisis had never happened. On the other hand, we are experiencing the dramatic financial crisis in the Eurozone with its problems in Southern Europe where the economies must urgently find their way back to higher productivity levels.

Given the current economic and employment figures, countries abroad are looking to the German economy with a measure of disbelief.
There are many reasons for Germany's success. Many companies did their homework and policy makers made the right moves. Germany's productivity is above the levels in many other countries, but there is still a lot of work to be done. I am pleased to see that the significance of workforce management is on the way up.

How does ATOSS address the issues?
The rising market volatility with dramatic shifts that we have experienced with increasing frequency in the past years forces companies to constantly change their processes and adapt to new situations and business models short term. Metaphorically speaking, today's processes must be elastic. This is the only way that companies can secure their competitive edge over the long term.

"The optimization of working environments and the associated process worlds takes on an entirely new significance ..."

It is decisive here that personnel processes do not put the brakes on, but enable the implementation of necessary change, in short periods of time. Ultimately, managing complexity is also a personnel issue. The optimization of working environments and the associated process worlds takes on an entirely new significance – and offers tremendous potential for greater value creation.

Can you cite a few examples?
Sales gains of 11 percent, personnel costs down by 15 percent in connection with stable employee levels, 20 percent lower provisions on the balance sheet – these are results from current ATOSS projects that speak for themselves. Our annual report features a number of these cases.

Do you perceive focus points in certain sectors?
Naturally, different sectors are faced with different challenges. Take the manufacturing industry: following the cost reduction phases by offshoring production locations abroad, the industry is now engaged in improving value creation in high wage countries such as Germany. We are experiencing rising demand for planning tools geared to ensuring far more detailed, demand optimized workforce management than in the past. It is surprising to see that even in renowned major corporations planning is only conducted on team level and not company-wide. Here, comprehensive, holistic strategies are called for instead of fragmented approaches.

"In future, we will be consistently advancing our international presence, also by way of partnerships."

Can you elaborate a bit more on this?
Let me cite an example from an area that was a major issue in 2011. In connection with Germany's major energy policy turnaround the problem emerged that renewable energies such as wind or solar energy cannot provide for the same amount of electricity everywhere and are subject to strong fluctuations, not to mention changing demand scenarios. Intensive work is currently in progress – incidentally, with the help of intelligent software – to enable load balancing and thereby also an optimal reconciliation between demand and production. And workforce management accomplishes precisely this by synchronizing demand and supply. The results achieved can usually be measured short-term – in most cases already within the first six to twelve months.

How do companies approach workforce management?
Basically, three dimensions must be aligned and reconciled as best as possible. For one, the economic concerns of the given company, for example, the current order situation in the production area or customer frequency in retailing. Employee needs and wishes represent the second dimension. This is a factor that should not be underestimated, one that strongly contributes to employee motivation and retention and has an immediate effect on service quality. Thirdly, general framework conditions such as legislation, collectively bargained wages, company agreements, qualifications and skills and many other aspects must be given due consideration. All of these factors must be optimally balanced according to the company strategy, which is one of our core competencies.

Isn't that extremely complex?
From a technical viewpoint, the answer is yes. The differentiated requirements of demand and cost optimized planning with their many influencing variables can simply not be managed without powerful IT support. Considering the multitude of planning variants that already arise in the case of a retail store with 30 employees and three different duty starting times already amounts to incredible dimensions. Traditional methods such as spreadsheet calculations are totally out of their depth here. The degree of sophistication and complexity is comparable to the technological demands made on a powerful Internet search engine. Similar to this area, we have developed an extremely high performing algorithm in the last ten years that forms the core of our software and is continuously improved.

How does this look in practical terms?
The Ingolstadt clinical center, which has been operating with our Medical Solution since the nineties, is one of the pioneers in flexible workforce deployment. Today, the center's management

is in a position to offer such a flexible working environment that the hospital is regarded as one of the most attractive employers in the health care sector, while also enjoying a sensationally low fluctuation rate. I hardly need to explain in greater detail what this means on a labor market characterized by an extreme shortage of physicians and care personnel. And there is even more to the story here: the Ingolstadt clinical center is cooperating closely with Audi AG, the largest employer in the region, in order to achieve optimal synchronization with health care offerings and working hours, and learn interactively. I regard this orientation of a business model to market demands as almost revolutionary, especially in such a traditional sector as health care.

With regard to hospital clients 2011 also marked major progress ...
In the health care sector the tremendous concentration and cost pressures are generating strong demand for solutions to rapidly and efficiently manage the increasingly sophisticated personnel processes. Indeed, we won some major accounts, for example the University Medical Centers in Mainz or in Frankfurt. The fact that we opened our software for SAP users in 2011 was one reason for our success. For the first time – with this step – we provided the option of integrating our high-end planning tools into the existing IT landscape of large-scale organizations.

This was not the only innovation in the past year ...
We launched an exciting new solution for hotels on the markets. Hotels are a good example of a sector that must cope with extremely short-term demand situations and average occupancy rates of well under 80 percent. And all this without compromising on service quality or having personnel costs go through the roof. Here, the topic of load balancing also plays a major role. Our new Mobile Workforce Management App that caters to the needs of mobile working worlds – a genuine future topic – was also very well received.

2011 was also another successful year for ATOSS in the retail sector ...
That is correct. We have become the premium brand for retail companies. Customers like ALDI SÜD, EDEKA or Douglas show us what strategic significance workforce management holds for them. In 2011 we gained quite a number of new customers such as ADLER Modemärkte or Praktiker, while companies like PUMA or HORNBACH are making strong use of the ATOSS Retail Solution in their foreign business. The project for Eddie Bauer in Japan was another genuine highlight in 2011.

Does that mean that international business is gaining increasing importance for ATOSS?
Absolutely. At present, our solutions have already been implemented in 23 countries across the globe. In future, we will be consistently advancing our international presence, also by way of partnerships. Wincor Nixdorf, for example, has been selling our retail solution Europe-wide since mid 2011.

And what is on the agenda for 2012?
We are operating in a market that is at the beginning of it's evolution – where a great deal more will be happening in future. Just consider the demographic developments and their effects. I am convinced that our portfolio is positioned in a very sound and future oriented manner. Our aim is to shape and design today's and tomorrow's working environments in a sustainable manner, and to secure the success of our customers over the long term. We are looking forward to mastering these challenges.

Thank you for the interview.

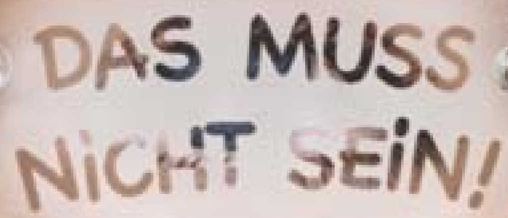
Black on white

Demand optimized workforce management is our core competence. We are committed to providing advanced, leading edge technologies. Our customers benefit from higher productivity, greater transparency, leaner processes and enhanced service quality – in connection with controllable personnel costs. Every day, workforce management solutions by ATOSS make significant contributions to the value creation and increased competitive strengths of over 4,000 customers. And most notably, in an extremely volatile international market as well. At the same time, our solutions ensure greater job satisfaction, resulting in stronger staff retention and lower employee fluctuation rates. The following pages present examples of our everyday work – black on white.

ATOSS customer Voglauer

1961

The last of the baby boom years also marked a major demographical turnaround. Since 2011, every baby boomer is at least 50 years old. In other words – the changes in our generation structure will become all the more tangible in the coming years. Today, Germany is already short of approximately 60,000 engineers and 25,000 IT experts. By 2025, the Federal Employment Agency anticipates a shortfall of between six and seven million skilled specialists. These are facts that we at ATOSS cannot change. What we can do, however, is provide active support for our customers as they face this challenge. Higher productivity, less unoccupied time and design of future-proof working time models: workforce management is the ideal tool for keeping companies competitive in the face of contracting employee resources and an ageing workforce. And this is precisely where we excel.



ATOSS customer essilor

Good times bad times

Full speed ahead – emergency braking – and back to full speed ahead again: economic cycles are becoming increasingly shorter and volatile. In order to survive these sharp fluctuations personnel resources and production requirements need to be optimally synchronized. For customers such as Allgaier, Dyneon, essilor, MAGNA STEYR and W.L. Gore & Associates, ATOSS solutions create greater flexibility and deliver the necessary transparency to respond rapidly to altered underlying conditions if need be. We eliminate superfluous overtime as well as unproductive periods when staff are unoccupied and create scope for key players and high potentials in companies. In this way, we are making significant contributions to our customers' competitive strengths – in good times and bad times alike.

ATOSS customer bene

Work on demand

Flexibility is paramount in manufacturing. After all, there is always room for improvement, whether in connection with order volumes, manpower capacities or quality standards. Our systems create the transparency necessary for synchronizing personnel resources and production requirements, as well as for continuous, ongoing process optimization. In contract manufacturing and individual production, project complexity requires maximum planning input and flexibility as well as ideal resource management – across companies in many instances. As is the case with our customer MEYER WERFT: a work-force in excess of 2,500 – in peak times boosted by up to 4,000 supplier employees – handle the large-scale orders at the Papenburg shipyard. Just-in-time – that is the motto of our customer bene, a manufacturer of high-quality office furniture working to guaranteed delivery dates, while operating entirely without warehouse stock. Every item produced goes straight into the transportation container. This concept demands exceptional logistics precision and working time flexibility, something which bene can rely on in terms of their industrial employees, thanks to the ATOSS Staff Efficiency Suite.

ATOSS customer s.Oliver

More than

500

retail customers

Whether customers are really kings or not, depends on how sales activities are handled – day after day. Service in retail is a key differentiating feature and guarantees higher sales. If staff are at hand when customers need them, conversion rates increase without higher personnel costs – thanks to intelligent planning. The ATOSS Retail Solution helps retail companies achieve the right balance between high service quality and optimized personnel costs. Our customers such as ADLER, ALDI SÜD, Conrad Electronics, dodenhof, Douglas, EDEKA, Lands' End, PUMA, SportScheck, Telekom Shops, Runners Point, Praktiker and s.Oliver manage their workforce to pinpoint precision thanks to our solution. And this covers customer frequency, sales, POS receipt data and sales events, and sometimes even the weather. 11% higher sales, 8% better conversion rate and 15% lower personnel costs in connection with stable workforce numbers – these are success figures current ATOSS projects are reporting.

ATOSS customer Douglas

Premium

With just under 1,200 perfumeries – 450 of which are in Germany – Douglas ranks as Europe's market leader. Pure shopping fun for customers – that is the declared company philosophy at Douglas. And workforce management issues are high on the executive agenda. "As a premium brand, Douglas stands for customer enthusiasm, service focus and operational excellence – factors that depend decisively on the enthusiasm, competence and service commitment of our staff at the perfumeries," as Dr. Henning Kreke, Chairman of the Board of Management of DOUGLAS HOLDING stated. Which is why the company decided to systematically invest in "intelligent workforce management at the shops." The ATOSS Retail Solution was implemented in order to improve the alignment of customer frequency and staff levels, as well as the organization of the shop processes. "Our key aim is to further increase the high service quality at our Douglas perfumeries in order to provide optimal customer care," explained Dr. Kreke. This is the only viable approach to securing value oriented growth. Following the successful implementation in Germany, the international roll out of the ATOSS Retail Solution will kick off in 2012.

ATOSS customer AppelrathCüpper

80 %

less overtime

The success formula for workforce management in the retail sector is plain and simple: the right numbers of the right staff at hand at the right time spells profitable business. The planning challenge consists of balancing staffing levels with service levels, while achieving significant reductions of expensive overtime and unoccupied time. The Douglas subsidiary AppelrathCüpper shows the way. In only the first year of operation, the ATOSS Retail Solution eliminated 750 hours of sales staff overtime, equal to around 80%. At the same time, both service quality and productivity per staff hour improved. "The ATOSS Retail Solution is the essential tool for keeping a firm hold on costs despite intensive staff deployment," as Christian Steer, CEO at AppelrathCüpper, emphasizes.

ATOSS customers EDEKA Minden-Hannover, Nord, Rhein-Ruhr, Südbayern, Südwest

We manage the working time of

29.500

employees at
EDEKA Minden-Hannover

Food retailing is a tremendously competitive sector. Customers expect product variety, fresh produce and good service – at affordable prices. This view is shared by some 30,000 employees of EDEKA Minden-Hannover, whose daily activities are managed by ATOSS solutions. "In the retail sector, flexible and demand-driven workforce management is increasing in importance – as this is the way to ensure optimal customer care in the long term. Specifically, this means well filled shelves, a sufficient number of POS staffed and minimum waiting times for our customers. The fact that we address the issue of working time management so consistently on a global scale shows what counts for us," as Volker Bredemeier, head of the personnel department at EDEKA Minden-Hannover underscored. It comes as no surprise that we have added four more EDEKA regional companies to our customer roster.

ATOSS customer TOMMY HILFIGER

En Vogue

Today, fashion is a business that's always on the go. Whether boutiques, department stores or airport shops – sales never stop, 365 days a year. Rapidly changing collections, long opening hours and rising consumer expectations place high demands on service and customer care. This makes it all the more important to have the right numbers of staff with the right qualifications in shops – at precisely the times the business needs them. Sales staff who can advise in a competent and relaxed manner, also in hectic times, make sure that customers enjoy the shopping experience they are seeking. This is particularly true in the high-end fashion world. Today, the multi-award winning ATOSS Retail Solution virtually ranks as the industry standard when intelligent, service optimized workforce management is called for in retail. In 2011, our many customers in the world of fashion – Benetton, Marc Cain, Mustang, mister*lady, PUMA, Strenesse, s.Oliver and Wolford, for example – were joined by another international fashion and lifestyle company: the premium fashion brand TOMMY HILFIGER implemented the ATOSS Retail Solution across its European stores, beginning with the company-owned stores and outlets in Germany. Austria, Switzerland and Poland are next on the agenda.

ATOSS customer Benetton

23

countries

Our solutions are "Made in Germany", but at home wherever our customers insist on higher productivity in workforce management. Today, ATOSS software implementations are at work in over twenty countries and in eight language versions. And the trend is on the way up. As anyone managing personnel in more than one country knows: as diverse as countries and languages may be, it is the legislation of the individual countries that create the varied and complex set of tasks that international workforce management must address. This is a challenge our solutions master with ease. This is not only because they speak a variety of languages but also because they readily factor in any changes whether due to expansions, takeovers, internationalization or changes in legislation. ATOSS solutions do not stop at borders.

ATOSS customer Eddie Bauer Japan Inc.

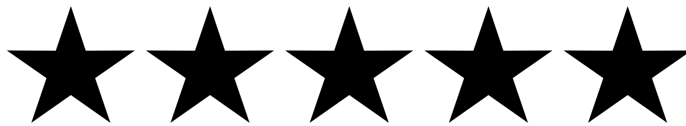
人材配置計画

(jinzai haichi keikaku)*

Whether sushi, Wiener schnitzel or tapas – especially in international applications our solutions always show their particular fortes. The year 2011 ended with a genuine highlight: the ATOSS Retail Solution attracted its first customer in Japan, and will be at work at the branches of the Eddie Bauer fashion label, an Otto Group company. Our solution was adapted to Japanese requirements in record time, and implementation is ongoing. In Europe too, our solutions impress with their excellent flexibility in terms of language versions and their ability to adapt to country specific legislation and conditions. When deployed in Austria, language presents – almost – no challenges at all, while the complexity of the Alpine country's collective employment agreement demanded stellar performance on the part of our consultants and our software solutions. Customers such as Hartlauer, s.Oliver and pro mente are proof of the successful implementation. And Spain? In the PUMA stores throughout the Iberian Peninsula, the ATOSS Retail Solution is now ensuring top service. Olé!

* Workforce Management

ATOSS customer Grand Hotel Esplanade Berlin



Service

Whether international hotel chains, luxury resorts, business hotels or individual, family owned hotels – service with a smile is essential, in spite of the tough work and long hours often involved. Demand and cost optimized workforce management decides on profit and loss as in virtually no other market. Following the successful launch of the ATOSS Hospitality Solution in 2011, our customers in the hotel and catering sector are now equipped with a powerful tool for the comprehensive management of service quality and levels as well as personnel profitability. Over and beyond the boundaries of individual hotels if required. Harnessing our solution, hotels achieve efficient personnel processes, maximum planning security and first class service – at optimized costs. Top service or top profit margins? Opt for both!

ATOSS customer Vienna City Administration

Public administration is complex: extended task scopes, closer proximity to citizens – all without budget rises to compensate. Service and working hours must be extended in a socially compatible manner, processes optimized and administrative input and costs curbed. Modern workforce management helps public organizations and institutions master these challenges. Our customer, the Vienna City Administration with a workforce totaling 30,000 employees, ensures that daily life runs an efficient course throughout the city – from the supply of drinking water to refuse collection, from kindergartens to schools, from rescue services to fire departments. We ensure that the various agencies deliver their services smoothly and that sufficient staff are always at hand. Whether in Vienna, or in Würzburg, Regensburg, Ingolstadt and the City of Luxemburg.

ATOSS customer HUK-COBURG

Outstanding service – plain and simple

Small and agile or large and established? In the service sector, company size is irrelevant. Service itself is the only thing that counts. Being kept on hold, waiting in line, or transmission gaps in broadcasting are success killers that dampen satisfaction and revenues alike. Which is why ATOSS customers like radio ffn, Reisebank and HUK-COBURG plan their staffing to pinpoint precision. The focus is firmly on customer satisfaction, whether it's a one-man branch at an airport, a call center for damage reports or a broadcasting studio, our solutions ensure that the necessary people are on duty at the right time – and that service interruptions simply never happen. Workforce management delivers first-class service 24/7, 365 days a year. Incidentally, it is not unusual for our customers to report productivity gains in the region of 20%.

ATOSS customer Deutsche Bahn

All aboard, please

Whether by road or by rail, water-borne or air-borne, workforce management keeps local and long distance traffic on the move so that both passengers and freight reach their destinations on time. There is hardly another field in which precise planning, lean processes and maximum flexibility play such vital roles as in the globally expanding logistics market. Deutsche Bahn AG, the world's second largest logistics company, has been relying on us and our ATOSS Staff Efficiency Suite enterprise solution since 1992. With more than 60 clients, the company manages the deployment of approximately 70,000 employees at various railway companies. The individual requirements of the specific areas have been mapped to widely varying degrees of intensity. Up to 1,200 time management officers, dispatchers and administrative staff access the ATOSS solution at the same time. "Deutsche Bahn is one of the largest employers and company trainig centers in Germany. Advanced human resource management is an integral part of our corporate strategy. This includes efficient workforce management", as Farid Haschem, Group Personnel Systems Head at Deutsche Bahn AG, explains.

ATOSS customers Lufthansa, Austrian Airlines

Take off!

Airlines are locked in fierce competition for passengers and cargo. Customer satisfaction, profit margins and future viability depend on having the right personnel at the right time and the right costs – across the globe. Based on ATOSS solutions, airlines such as Lufthansa, Austrian Airlines, SWISS and Luxair, are deploying tens of thousands of employees every day. In the Lufthansa Group alone, numerous companies involving more than 35,000 employees rely on the ATOSS Staff Efficiency Suite. In an industry in which shift working is the standard and not the exception, modern workforce management from ATOSS enhances deployment options significantly. The integrated self-services portal creates the necessary transparency and helps increase staff satisfaction. At the same time, administrative tasks are scaled down. In combination with business intelligence systems such as ATOSS Decision Support that deliver meaningful analysis, our customers achieve a new strategic dimension of workforce management. Costs stay grounded, while service quality takes off.

ATOSS customer Versandhaus Walz

Arrived

At its best, logistics in retail is like a good evening at the theatre: if everything behind the scenes runs like clockwork, the purchasing experience will be enjoyable, whether in bricks and mortar stores or online shopping. Especially in comparison with online competitors, rapid delivery times and short-term availability of goods are essential. This places tremendous demands on workforce management and scheduling in the logistics area. Consequently, our retail customers, such as EDEKA or engelhorn, not only focus on efficient planning and steering of their workforce in the sales area, but even more so in goods logistics. Take the example of mail order company Walz, with a workforce of 1,800 employees. Here, the project aimed to optimize working time management at head office and at the more than 80 specialist shops, while improving administrative input and process sequences, as well as handling the deployment of 500 employees at the in-house logistics center quickly and flexibly.

ATOSS customer BLG LOGISTICS GROUP

Productivity gains of

20 %

Successful logistics companies have always had to deal with extreme fluctuations in order volume and capacity utilization – especially in connection with their workforce management. The Bremen-based BLG LOGISTICS GROUP, for example, with a worldwide workforce of approximately 13,700 employees, achieved 20% productivity gains in the complex area of port transshipments, thanks to an ATOSS solution. How? Through a highly flexible and process oriented organization in the operational areas and rapid response in all personnel relevant matters. In the port, the workforce structure often changes more or less by the hour, depending on the workload and the skills required. Powerful software such as our ATOSS Staff Efficiency Suite enterprise solution is the only way forward here. Apart from the approximately 6,000 BLG port employees, this system can also additionally and simultaneously manage a pool of up to 2,500 temporary workers of the Gesamthafenbetriebsverein, Bremen's harbour operations association.

ATOSS customer J.W. Goethe-University Hospital, Frankfurt/Main

Sound economic health

Hospitals, care and nursing organizations are particularly impacted by the pressure resulting from demographic and economic change. Patient numbers are increasing against a background of challenging personnel markets and rising cost constraints imposed by funding authorities. Only powerful yet lean personnel processes interacting with state-of-the-art workforce management are capable of mastering these challenges. Take the example of the Leverkusen clinical center, where the ATOSS Medical Solution delivers optimum demand-driven duty scheduling, greater transparency, better controlling and enhanced planning quality. Harnessing this tool, the clinical center aims to cut process costs by 30%. The Leverkusen clinical center and many other ATOSS customers such as the Fonds Soziales Wien, Frankfurt's University Hospital, the Ingolstadt clinical center, the Reutlingen District Hospitals and the Salzburg Deaconry provide daily proof: profitable management coupled with a focus on patient and employee well-being is no contradiction, but simply good sense put to daily practice.

ATOSS customer Saarbrücken clinical center

70 %

personnel costs

Hospitals already have good reason to deploy their most expensive resource as optimally as possible. Add to this the problematic shortage of skilled staff. After all, rigid working times hardly appeal to physicians and nursing staff. A further disadvantage of inflexible duty roster planning is that overtime, unavoidable in peak phases, is difficult to cut back on in quiet times. Over ten years ago, the Saarbrücken clinical center recognized that designing working time flexibly was clearly the way forward. Today, our solution covers 350 shift cycles and 250 working time models. The aim is to find the best possible way of addressing the actual workload within the wards as well as the needs of some 2,000 employees. Workforce management generates the necessary flexibility and transparency. Precise knowledge of working time developments enable economic workforce deployment and efficient personnel controlling. Irmgard Laibida, head of nursing services for our customer, the Itzehoe clinical center and responsible for around 1,300 employees, confirms this aspect: "Thorough analysis lay the groundwork for our strategic decisions revolving around personnel organization."

ATOSS customer Congregation of the Sisters of Charity, Munich

Care not case

Work involving individuals with and without handicaps is facing a major transition – away from a structure geared to care to one focusing on assistance. This trend comes hand in hand with increasing focus on out-patient care. The Alsterdorf Protestant Foundation provides a multi-facetted range of services. The individual as customer and client is at the heart of all services. More than 3,900 employees and some 5,000 working time models reflect the Foundation's commitment to individual care. By implementing the ATOSS Medical Solution, the Foundation intended to increase flexibility and transparency in its duty roster planning. The aim: resource-efficient workforce management in connection with a diverse range of tasks and high service quality. Socially committed with a clear focus on economic reality – this also holds true for the Congregation of the Sisters of Charity, Munich. The order congregation runs a flourishing group of companies. The group's retirement and nursing homes aspire to the highest quality and efficiency standards. The credo of the sisters: management with heart, mind, and modern steering tools – of which the ATOSS Medical Solution is one.

ATOSS customer PLAYMOBIL®

Workforce fluctuation rates below

3%

The healthcare sector is experiencing a shortage of skilled employees as never before, while fierce competition is raging for nursing staff and physicians. "Workforce management is a key component of our brand image as an employer," explains Heribert Fastenmeier, director of the Ingolstadt clinical center. Operating with a workforce of 3,000 employees, the hospital ranks as an innovation driver and working time pioneer in Germany – and has been an ATOSS customer for over 15 years. "Today, we are drawing on a reservoir of data and experience that enables us to operate working time models and duty plans which appeal to our workforce and yet remain economically viable," says Fastenmeier. Which pays dividends: the employee fluctuation rates at the clinical center have been below 3% for years, while recruiting staff is considerably easier by comparison with the average sector conditions. At present, over 150 healthcare organizations are planning and managing approximately 170,000 employees with ATOSS solutions.

WEISHÄUPL Möbelwerkstätten, a project of our partner moreTime

Yes, we are open!

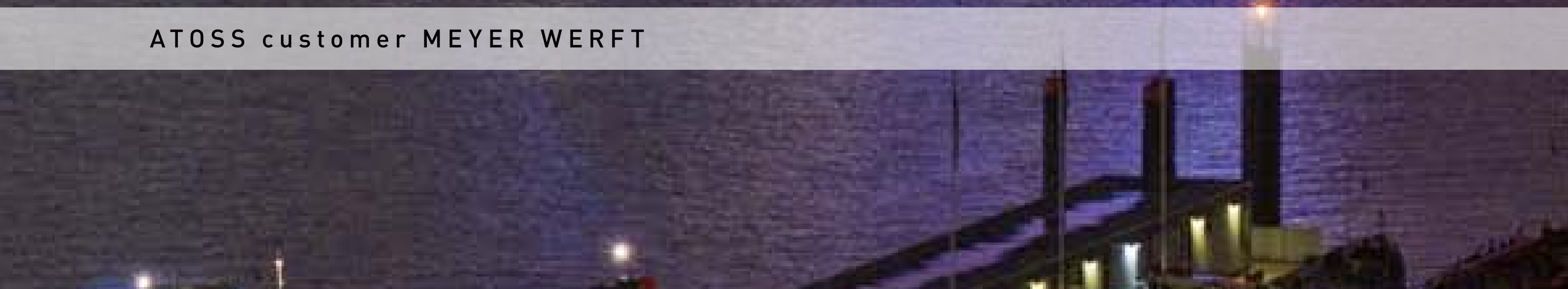
The fact that ATOSS solutions are accessible to SAP® users as from 2011 marks a further innovation milestone. Companies harnessing SAP® Human Capital Management Software now enjoy the option of accessing the wide-ranging functions of ATOSS workforce management. They can continue to utilize their own solutions, while scheduling staff in a demand, service and cost optimized manner with ATOSS solutions at the same time, without compromising on performance capabilities. The new ATOSS Connector is what makes all this possible, ensuring the smooth integration of the two systems and helping to protect existing investments. Market response has been enthusiastic. Directly after the product launch in August 2011, for example, the University Medical Department of the Johannes Gutenberg University of Mainz with about 7,350 employees in 60 clinics, institutes and departments decided to adopt this innovation. The implementation is on the agenda for 2012.

ATOSS customer LEITNER ropeways

50 plus

No man is an island – as the saying goes, and this holds particularly true of the software industry. It also explains why we have created one of the most powerful ecosystems in our market over the past years – comprising more than 50 partnerships and alliances. The declared aim is to generate added value for our customers on whatever level it may be required – from customer care through the development of add-on functions through to the implementation on site. Two examples from 2011 may serve to exemplify our partnership activities: joining forces with Wincor Nixdorf we made a successful foray into collaborative retail distribution on an international scale. And teaming up with long-time SAP® partner KWP, we developed ATOSS Connector, which opened up the world of ATOSS functions for SAP® users and gave us access to an exciting new market. Together with our partners, we strike out in new directions and consolidate our strong position on the markets – both nationally and internationally. Our partners benefit from state-of-the-art products, topics and issues holding a great deal of future potential, a powerful network, and the investment security a stock market listed company is able to provide.

ATOSS customer MEYER WERFT



Strength built by knowledge

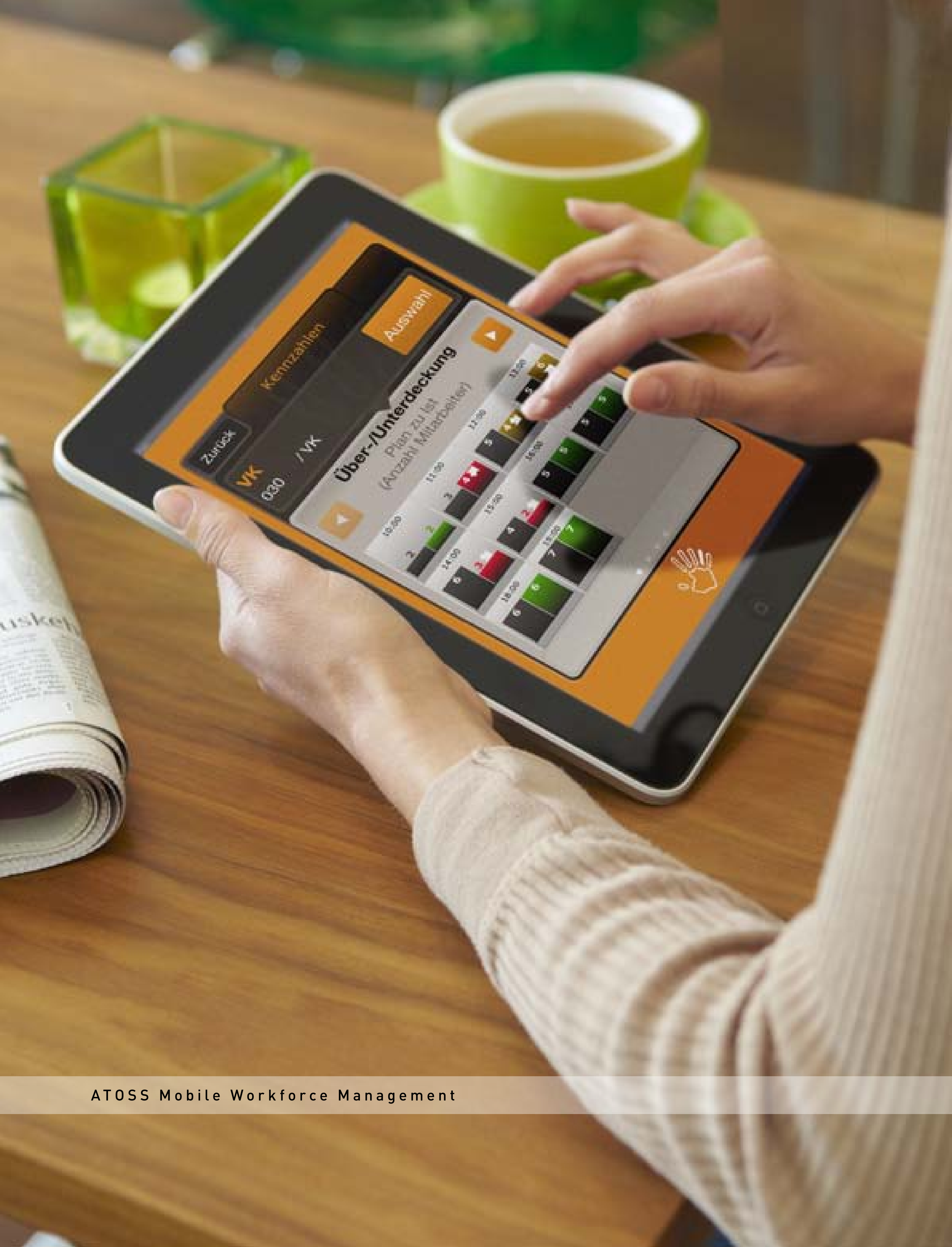
The number of factors entering into demand and cost optimized workforce scheduling is increasing exponentially. The days in which planning involved no more than specifying working hours, task scopes and workplaces, are long past and gone. Dynamic demand drivers, ergonomic criteria or individual working time requests are becoming ever more important as well. As an example from daily planning aptly demonstrates: 30 employees with three different starting times per day – plus consideration of all the relevant factors, such as qualifications, working time models, laws, collectively bargained pay scales and works council agreements – readily generate 12-digit deployment and workforce management possibilities. Mathematical dimensions that are impossible to handle without extremely powerful IT support – which is no problem for our innovative software products and the underlying powerful algorithms. After all, our solution encapsulates the concentrated expertise of over 100 developers and the experience gained from more than 150,000 user years. We are proud of this intellectual property – a distinguishing hallmark of our company and added value for our customers.

ATOSS customer MAGNA STEYR

67

million euros

ATOSS continuously invests around 20% of revenues in research and development. To date, more than 67 million euros have flowed into our products. According to a survey by the EU Industrial R&D Investment Scoreboard in 2011, this places us among the top 15 big spenders in the German software market and the top 100 in Europe. And the trend is on the way up. Which is not surprising, as we are firmly convinced that our software must always be state-of-the-art, not only functionally but technologically as well. So we act accordingly: we have added more than 2,000 new functions and extensions to the latest generation of our enterprise solution, the result of over 800 developer years and the experience gained from more than 4,000 projects. For our customers, all this translates as maximum functionality, advanced, leading edge technology, optimum scalability, low integration costs and an unrestricted choice of databases and operating systems – in other word, future viability and investment security. After all, for us “good enough” is just not good enough.


Zurück
Kennzahlen
Auswahl
VK
030
/VK
Über-/Unterdeckung
Plan zu Ist
(Anzahl Mitarbeiter)

24/7

Smartphones, tablets, apps – these new devices and their utilization scenarios are revolutionizing traditional ways of working. After all, people who appreciate the convenience of these new tools in their private lives will not want to be without them at their workplace. New and practical application areas are arising in workforce management, especially where personnel work between various locations and mobility and flexibility are crucial. With our ATOSS Mobile Workforce Management solution launched in 2011 we added a practical and versatile app to the ATOSS world. Employees can post work hours while on the go, record project times and cost centers, apply for leave and keep up to date with balance statements. Line managers can process applications promptly while on the move, as well as keeping a close watch on employee attendance and absence at all times. As the first customers such as the Leverkusen clinical center, Thalia.at or the Vienna City Administration confirm: ATOSS is setting the pace in workforce management.

ATOSS customer PUMA

Satisfied?

Admittedly, we all have our weaknesses. And we at ATOSS are no exception. Quite simply, we are very hard to satisfy. That's the reason we are always working behind the scenes on the many details which will make us and our customers even more satisfied from year to year. To this end, we have set up an in-house quality team of dedicated staff at our R&D department. After sales service, support offerings and hotline are another point in case. We regard the latter service as a key measure of long-term acceptance and customer retention. We are highly committed here, and strive for continuous improvement, year after year. In 2011, our customers awarded the staff on our hotline team a grade of 1.6 – a notch up on last year's excellent rating. This is a powerful incentive and motivates us all the more.

JOHNS
KAS
KLINI
SAAR

People @atoss

The success of ATOSS is based on the personalities and dynamics of our staff: people who are characterized by their intellectual capabilities and their creativity. Individuals who enthusiastically pursue visions and successfully realize projects. People who anticipate trends and – in this way – are shaping and designing tomorrow's working world today. Our staff have the talent to develop their own – and at times unconventional – approaches and solutions and to achieve success independently as well as in a team context. We promote individuality and place a strong emphasis on personal responsibility. That is why we maintain flat hierarchies with short decision making paths, while offering multifaceted opportunities for employees to take initiative, in connection with excellent perspectives in a dynamic working environment.

Success mix

ATOSS staff and solutions support our customers in designing their workforce management of the future. And the end of the road is not in sight. We conceive and develop – always one step ahead. We set trends, create innovations and enthuse our customers, cooperation partners and ourselves day by day anew. We always go the extra mile. Our next major goal is the consistent development and penetration of international markets. We have put down a solid foundation for this, having successfully completed several thousand projects in an extremely wide range of different sectors, company sizes and degrees of internationalization. Our customers benefit decisively from this vast experience. For every client situation, we are able to offer a solution that has already been successfully implemented. This creates trust and forms a solid basis for our employees. Open and performance oriented remuneration ensure that commitment is rewarded. In short: We provide our employees with comprehensive, solid support in realizing their fullest potential.

ATOSS customer SportScheck

Top

What started out as a niche topic is going mainstream in a big way. In many cases, productivity – the greatest challenge facing all established and many emerging industrialized nations – can only be stepped up when manpower, the most valuable resource of all, and the associated processes are addressed. Workforce management is increasingly taking center stage in the thinking of managers and investors alike. Given our consistent focus on this segment, we now rank as one of the key players in Europe. Currently, approximately 2,500,000 employees at more than 4,000 customers are managed by ATOSS solutions. As pioneers and visionaries, we will continue to help companies and individuals to shape modern working environments, while factoring in human values at the same time.

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Letter to Shareholders

Andreas F.J. Obereder and Christof Leiber, Board of Management, ATOSS Software AG

Dear Shareholders, Customers, Business Partners and Colleagues,

ATOSS once again achieved record performance in financial year 2011. With further increases in both sales and earnings, we can look back on a sixth successive year of profitable growth – an achievement of which we are very proud! The continuity, stability and dependability of ATOSS are appreciated not only by customers, business partners and shareholders, but also by the stock market. In an extremely negative capital market environment, ATOSS stock has proven to be a secure investment with a high dividend yield.

Together with our customers and business partners, we have realized numerous challenging projects – and the ATOSS message continues to be heard! We have continued to consistently develop our robust business model, expanding core areas, taking account of market trends, prudently entering into new areas, but without ever losing sight of the keystones of our success, such as the ongoing development of our technology. This strategy has proven its worth, for we are and remain financially very sound and independent. What's more in these economically uncertain times, we can take an optimistic view of the future as our specialist field of workforce management records continuing high rates of growth. Together, the consistent implementation of our corporate strategy and a steadily growing number of outstanding employees form the bases for sustained business success!

Workforce management – how is the market developing?

Our observations reveal that the subject of workforce management is steadily gaining in importance in the eyes of corporate decision-makers and already plays a key role in the management of many companies. In the western world the principal driving force in the market is demographic change and the increasing shortage of skilled labor, which is already restricting the capacity of many businesses for growth. Managers are faced with huge challenges. As the pool of potential labor reduces, the focus is shifting towards the more efficient deployment of personnel coupled with an appropriate emphasis on employee motivation and loyalty. Both companies and employees are also increasingly keen to increase the flexibility of working hours. The unceasing intensification of competition on a global scale makes it imperative to develop highly flexible staff deployment scenarios, while the attendant increase in complexity necessitates the use of high-performance IT systems. ATOSS offers some indispensible insights into how to resolve these issues, highlighting how companies can improve their productivity, even in these difficult circumstances.

To date, the pioneers in workforce management have frequently been companies operating in HR-intensive and HR-critical sectors. It has also been our experience that the first to address this issue tend to be trend setters and market leaders who have not achieved this status without good reason. However, as the economic pressures on businesses increase from year to year, there is a growing consensus among decision-makers that the flexible and demand-optimized deployment of personnel will be a key factor in their future success.

What exactly is workforce management?

We are often asked by customers and business partners to cite some specific examples that illustrate the meaning of workforce management. A look at our individual projects quickly reveals just how sophisticated the requirements are and why flexible software is called for to relieve our customers of a significant workload.

With a staff of just 35 to be managed, starting work at three different times, there are already 3 to the power of 35 differing alternatives to be planned for. It is beyond the power of the human brain to deal with such unimaginably large numbers of potential variations!

However, harnessing a sophisticated algorithm our software is capable of producing forecasts and planning suggestions, the precision of which is unequalled in the market and which hold the key to state-of-the-art workforce management. Our software allows us to answer the questions that confront our customers:

How do we make sure the right employee with the right qualifications is in the right place at the right time? And how do we optimize the cost of doing so? The ability to answer these questions delivers specific near-term savings for our customers. The gains for businesses, however, are far greater: They are able to act and react with great flexibility to meet demand, leading not least to a perceptible increase in employee satisfaction!

Technology leadership confers a decisive winning margin

At the heart of our strategy lies continuing development of our solutions to enhance their performance, their planning algorithms and their user-friendly characteristics. To this end in the past 10 years we have regularly invested around 20 percent of our turnover in research and development. We shall maintain this strategy in future and consolidate our leading position.

Once again in 2011 we were successful in refining our successful ATOSS products and solutions and integrating trends in workforce management.

The following are excellent examples:

- ATOSS Mobile – workforce management as a smartphone app
- ATOSS Hospitality Solution – workforce management for the hotel and restaurant industry
- ATOSS SAP® ERP HCM Connector – online integration of ATOSS personnel resource planning with SAP® ERP HCM
- ATOSS Task Management and ATOSS Workflow Designer
- ATOSS Time Control 6 (100% JAVA) – workforce management for the SME market

These and many other product innovations underscore the potential customer benefits of ATOSS workforce management solutions.

Outlook for the current financial year 2012

We remain true to our principles and stand by the success factors of recent years. They guarantee ATOSS a leading position in the market and put clear, blue water between us and our competitors. We are expanding our core retail and medical business sectors, conquering and embracing new sectors, while not losing sight of the importance of financially sound management for all the growth prospects that may appear.

With this in mind we again anticipate moderately increasing sales in 2012. Investments in developing new markets and sectors will create fresh opportunities for growth in the field of workforce management. Investments are planned in particular in sales and marketing. Given these investment plans, we nonetheless expect to see an EBIT margin in excess of 20 percent for 2012.

The successes of recent years have stemmed particularly from the skills and dedication of our employees and their solidarity with our customers. We would like to thank them expressly for their excellent cooperation and their faith. These relationships likewise form the basis on which we shall continue to achieve our promised potential in years to come, and for the continuing success story of ATOSS Software AG which in 2012 celebrates its 25th anniversary!

Yours truly,

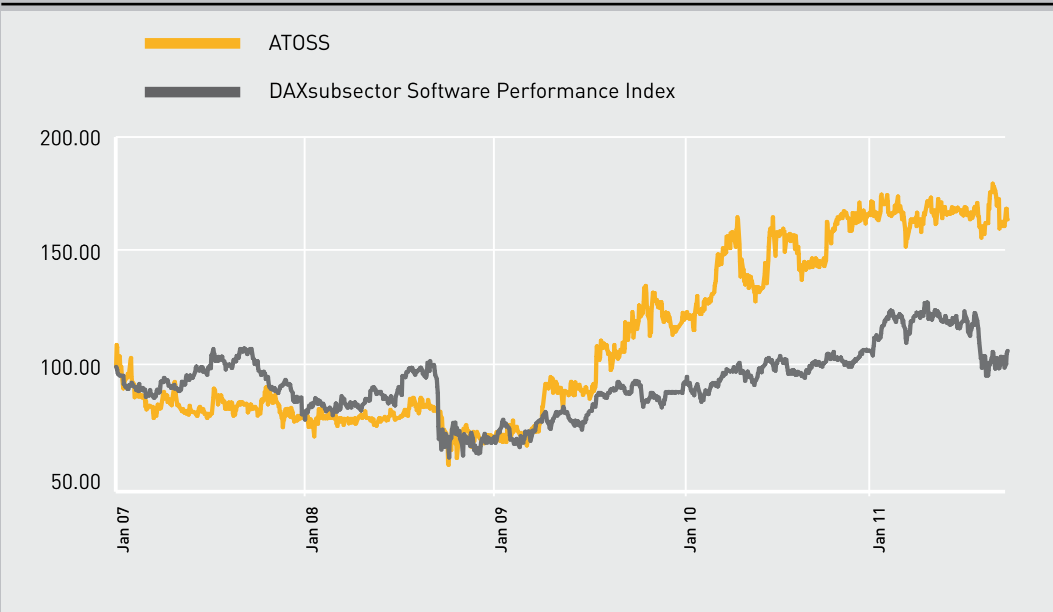
Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board
of Management

Investor Relations

"ATOSS – a stable stock in a turbulent market"

STOCKS: FROM 2007

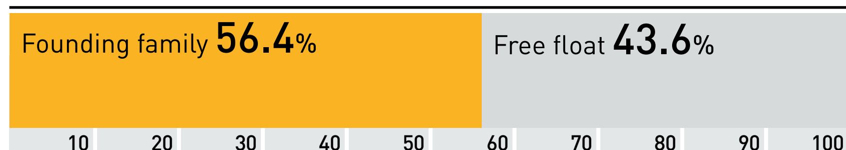


The stock market in 2011: ATOSS share price remains impressively stable

Developments on the stock market in 2011 can be divided into two parts. While a positive mood predominated during the first half of the year, the market plunged dramatically at the beginning of July. As news spread of instability and a debt crisis in the eurozone, stocks came under pressure and prices tumbled across the board. Having begun the year on 6,989 points, the Dax closed at the end of December at 5,898 – a decline of around 16 percent. The FTSE100 was less hard hit, decreasing by around 7 percent from a starting point of around 6,013 to close the year at 5,572. The Dow Jones, too, which in January stood at 11,670, suffered massive losses in the second half of the year before staging a year-end recovery to record an increase of some 5 percent.

ATOSS stock was largely unaffected by these developments, defying the general trend and remaining impressively stable in a turbulent market. The price which stood at EUR 16.40 on January 3, 2011 went on to pass the EUR 18.00 mark at the end of August, reaching a peak in early September of EUR 18.34. This is all the more remarkable given that at precisely this time stock markets worldwide were plunging across the board. The markets evidently regard ATOSS as a safe investment even in times of crisis. Our business model and our business policy are reflected in the development in our share price. It is this stability that makes ATOSS attractive also in turbulent times on the stock markets. The closing price on December 31, 2011 stood at EUR 16.56, around one percent higher than at the start of the year. On the other hand, taking into the dividend payment of EUR 0.60, the increase amounted to 4.6 percent.

ATOSS SOFTWARE AG SHAREHOLDER STRUCTURE*



* Description as of January 31, 2012

The excellent performance the ATOSS stock put in becomes especially clear in a long-term analysis. Considering the development since 2007, it is clear that ATOSS has multiplied the capital invested by its shareholders with sustained effect. During the period from 2007 – 2011 the share price rose by around 59 percent, while the relevant comparative Daxsubsector Software Performance Index trended sideways, recording an increase of around 13 percent over five years.

CAPITAL MARKET-ORIENTED FIGURES

	2011	2010
Market price (Dec. 31)	16.56	16.92
Number of shares (Dec. 31)	4,025,667	4,025,667
Market capitalization in million EUR as of (Dec. 31)	66.67	68.11
Earnings per share in EUR	1.43	1.21

Based on the results for 2011 the average price/earnings ratio amounted to 11.6 with liquidity of EUR 6.25 per share at the year-end. The ratio of operating profit (EBIT) to enterprise value (measured by market capitalization plus liabilities, less liquidity) also once again points to an attractive valuation. At the end of the year the ratio stood at 6.0.

The analysts are unambiguous: Buy
The analysts at Warburg Research regularly comment on the development of ATOSS Software AG following publication of the annual and quarterly figures. Once again in 2011 their buy recommendation was upheld. In the course of the year they raised their upside target first from EUR 19.60 to EUR 22.00 and then, when the provisional figures for 2011 were published on January 31, 2012, to EUR 24.50. It was above all the company's continuing success that was lauded in the analyses. In the analysts' view the primary reason for the strong position enjoyed by ATOSS lies in our excellent references – around 4,000 companies are now using ATOSS solutions to manage some 2.5 million employees. They also stress our commitment to product development, our sector- and region-specific specialization, our independence of other manufacturers, our compatibility, financial stability, and the fact that we have achieved significant critical mass. (Full note of April 18, 2011). The complete analyses by Warburg Research are available on the Internet at http://www.atoss.com/atoss/en/Company/Investor_Relations/Analysts/default.htm.

ATOSS Software AG dividend policy
Since 2003 that shareholders in ATOSS Software AG have enjoyed a substantial share in the company's success. Each year around half of our earnings per share are distributed to shareholders. The share price gains in past years, the dividends paid and the potential compound effect of reinvesting these have enabled shareholders to substantially increase the value of their investment. At the 2012 general meeting to be held on April 20, the Management and Supervisory Boards will propose a dividend of EUR 0.71. True to the ATOSS dividend policy this once again represents a distribution of around half of the earnings per share. Based on the closing price of ATOSS stock in 2011, this represents a dividend yield of 4.3 percent (previous year: 3.5 percent). Inclusive of this dividend for 2011, the total distribution per share since 2003 amounts to EUR 11.41 per share.

DEVELOPMENT IN EARNINGS, DIVIDENDS AND DISTRIBUTION PER SHARE IN EUR

Year	2003	2004	2005	2006	2007	2008	2009	2010	2011
Earnings per share	0.47	0.23	0.12	0.48	0.63	0.88	1.00	1.21	1.43
Dividend per share	-	-	0.11	0.24	0.31	0.44	0.50	0.60	0.71
Special distribution per share	1.50	1.50	-	5.50	-	-	-	-	-

Intra-year investor relations activities

ATOSS Software AG is synonymous with transparent reporting. As an important guide for investors and capital market partners, in November each year ATOSS published a detailed calendar of corporate events for the following year. We believe that our shareholders, partners and all those with an interest in ATOSS Software AG are entitled to receive prompt information.

Such information arising in the course of business is also made available at the earliest opportunity to the capital market, for example in the form of press releases, corporate news and ad-hoc announcements.

Current as well as historical publications are available for information on our website at (http://www.atoss.com/atoss/en/). Our reporting is not restricted to the minimum specified by law. In the interests of providing a full picture, we also make presentations and analyses, etc. available.

Interest in ATOSS Software AG remained high in 2011. Numerous one-to-one discussions were held with analysts and investors, particularly in connection with the German Equity Forum in Frankfurt in November. ATOSS was also the subject of extensive and positive reporting in the financial and business media. The response from capital market participants confirms our intention to pursue a consistent and transparent information policy.

Corporate Governance Report

1. Declaration of compliance pursuant 2011 to § 161 of the German Stock Corporation Act [AktG]
2. Board of Management remuneration report
3. Supervisory Board remuneration report
4. Ownership of and dealings in shares and financial instruments

In accordance with Section 3.10 of the German Corporate Governance Code, the Board of Management – for itself and on behalf of the Supervisory Board – makes a report on corporate governance at ATOSS Software AG.

The first German Corporate Governance Code was adopted in the year 2002. From the very beginning ATOSS has welcome and supported the work of the competent Government Commission in the interests of responsible and transparent corporate management oriented towards long-term business success. Guided by the current version of the Code, but also independently thereof, the Board of Management and Supervisory Board of ATOSS continue to consistently develop the management of the company. It is our view that good corporate governance safeguards the existence of the company and ensure the sustained creation of value.

We firmly believe that good and transparent corporate governance is an essential factor in the success of a business undertaking. Corporate governance is therefore a thread that runs through every area of our enterprise. We aim to earn the confidence placed in us by customers, investors, analysts, business partners, employees and the public on a lasting basis.

Comprehensive current as well as historical information on this subject is available on our website (www.atoss.com). Our declared objective is to achieve a high level of transparency for the benefit of shareholders and the public. In addition to financial reports, press releases and ad-hoc announcements as well as investment analyses, details of the annual general meeting including the notarized minutes are available for inspection together with the following current declaration of compliance for 2011 and similar declarations for previous years.

1. Declaration of compliance pursuant 2011

The Board of Management and Supervisory Board in principle welcome the intention on the part of the Government Commission on the German Corporate Governance Code to lay down transparent guidelines as a valuable aid to due and proper corporate management. However the Code by its nature is not comprehensively binding insofar as deviations are not fundamentally excluded; nor is the company prohibited from deviating from the recommendations of the Code on grounds of specific requirements arising in the course of the company's business. In the latter event deviations from the following declaration of compliance may in individual cases occur. Such deviations will in each case be disclosed and explained by us in future declarations.

This said, the Board of Management and Supervisory Board of ATOSS Software AG declare that with the exception of the following deviations the German Corporate Governance Code as amended effective May 26, 2010 has been complied with since the last declaration was made and will be complied with in future.

Deviations:
1. The German Corporate Governance Code recommends that the annual general meeting should be convened and the accompanying documents distributed by electronic means (Section 2.3.2 of the Code). Since the shares in ATOSS Software AG are not registered shares but bearer shares, in the opinion of the company this recommendation is not practicable.

2. The German Corporate Governance Code recommends that directors and officers liability insurances (D&O) arranged by an undertaking for its management and supervisory board members should include a self-insured deductible (Section 3.8 of the Code). As a result of existing contracts with members of the Board of Management, ATOSS Software AG will not be in a position to agree a self-insured deductible until these contracts expire. With regard to the agreement of a self-insured deductible to be included in the corresponding insurances covering members of the Supervisory Board, the company is fundamentally not of the opinion that the commitment and responsibility with which the Supervisory Board members perform their duties would be improved by such a measure. The D&O insurances for members of the Board of Management and Supervisory Board of ATOSS Software AG therefore do not contain such a provision. No change to this situation is currently intended. When the existing contracts with the Board of Management expire or the terms of office of Supervisory Board members come to an end, before new contracts are concluded the situation will be reviewed, particularly in the light of the statutory requirements then prevailing. In the case of the contract with a member of the Board of Management that has been extended in the current financial year, an appropriate self-insured deductible has been provided for in accordance with Section 3.8 of the Code and Section 93, Para. II, Sentence 3 of the German Stock Corporation Act.

3. Section 4.2.3 of the German Corporate Governance Code reflects the legal situation revised in 2009 under which supervisory boards will in future be required to ensure that variable elements of the compensation paid to management board members are as a matter of principle calculated on a multi-year assessment basis. The German Corporate Governance Code also recommends that variable components of compensation should be structured to take account of both positive and negative developments. The company's current contracts with the Board of Management do not take such account. However the company is not in a position to intervene in existing contracts with members of the Board of Management. Naturally in extending existing contracts in the current year, the company has taken account of the legal situation and will likewise when extending or entering into new contracts in the future take account of the legal situation as it applies at that time.

4. The German Corporate Governance Code additionally recommends in Section 4.2.3 that when contracts are entered into with management board members, provision should be made in the event that the employment of a board member is ended prematurely other than for good cause to limit payments to board members to a maximum of two years' compensation including ancillary benefits and to make such payments for a period no longer than the remaining term of the employment contract. The company has made no provisions for settlements in the contracts with members of the Board of Management, since these employment contracts are in each case concluded for the duration of their period of appointment and cannot be terminated during this time other than for good cause. Under these circumstances the company is of the opinion that making advance provision for a settlement in this way would be contrary to the nature of these fixed-term contracts. Moreover the contracts with the Board of Management make no provision for settlement entitlements, for example in event of a change of control.

5. Section 5.1.2 of the German Corporate Governance Code recommends that in determining the composition of the Board of Management, the Supervisory Board should take due account of diversity and in particular endeavor to give adequate consideration to female representation. This recommendation is not complied with since in the opinion of the Supervisory Board of ATOSS Software AG it is not relevant to the effective and successful work of the Board of Management as currently composed of two members. The Supervisory Board will consider the extent to which the recommendation can be complied with in future.

6. The German Corporate Governance Code recommends the formation of supervisory board committees (Section 5.3). In view of the size of the company, ATOSS Software AG refrains from forming separate supervisory board committees. Moreover ATOSS Software AG is of the opinion that with a Supervisory Board comprised of three members, the efficiency with which the Board performs its tasks would in no way be increased by the formation of committees.

7. The German Corporate Governance Code also recommends in Section 5.4.1 that the Supervisory Board should set specific targets for its own composition in consideration of the situation specific to the business undertaking and its international activities, potential conflicts of interest, a defined age limit for Supervisory Board members and also diversity. These specific targets should in particular provide for adequate female representation. This recommendation is currently not complied with since in the opinion of the Supervisory Board of ATOSS Software AG such targets are not necessary for the effective and successful work of a Supervisory Board composed of three members. The Supervisory Board will consider the extent to which the recommendation can be complied with in future.

8. In accordance with the German Corporate Governance Code (Section 5.4.3) it is recommended that supervisory board members should be elected individually. In the interests of an efficient voting procedure the members of the Supervisory Board have thus far been elected en bloc at the annual general meeting of ATOSS Software AG. No shareholder present at the meeting has objected to this procedure. The company therefore intends when such votes take place to continue to follow this procedure.

9. The German Corporate Governance Code (Section 5.4.6) recommends that fixed and performance-related compensation should be agreed with supervisory board members. The existing arrangement comprising a fixed compensation combined with a variable component dependent on the number of meetings has proven its worth. Moreover this compensation arrangement was resolved upon by the annual general meeting. The company considers itself to be bound by the stipulations of the annual general meeting.

10. In respect of the publication of reports, it is recommended pursuant to Section 7.1.2 that interim reports should be made available within 45 days. The company publishes an extensive overview (sales revenues, types of sales, operating profit (EBIT), earnings before taxes (EBT), net profit, net earnings per share) within fewer than 30 days. The full interim report is published within two months following the end of the quarter. In applying this process of staggered publication the company furnishes the capital market with very prompt and extensive data over and beyond such information as may necessitate an ad hoc announcement. The company will continue to follow this publication procedure to ensure that the capital market receives information that is as up to date as possible.

2. Board of Management remuneration report

The members of the Board of Management are:

Andreas F.J. Obereder	Chief Executive Officer	Appointed until December 31, 2013
Christof Leiber	Member of the Board of Management	Appointed until March 31, 2017

The compensation paid to members of the Board of Management is commensurate with their contribution to the success of the business, with the company's usual compensation structure and with industry standards. It includes performance-related and non-performance related components. The non-performance-related compensation is paid monthly in the form of a salary. An advance on the performance-related compensation is paid monthly up to a maximum of 50 percent of the target profit-share payment for the financial year in question.

The Supervisory Board turns its attention at least once per year to the appropriateness of this compensation as a whole and sets new performance targets for the performance-related components yearly in advance. With regard to Section 4.2.3 of the Corporate Governance Code and to Section 87 of the German Stock Corporation Act (AktG) which has been revised following the introduction of the Appropriate Executive Compensation Act (VorstAG), the Supervisory Board intends that when contracts with the Board of Management are concluded in future compensation should be determined in consideration of the sustained development of the undertaking, of a multi-year basis for assessment and of both positive as well as negative aspects of the development in business. This intention was put into practice in respective of the management board contract extended in 2011 with effect from the expiry of the holder's previous contract.

The level of the performance-related remuneration (profit-share payment) in 2011 was geared to the Group sales target and the company's operating profit target.

Moreover, the contracts with members of the Board of Management also include other elements of remuneration in the form of insurance premiums paid by the company and other ancillary benefits, as well as the provision of company motor vehicles. The corresponding benefit of these components in money's worth is listed below under "Miscellaneous".

The compensation paid to the Board of Management in the financial year was composed as follows:

Andreas F.J. Obereder	**2011 EUR**	**2010 EUR**
Non-performance-related remuneration		
Salary	290,000	290,000
Miscellaneous	97,328	95,716
Performance-related remuneration		
Profit-share payment	140,000	95,604
Overall remuneration	**527,328**	**481,320**

Christof Leiber	2011 EUR	2010 EUR
Non-performance-related remuneration		
Salary	150,000	150,000
Miscellaneous	63,322	63,322
Performance-related remuneration		
Profit-share payment	200,000	129,749
Overall remuneration	**413,322**	**343,071**

The profit-share payments shown here relate to entitlements deriving from the achievement of targets in the respective financial year. Since these entitlements are determined only after the conclusion of the financial year, actual payments deviate.

Finally, a non-forfeitable pension commitment also exists in favor of the CEO which is classified as a defined-benefits plan. Pursuant to this agreement, pension payments will commence when the recipient reaches the age of 65 and will be paid for life. The level of future pension rights will vary during the accrual period to an extent equal to future adjustments in the fixed salary of the CEO.

3. Supervisory Board remuneration report

The Supervisory Board of ATOSS Software AG is comprised of three members. Mr. Peter Kirn and Rolf Baron Vielhauer von Hohenhau were elected by the annual general meeting on April 29, 2008. Mr. Richard Hauser was appointed on January 14, 2011 by the Municipal Court of Munich to replace Mr. Fritz Fleischmann who stepped down from the Board effective December 31, 2010. Upon expiry of Mr. Hauser's term of office on May 3, 2011, the annual general meeting in 2011 reappointed him to the Supervisory Board. In accordance with Article 9 of the Articles of Association of ATOSS Software AG, the term of office of the members of the Supervisory Board continues until the conclusion of the general meeting at which the said Supervisory Board members are formally discharged for the financial year 2012.

The members of the Supervisory Board are:

Peter Kirn	Chairman, corporate consultant, Böblingen
Richard Hauser	Deputy Chairman, managing director of milon industries GmbH, Grünwald
Rolf Baron Vielhauer von Hohenhau	President of the Bund der Steuerzahler in Bayern e.V., Munich

The compensation paid to the Chairman, Deputy Chairman and members of the Supervisory Board was determined by a resolution adopted by the annual general meeting on May 22, 2001.

The compensation paid to Supervisory Board members was composed as follows:

Peter Kirn	2011 EUR	2010 EUR
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	6,000
Total	**26,000**	**26,000**

Fritz Fleischmann	2011 EUR	2010 EUR
Compensation pursuant to the Articles of Association	0	20,000
Attendance allowances	0	6,000
Total	**0**	**26,000**

Richard Hauser	2011 EUR	2010 EUR
Compensation pursuant to the Articles of Association	20,000	0
Attendance allowances	6,000	0
Total	**26,000**	**0**

Rolf Baron Vielhauer von Hohenhau	2011 EUR	2010 EUR
Compensation pursuant to the Articles of Association	10,000	10,000
Attendance allowances	3,000	3,000
Total	**13,000**	**13,000**

In financial year 2011 there were no payments made for consultancy work beyond the scope of Supervisory Board activities (previous year: EUR 4,363).

4. Ownership of and dealings in shares and financial instruments

Ownership of shares and financial instruments

The company reports the ownership of shares by members of company boards and the possession of convertible bonds relating to company shares in its annual and interim reports.

Share ownership on the part of board members on December 31, 2011 in comparison with the preceding year was as follows:

	31.12.2011	31.12.2010
Andreas F.J. Obereder	1,981,184	1,981,184
Peter Kirn	19,760	19,760
Total	**2,000,944**	**2,000,944**

Convertible bonds held by board members
As of December 31, 2011 no board members held bonds convertible into ATOSS shares.

Reportable securities transactions
The company publishes details of all reportable securities transactions by board members on its website at http://www.atoss.com/atoss/de/Company/Investor_Relations/Directors_Dealings/default.htm. This information remains available for at least 12 months following publication.

In financial year 2011 no reportable transactions were undertaken by board members.

Supervisory Board Report for the year 2011

Peter Kirn, Chairman of the Supervisory Board

Dear Shareholders,

Following the close of the 2011 financial year, ATOSS Software AG once again has record sales and earnings to report. The company's business model is proving to be extremely robust, successful and fit for the future. Thanks to the activities of ATOSS in past years, in the company's core markets the very subject of workforce management is closely associated with ATOSS Software AG. We, the Supervisory Board, take a positive view of the prospects for the years ahead.

In financial year 2011 the Supervisory Board of ATOSS Software AG took great care in fulfilling the duties incumbent upon it under the law, the articles of association and the German Corporate Governance Code. The Board has regularly supported and supervised the Board of Management. The cooperation between the Management and Supervisory Boards was trustful and close at all times. The Supervisory Board was integrated by Board of Management at an early stage in all decisions of significance for the company. The relevant information was made available regularly, promptly and comprehensively, both verbally and in writing.

Composition of the Supervisory Board

The Supervisory Board of ATOSS Software AG is comprised of three members. In view of its size, the Supervisory Board continues to dispense with the formation of committees as recommended by the German Corporate Governance Code. We are of the opinion that with a Supervisory Board comprised of three members, the efficiency with which the Board performs its tasks would in no way be increased by the formation of committees.

In the past financial year there have been no conflicts of interest on the part of Management or Supervisory Board members, such as require to be disclosed forthwith to the Supervisory Board and declared at the annual general meeting.

The following report describes the main emphases of the work of the Supervisory Board.

Matters discussed at individual Supervisory Board meetings

At the meeting on February 22, 2011

The first Supervisory Board meeting of the financial year centered on the audited annual financial statements and consolidated financial statements for ATOSS Software AG as well as the management reports for financial year 2010, the audit reports and the comments by the auditors themselves, including the report by the Board of Management on the profitability of the company, particularly the return on capital employed, and the current course of business. In addition the agenda for the annual general meeting on May 3, 2011 was discussed and approved. The Supervisory Board endorsed the audited annual financial statements and consolidated financial statements for 2010.

At the meeting on May 3, 2011

The second ordinary Supervisory Board meeting of the year took place subsequent to the 2011 annual general meeting. In addition to a report by the Board of Management on the course of business and the risk report, one of the main emphases of the meeting was on the report by the CEO on developments in sales. Further details were also given of the investment policy, as the CEO reported on the implementation of the policy endorsed by the Supervisory Board in the second half of 2010 and the first quarter of 2011, under which in addition to previous investments in fixed-term deposits and short-term bonds the company will in future be at liberty to invest in

equities and tangible assets. The goal of the investment policy pursued by ATOSS Software AG is to preserve value and safeguard against inflation in the medium and long term.

At the meeting on September 27, 2011
One of the focal points of this meeting was the issue of recruitment in individual company departments and a description of measures to secure the company's future recruitment targets. In illustrating the course of business, the Board of Management also went on to present the current forecast, order situation, development in cash flow and the balance sheet. This was followed by a status report on the investment policy. The CEO reported on the current sales situation, growth areas and alliances. In the matter of alliances, the company had been successful in entering into significant partnerships to address markets at home and abroad.

At the meeting on December 1, 2011
At the last Supervisory Board meeting of the year, the Board of Management reported on the current course of business and plans for the forthcoming 2012 financial year. Thereafter the CEO gave the Supervisory Board an overview of the current developments in sales and strategic growth areas for 2012. The company's successes were highlighted in doing business with the foreign subsidiaries of existing customers. A further status report was also given on the investment policy.

In conclusion, the 2011 declaration of compliance with the German Corporate Governance Code as amended on May 26, 2010, copies of which had been distributed prior to the meeting, was approved in accordance with Section 161 of the German Stock Corporation Act. The declaration has been made permanently available to shareholders on the ATOSS Software AG website.

Extension of a Board of Management contract prior to expiry
In accordance with a resolution adopted by the Supervisory Board on July 4, 2011, the contract with Management Board member Mr. Christof Leiber has been extended by a further five years from April 1, 2012 until March 31, 2017.

Appointment of auditors and conduct of audit
At the ordinary general meeting held on May 3, 2011, in Munich, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart (Munich Branch) was elected as auditor for financial year 2011. Prior to the election, the Supervisory Board satisfied itself as to the independence of the auditors. The Board was able to exclude any relationships between the company and the auditors. The audit assignment included a consideration of the early warning system for the detection of risk and the obligation to observe the auditing principles contained in the current German Corporate Governance Code.

Ernst & Young GmbH have audited the annual financial statements and management report for ATOSS Software AG to December 31, 2011 as well as the consolidated financial statements and consolidated management report to December 31, 2011 and awarded an unqualified audit certificate.

Supervisory Board meeting on March 6, 2012 to adopt the financial statements
The Board of Management furnished the Supervisory Board with the annual financial statements, consolidated financial statements and management reports for financial year 2011 for examination in good time prior to the meeting. These documents were examined by the members of the Supervisory Board and addressed in full detail at the meeting in the presence of the auditors. The auditors reported on the essential results of their audit and answered all questions posed by the Board.

The Supervisory Board agreed the results of the audit and raised no objections. The accounts prepared by the Board of Management having been approved, the annual financial statements were thereby adopted. The Supervisory Board likewise concurred with the proposal by the Board of Management regarding the appropriation of surplus profits.

The report by the Supervisory Board for financial year 2011 was also discussed and agreed and the agenda for the annual general meeting on April 20, 2012 was approved.

Thanks
Once again in 2011 the cooperation between the Management and Supervisory Boards was constructive and conducted in a spirit of mutual trust. For this we would like to thank Mr. Obereder and Mr. Leiber and we look forward to our continuing cooperation in the current year.

The success of ATOSS is attributable solely to the tireless commitment of both employees and management. We would like to thank all of the staff of ATOSS Software AG who have jointly contributed to the company's success. Their achievements speak for themselves. We look forward to our future cooperation in the interests of ATOSS!

Munich, March 2012

Peter Kirn
Chairman of the Supervisory Board

Members of the Supervisory Board, with a summary of other supervisory board positions held

Peter Kirn
Chairman of the Supervisory Board, Corporate consultant, Böblingen.
Mr. Kirn holds the following other supervisory board positions:
- Böblinger Baugesellschaft mbH, Böblingen
- Fernwärme Transportgesellschaft mbH, Böblingen

Richard Hauser
Deputy Chairman of the Supervisory Board, Managing Director of milon industries GmbH, Grünwald

Rolf Baron Vielhauer von Hohenhau
Supervisory Board member,President of the Bund der Steuerzahler in Bayern e.V., Munich
Mr. Baron Vielhauer von Hohenhau holds the following administrative board position:
- Member of the Administrative Board of Stadtsparkasse Augsburg

Group Management Report

1. Company
2. Business and conditions
3. Earnings situation
4. Financial and asset position
5. Events after the end of the reporting period
6. Risk management and control system
7. Dividend distribution
8. Outlook: Future economic and sector climate, future position of the company

1. Company

ATOSS Software AG is one of the leading providers in the field of workforce management. The company offers standard software solutions in this area, as well as consulting and implementation services for businesses of all sizes.

With headquarters in Munich, ATOSS Software AG is also maintaining offices in Frankfurt, Hamburg, Stuttgart and Meerbusch, as well as its subsidiaries ATOSS CSD Software GmbH in Cham, ATOSS Software Ges. mbH in Vienna, ATOSS Software AG in Zürich and ATOSS Software S.R.L. in Romania.

The company's software solutions are currently deployed in 23 countries worldwide and in 8 language versions. Around 4,000 customers ranging from SMEs to blue chip corporations are currently relying on workforce management solutions from ATOSS Software AG.

2. Business and conditions

Economic climate

The German economy recorded strong growth in 2011. According to initial calculations by the Federal Statistical Office, price-adjusted gross domestic product (GDP) was 3 percent higher than the year before. The upward economic trend in Germany has thus continued for a second year following the recent crisis. In 2011 the growth in GDP was driven by a recovery in virtually every sector of the economy, as well as rising demand at home and abroad. In contrast to the year before when exports were an important driving factor, as they had been in many preceding years prior to the economic crisis, it was domestic demand that became the engine of growth in 2011. Both domestic consumption and investment were higher than in the year before. Nonetheless exports remained dynamic and contributed to the positive development in the economy in 2011.

Having stabilized in the preceding months, the business climate index for German trade and industry climbed to 107 points in December. Companies perceive the current situation as favorable. In contrast to the year before, however, the business climate index has slipped by 7 points. According to the economic forecast for 2011/2012, early indicators of economic performance point to a decline in the German economy, the main factors being the weakening economic momentum and the European debt crisis.

Segmental environment and market background

The IT sector has experienced an improvement relative both to the year before and to the current market. According to the market figures published by industry association BITKOM, the IT sector recorded year on year growth of 3.2 percent. Among software companies the improvement over the year before was 5 percent.

This development is reflected in the BITKOM sector indicator, which was well ahead of the ifo business climate index for the economy as a whole in 2011.

While growth in the economy as a whole slowed in 2011, and with BITKOM calculating growth of 5 percent in the software sector in Germany, ATOSS remained on course with sales growth of 8 percent.

This is reflected in the highly successful sales figures and results for the past year: In 2011 ATOSS achieved at EUR 31.6 million (previous year: EUR 29.3 million) the highest sales and at EUR 7.3 million (previous year: EUR 6.8 million) for the sixth time in succession the best result (EBIT) in its history. What's more, the continuing substantial volume of orders on hand allows us to predict sales in the near future and plan ahead with security. Our high liquidity and high equity ratio provide additional security for customers, employees and shareholders alike.

Positioning of the ATOSS Group

The market addressed by ATOSS is comprised on the one hand of extensive numbers of small and medium-sized enterprises (the SME market) with up to 500 employees, and on the other of the premium market represented by the high-end small businesses and major, large-scale companies. Naturally, the competitive pressure is greater in the case of applications which make no more than modest demands on personnel resource planning systems than for complex solutions which demand a high degree of integration between working time management (WTM) and personnel resource planning (PRP). The pioneering technological platform on which ATOSS products are based, our consulting skills and the reliable and experienced ATOSS management are convincing decision-making criteria.

Since the inception of the company, ATOSS has pursued a vision of offering solutions which impact upon the structures of the modern working world so as to result in more creative, more intelligent and more employee-friendly ways of working.

The products and services ATOSS has developed are designed to solve the problems experienced by its customers in ascertaining optimum staffing needs, developing ideal working time models, allocating working hours to meaningful advantage, ensuring secure access and deploying and managing personnel efficiently. By utilizing personnel resources in a manner which is both economically advantageous as well as sensitive to employee and customer needs, ATOSS Group clients are thereby able to improve their own performance and efficiency.

ATOSS has positioned itself as a best-of-breed specialist in its core fields of working time management and personnel resource planning, offering an in-depth range of integrated solutions which meet even the highest functional and technological demands. And with the availability of interfaces to solutions from complementary providers, we can meaningfully address the needs of customers of every size and in every industry. ATOSS has thereby achieved great success in all customer segments. What's more, the company is capable of offering supremely competent consultancy services coupled with solutions of convincing depth, with the guarantee that its customers will benefit from improved efficiency and enhanced productivity. As a financially independent partner with a committed long-term outlook, ATOSS solutions ultimately offer investment security.

Our own observations and sales successes, as well as numerous productivity studies point to the fact that the market requires solutions capable of meeting the most complex requirements in the interests of improving productivity.

The right staff

ATOSS end-to-end portfolio includes solutions which highlight the qualifications of available personnel, thus facilitating rapid planning, scheduling and deployment. Short-term and even seasonal bottlenecks can be overcome by accessing a large number of employees.

At the right time
In almost every industry, demands on capacity are likely to fluctuate, whereas staff cannot always be employed on a pattern that mirrors these fluctuations. Taking operational requirements, wage agreements and statutory regulations into account, as well as factors such as vacations, sickness, part-time employment and so on, ATOSS provides solutions which optimize personnel deployments to cover both peaks and troughs in demand.

In the right place
Flexible staff deployment and workforce management at varying locations enable decentrally organized businesses and branch-based operations to make more efficient use of capacity and raise their level of productivity.

Working on the right job
It is rare today for workforce scheduling to be integrated into the process of production planning. Nevertheless, a meaningful exchange of data in this very instance can underpin planning reliability and accelerate production processes.

At the right cost
Nowadays company and operational working time models can often yield more flexible options for staff deployment than is possible with rigid working hours. However, deploying and managing staff under conditions of optimized cost can be achieved only by evaluating hours worked in association with wage supplements and ancillary costs.

Many ATOSS customers have seen significant improvements thanks to ATOSS solutions, as their own analyses have shown. ATOSS offers appropriate individual concepts and functional competence supported by the advanced, leading-edge technologies for customers of all sizes.

When deciding upon a long-term partnership, major customers in particular are increasingly focusing on independent companies with a sound financial base. Factors such as our robust equity ratio of 67 percent (previous year: 63 percent), our operating cash flow amounting to EUR 5.3 million (previous year: EUR 5.6 million) and our continuing high level of expenditure on technological development are among the determining factors when investment decisions are on the agenda.

Business development
The company regards the key figures for sales, operating profits (EBIT) and cash flow as the essential measures of its success. The development in software licensing revenues is of central importance, since this is the driving force behind the company's business model. In this context, the volumes of orders received and orders on hand for software licenses represent essential indicators for the future development of the company.

In financial year 2011 ATOSS achieved sales amounting to EUR 31.6 million (previous year: EUR 29.1 million) in connection with an operating profit (EBIT) of EUR 7.3 million (previous year: EUR 6.8 million). This gratifying development in sales and results in economically challenging times is attributable not least to the advanced Java-based technology embodied in our software since 2005. The many references that now support the ATOSS Staff Efficiency Suite provide a sound basis on which to secure further business successes.

Development in sales of software licenses and maintenance, software license order situation
Software licensing and maintenance sales were increased in 2011 with revenues rising 5 percent to EUR 18.8 million (previous year: EUR 17.8 million). The proportion of sales accounted for by software stood at 60 percent (previous year: 61 percent).

Software maintenance sales during the year rose by 7 percent to reach a total of EUR 12.1 million (previous year: EUR 11.3 million).

Sales of software licenses at EUR 6.7 million were slightly up on the previous year (EUR 6.5 million). The increase in sales revenues is attributable to existing customers extending their licenses, to the progress made in projects for major customers and to additional long-term production orders from new customers.

The level of orders received at EUR 6.9 million was well above the previous year's figure of EUR 6.3 million. A total of 12 percent (previous year: 28 percent) of orders received related to long-term production orders.

At the end of 2011 orders on hand for software licenses remained at a high level of EUR 3.3 million (previous year EUR 3.1 million), providing an excellent starting point for the year 2012. Some 24 percent (previous year 40 percent) of orders on hand related to long-term production orders. It is expected that orders on hand will be realized within one year.

Development in consultancy sales

In 2011 the company achieved moderate growth in consultancy revenues relative to the year before. Consultancy sales in 2011 stood at EUR 8.4 million, up by 6 percent over the previous year's figure of EUR 7.9 million. As a result, consultancy accounted for 27 percent of overall sales (previous year: 27 percent).

Development in hardware and other sales

Revenues from the sale of hardware increased in 2011 relative to the year before. At EUR 2.8 million the figure was 14 percent higher than the EUR 2.5 million recorded in 2010. As a proportion of total sales, this represented some 9 percent (previous year: 8 percent). Other sales, the heading under which notably identification media and customer-specific programming services are reported, amounted to EUR 1.6 million, up by 42 percent from EUR 1.1 million the year before. As a proportion of total sales, this represented some 5 percent (previous year: 4 percent).

Long-term production orders

As in previous years the company realizes long-term orders in application of the percentage of completion method. In financial year 2011 this applied to 15 orders (previous year: 17) which were realized to a value of EUR 2.6 million (previous year: EUR 4.4 million) in line with project progress.

Corporate strategy and opportunities

At the heart of our business activities lie the continuous acquisition of new customers and the development of existing customer installations in the fields of time and attendance management and workforce scheduling and deployment. Some significant progress was made in both areas in 2011. For example, products incorporating the company's latest generation of software solutions were placed with existing customers of major importance. Furthermore a large number of new customers were acquired, including additional orders from major clients. The year 2011 also witnessed the successful implementation of major projects acquired in the preceding year. We regard these successes as continuing confirmation that we are pursuing the correct strategy to enhance both sales and results.

We continue to see good opportunities for growth in the German-speaking regions. Internationally, our products are meanwhile deployed in 23 countries and eight languages. Consequently we also have the potential for international growth over the medium term, with the premium market in particular offering substantial opportunities for development.

The first-class positioning which the company enjoys is underpinned by prominent reference customers, pioneering technologies (Java J2EE), a convincing range of products and services, extensive competence in the implementation of software projects and in consulting, as well as by the stability and independence of the company itself.

In order to develop these competitive advantages for the long-term, we will continue to allocate a high level of funding to secure market access and therefore also future growth.

Research and development

The security of knowing that they will be able to master the most complex requirements now and in the future is decisive for our customers. At the same time they also require to deploy technologically sophisticated solutions which will be equally at home in the system environments of the future and therefore capable of returning long-term economic benefits. For this reason we shall continue to maintain our substantial commitment to the further development of our products.

We harness state of the art technology platforms as a basis on which to create solutions are capable of replicating every customer- and industry-specific requirement, covering all aspects of intelligent personnel deployment and workforce management. In order to avoid problems in updating from one release to the next, we guarantee full upward compatibility, thereby allowing the latest solutions to be implemented at any time.

The goal of our product development is to be able to offer solutions that meet our customers' ever more complex and individual needs. The development of Java-based versions of ATOSS Staff Efficiency Suite (ASES), ATOSS Startup Edition (ASE) and ATOSS Time Control (ATC) that enable these solutions to be integrated into a variety of system environments represented a major milestone.

The implementation of what is termed service-oriented architecture (SOA) greatly simplifies the exchange of data between our solutions and other products used by customers. Our solutions, for example, have been successfully combined with up-stream planning and down-stream evaluation systems. In another scenario they have also been integrated as a real-time data source into a client's visitor management system. In this way our solutions create value added over and beyond their original functions. The continuing development of interfaces with our systems makes it simple and easy for customers to integrate our solutions into their existing system architecture and thereby derive the optimum benefits.

Our fully Java-based package of solutions for software-supported working time and attendance management is suitable for use in a wide range of industries. The ATOSS Startup Edition (ASE) and ATOSS Time Control (ATC) are distinguished by the simplicity of their user interface. The ATOSS Startup Edition (ASE) is a stepping-stone for customers employing a variety of system environments. As their requirements become more complex in future, they can easily migrate to the ATOSS Staff Efficiency Suite (ASES). On the other hand, ATOSS Time Control (ATC) is focused on customers in the Microsoft world.

In 2011 our expenditure on research and development amounted to EUR 6.7 million (previous year: EUR 6.0 million). The bulk of this figure in the amount of EUR 5.3 million (previous year: EUR 4.8 million) was accounted for by the personnel costs for 114 (previous year: 102) software developers. R&D expenditure as a proportion of overall sales amounted to 21 percent (previous year: 20 percent).

As in preceding years, expenditure on research and development is not capitalized, but is reported in full as an expense instead.

Subsidiaries and international business
All of our subsidiaries continued to record positive development in 2011, with all companies posting a positive year-end result. The proportion of Group sales accounted for by our international business in 2011 amounted to 9 percent, against 9 percent in the preceding year.

Employees, development in personnel
In financial year 2011 the Group employed an average workforce of 259 members of staff (previous year: 243). Of these 114 (previous year: 102) were employed in product development, 70 (previous year: 70) in consulting, 37 (previous year: 34) in sales 38 (previous year: 37) in administration. Personnel costs in 2011 rose to EUR 15.3 million, compared with the figure of EUR 14.6 for the preceding year.

The management of the Group proceeds on the basis of plans jointly agreed by the Management and Supervisory Boards. These plans are reviewed annually and adapted in line with changing circumstances and opportunities arising.

The company is managed primarily on the basis of a broad system of targets. Company, departmental and individual targets are agreed with almost every member of staff and linked with an appropriate variable salary component, dependent on each employee's level of responsibility. These variable components range between 10 percent and 50 percent of the contractually agreed target salary. The company targets are in turn keyed to the relevant scheduled sales and operating profit data for the financial year. Departmental targets take the form of a uniform table of sales or performance targets dependent on position and responsibility, while individual targets are linked to the performance of each individual employee.

One management contract was extended with effect from April 1, 2012. Of the newly agreed targets, 40 percent are one-year targets and 60 percent are multi-year targets calculated over a period of three years. The one-year targets relate to sales and earnings, while the multi-year targets contain both qualitative and quantitative elements.

Annual plans and projections are approved by the Management and Supervisory Boards. Group targets are monitored on the basis of a Group-wide management information system which includes detailed reporting of sales, costs and earnings.

On December 31, 2011 the company employed 4 trainees (previous year: 5)

Executive bodies
In the year 2011 the Supervisory Board of the company comprised Peter Kirn as Chairman, Richard Hauser as Deputy, and Rolf Baron Vielhauer von Hohenhau.

The Supervisory Board members receive fixed compensation in return for their activities, with an additional variable component dependent on the number of Board meetings.

The Board of Management continues to comprise Andreas F.J. Obereder as CEO and Christof Leiber as Finance Director.

The remuneration paid to members of the Board of Management is oriented towards their contribution to the success of the business, and towards industry standards. It includes performance-related and non-performance related components. The performance-related components amount to between 19 percent and 40 percent. The non-performance-related compensation is paid monthly in the form of a salary. An advance on the performance-related compensation is paid monthly up to a maximum of 50 percent of the target profit-share payment for the financial year in question. The Supervisory Board turns its attention at least once per year to the appropriateness of this compensation and sets new performance targets for the performance-related elements yearly in advance. The level of the performance-related compensation (profit-share payment) is oriented towards the Group sales target and operating profit target before adjustment for the effects of the company's convertible bond programs. Moreover, the contracts with members of the Board of Management also include other compensation components in the form of insurance premiums paid by the company and other ancillary benefits such as the provision of company motor vehicles. There is also a pension commitment in favor of the CEO.

Corporate governance

Since the company was first floated, ATOSS Software AG has concerned itself intensively with the subject of corporate governance and the associated statutory regulations. The company has reported regularly since 2001 on its activities in this regard. The company's boards examine developments and changes in the German Corporate Governance Code in particular detail. In contrast to the provisions of the law, however, the Code is not binding in its standardizing effect and in fact allows deviations from its recommendations.

Once again in 2011 the Board of Management and Supervisory Board have concerned themselves intensively with the new requirements of the German Corporate Governance Code, comparing these with the company's own principles and identifying those points in which deviations exist from the recommendations issued on May 26, 2010 by the Government Commission on the German Corporate Governance Code.

On December 1, 2011 the Board of Management and Supervisory Board adopted a new declaration of conformity pursuant to Section 161 of the German Stock Corporation Act in which it is confirmed that the recommendations of the Commission on Corporate Governance appointed by the German Government are complied with, with the exception of those points stated in the declaration. This declaration is published on the company's web site. It is consequently evident that the company in broad measure conforms with the recommendations and deviates only in respect of a small number of points which in the company's view are of marginal importance.

Deviations apply in respect of the following points:

- The German Corporate Governance Code recommends that the annual general meeting should be convened and the accompanying documents distributed by electronic means (Section 2.3.2 of the Code). Since the shares in ATOSS Software AG are not registered shares but bearer shares, in the opinion of the company this recommendation is not practicable.

- The German Corporate Governance Code recommends that directors and officers liability insurances (D&O) arranged by an undertaking for its management and supervisory board members should include a self-insured deductible (Section 3.8 of the Code). As a result of existing contracts with members of the Board of Management, ATOSS Software AG will not be in a position to agree a self-insured deductible until these contracts expire. With regard to the

agreement of a self-insured deductible to be included in the corresponding insurances covering members of the Supervisory Board, the company is fundamentally not of the opinion that the commitment and responsibility with which the Supervisory Board members perform their duties would be improved by such a measure. The D&O insurances for members of the Board of Management and Supervisory Board of ATOSS Software AG therefore do not contain such a provision. No change to this situation is currently intended. When the existing contracts with the Board of Management expire or the terms of office of Supervisory Board members come to an end, before new contracts are concluded the situation will be reviewed, particularly in the light of the statutory requirements then prevailing. In the case of the contract with a member of the Board of Management that has been extended in the current financial year, an appropriate self-insured deductible has been provided for in accordance with Section 3.8 of the Code and Section 93, Para. II, Sentence 3 of the German Stock Corporation Act.

- Section 4.2.3 of the German Corporate Governance Code reflects the legal situation revised in 2009 under which supervisory boards will in future be required to ensure that variable elements of the compensation paid to management board members are as a matter of principle calculated on a multi-year assessment basis. The German Corporate Governance Code also recommends that variable components of compensation should be structured to take account of both positive and negative developments. The company's current contracts with the Board of Management do not take such account. However the company is not in a position to intervene in existing contracts with members of the Board of Management. Naturally in extending existing contracts in the current year, the company has taken account of the legal situation and will likewise when extending or entering into new contracts in the future take account of the legal situation as it applies at that time.

- The German Corporate Governance Code additionally recommends in Section 4.2.3 that when contracts are entered into with management board members, provision should be made in the event that the employment of a board member is ended prematurely other than for good cause to limit payments to board members to a maximum of two years' compensation including ancillary benefits and to make such payments for a period no longer than the remaining term of the employment contract. The company has made no provisions for settlements in the contracts with members of the Board of Management, since these employment contracts are in each case concluded for the duration of their period of appointment and cannot be terminated during this time other than for good cause. Under these circumstances the company is of the opinion that making advance provision for a settlement in this way would be contrary to the nature of these fixed-term contracts. Moreover the contracts with the Board of Management make no provision for settlement entitlements, for example in event of a change of control.

- Section 5.1.2 of the German Corporate Governance Code recommends that in determining the composition of the Board of Management, the Supervisory Board should take due account of diversity and in particular endeavor to give adequate consideration to female representation. This recommendation is not complied with since in the opinion of the Supervisory Board of ATOSS Software AG it is not relevant to the effective and successful work of the Board of Management as currently composed of two members. The Supervisory Board will consider the extent to which the recommendation can be complied with in future.

- The German Corporate Governance Code recommends the formation of supervisory board committees (Section 5.3). In view of the size of the company, ATOSS Software AG refrains from forming separate supervisory board committees. Moreover ATOSS Software AG is of the opinion that with a Supervisory Board comprised of three members, the efficiency with which the Board performs its tasks would in no way be increased by the formation of committees.

- The German Corporate Governance Code also recommends in Section 5.4.1 that the Supervisory Board should set specific targets for its own composition in consideration of the situation specific to the business undertaking and its international activities, potential conflicts of interest, a defined age limit for Supervisory Board members and also diversity. These specific targets should in particular provide for adequate female representation. This recommendation is currently not complied with since in the opinion of the Supervisory Board of ATOSS Software AG such targets are not necessary for the effective and successful work of a Supervisory Board composed of three members. The Supervisory Board will consider the extent to which the recommendation can be complied with in future.

- In accordance with the German Corporate Governance Code (Section 5.4.3) it is recommended that supervisory board members should be elected individually. In the interests of an efficient voting procedure the members of the Supervisory Board have thus far been elected en bloc at the annual general meeting of ATOSS Software AG. No shareholder present at the meeting has objected to this procedure. The company therefore intends when such votes take place to continue to follow this procedure.

- The German Corporate Governance Code (Section 5.4.6) recommends that fixed and performance-related compensation should be agreed with supervisory board members. The existing arrangement comprising a fixed compensation combined with a variable component dependent on the number of meetings has proven its worth. Moreover this compensation arrangement was resolved upon by the annual general meeting. The company considers itself to be bound by the stipulations of the annual general meeting.

- In respect of the publication of reports, it is recommended pursuant to Section 7.1.2 that interim reports should be made available within 45 days. The company publishes an extensive overview (sales revenues, types of sales, operating profit (EBIT), earnings before taxes (EBT), net profit, net earnings per share) within fewer than 30 days. The full interim report is published within two months following the end of the quarter. In applying this process of staggered publication the company furnishes the capital market with very prompt and extensive data over and beyond such information as may necessitate an ad hoc announcement. The company will continue to follow this publication procedure to ensure that the capital market receives information that is as up to date as possible.

Declaration of Corporate Governance
The corporate governance declaration made by the Board of Management pursuant to Section 289a of the German Commercial Code (HGB) is published on the company web site at http://www.atoss.com/atoss/de/Company /Investor_Relations/Corporate_Governance/Unternehmensführung/default.htm.

Other information
The company's capital is divided into 4,025,667 bearer shares each with a nominal value of one euro which carry full voting and dividend rights. Of this total the majority shareholder, Andreas F.J. Obereder of Grünwald, Germany, holds 1,981,184 shares, representing a proportion of 49 percent. No other shareholders with a notifiable holding of more than 10 percent of voting rights are known to the company.

The company is not aware of any restrictions regarding voting rights or the transfer of shares, even and including any such restrictions as may arise from agreements between shareholders.

No special rights exist that convey powers of control.

Insofar as employees have a participating interest in the company's capital, their rights of control are not restricted.

The Board of Management was authorized by a resolution adopted by the general meeting on April 30, 2009 and entered in the Commercial Register at the Municipal Court of Munich on May 6, 2009 to increase the share capital of the company with the approval of the Supervisory Board on one or more occasions on or before April 29, 2014 by a total of up to EUR 402,566 through the issue of up to 402,566 new bearer shares in return for contributions in cash or kind.

At the general meeting held on May 3, 2011 the Board of Management was further authorized pursuant to Section 71, Para 1, No. 8 of the German Stock Corporation Act other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para 2 of the Act on or before October 29, 2012 to purchase company shares in the amount of up to ten percent on the company's capital stock either via the stock market or by means of a public offer to purchase addressed to all company shareholders.

The Board of Management was further authorized at the general meeting on May 3, 2011 without further resolution by a general meeting not only to offer the purchased shares via the stock market or by a public offer to all shareholders, but also to the exclusion of existing shareholders' subscription rights

- with the consent of the Supervisory Board to issue the shares to third parties in return for contributions in kind, insofar as it is understood to be in the interests of the company to acquire said contributions in kind and insofar as the countervalue per treasury share to be contributed by third parties is not unreasonably low;

- with the consent of the Supervisory Board to issue the shares to third parties in return for contributions in cash, in order to place the shares of the company on a foreign stock exchange where the shares are not yet admitted to trading;

- with the consent of the Supervisory Board to sell the shares at a cash price which shall not be materially lower that the stock market price of company shares at the time of the sale;

- to transfer the shares in fulfillment of subscription rights under the company's convertible bonds program; whereby insofar as treasury shares are to be transferred in fulfillment of subscription rights under the convertible bonds program to members of the Board of Management, competence shall lie with the Supervisory Board.

The Board of Management was further authorized at the general meeting on May 3, 2011 to withdraw the treasury shares acquired without further resolution by a general meeting.

The authorizations concerning the use of treasury shares also extend to the use of shares in the company acquired on the basis of previous authorizing resolutions pursuant to Section 71, Para 1, No. 8 of the German Stock Corporation Act. The previous resolution adopted at the general meeting on April 30, 2010 regarding the repurchase of own shares was revoked at the general meeting on May 3, 2011.

In financial year 2011 some 7,000 treasury shares were utilized to service the convertible bonds program. No own shares were repurchased in financial year 2011. On December 31, 2011 the company held 49,099 own shares in treasury (previous year 56,099) at an average price of EUR 6.58

(previous year EUR 6.71). As a result on the qualifying date there were 3,976,568 shares in circulation (previous year 3,969,568).

Members of the Board of Management are appointed and dismissed in accordance with Sections 84 and 85 of the German Stock Corporation Act and Article 6 of the company's Articles of Association.

Changes to the Articles of Association follow the regulations contained in Sections 133 and 179 ff. of the Stock Corporation Act.

No material agreements exist which are contingent upon a change of control resulting from a takeover offer. Nor have any agreements been entered into with members of the Board of Management or employees regarding compensation in the event that a takeover offer is made.

In addition to its subsidiaries ATOSS Software Ges. mbH, Vienna, ATOSS Software AG, Zürich, ATOSS CSD Software GmbH, Cham, and ATOSS Software S.R.L., Timisoara, the parent company ATOSS Software AG of Munich also has business premises in Frankfurt, Hamburg, Meerbusch and Stuttgart.

3. Earnings situation

The earnings situation in financial year 2011 was principally defined by an increase in overall sales revenues which rose to EUR 31.6 million (previous year: EUR 29.3 million). Costs – without taking into account sales input – rose by 8 percent to EUR 21.4 million (previous year: EUR 19.9 million). As a result, taking into account an increase in investments in sales and marketing and an EBIT margin on a par with the previous year, the company maintained its profitability.

The essential key figure determining the success of the company's operating performance, namely its earnings before interest and taxes (EBIT) was improved from EUR 6.8 million in the preceding year to EUR 7.3 million. The return on sales represented by EBIT stood at 23 percent (previous year: 23 percent).

Earnings before taxes (EBT) amounted to EUR 8.4 million (previous year: EUR 7.0 million) and the net income came in at EUR 5.7 million (previous year: EUR 4.8 million). As a result, earnings per share increased to EUR 1.43 (previous year: EUR 1.21); after adjustment for the dilution effect of convertible bonds in circulation the figure was EUR 1.43 (previous year: EUR 1.21).

Thanks in particular to its success in winning further new customers and expanding business with existing clients, as well as to the efficient management of costs while maintaining a high level of expenditure on the development of functionally superior products, the company has increased its profitability and secured a sound financial basis for a long-term strategy which is proving to be correct.

4. Financial and asset position

The company regards equity as essential in guarding against economic, sector- and company-specific risks. Therefore the company's financial strategy is directed towards maintaining a level of equity commensurate with such risks. The intention is to guarantee shareholders an appropriate return on equity and offer customers and suppliers investment security for their software decisions through the medium of long-term partnerships.

In this respect the ATOSS Group was highly successful in financial year 2011:

Cash flow from operations developed on a par with the preceding year at EUR 5.3 million (previous year: EUR 5.6 million). Liquidity (cash and cash equivalents) slipped from EUR 20.7 million to EUR 15.1 million. However the position as a whole comprising liquidity and other current and non-current financial assets (e.g. gold, equities) increased from EUR 21.1 million to EUR 24.9 million. Liquidity per share on December 31, 2011 including these current and non-current assets accordingly stood at EUR 6.25 (previous year: EUR 5.32).

The main positive factors contributing to operating cash flow in the amount of EUR 5.3 million primarily included net earnings of EUR 5.7 million, depreciation of fixed assets at EUR 0.5 million, a reduction of EUR 0.5 million in receivables and an increase in income from financial investments (value adjustments, interest earnings) at EUR 0.7 million. Cash flow was reduced in the amount of EUR 1.9 million essentially as a result of the disposal of financial assets available for sale. This income is reported as cash flow from investments.

The decline in liquidity relative to the year before is attributable to a redistribution of investments in other current and non-current financial assets. The company intends through this change in its investment strategy to prioritize the long-term preservation of value and security against inflation.

In total the Management Board is authorized by the Supervisory Board to invest in physical gold in an amount of up to EUR 17.0 million and in dividend-bearing securities in an amount of up to EUR 5.0 million. On December 31, 2011 the company had EUR 7.0 million invested in gold and EUR 2.9 million invested in dividend-bearing securities.

Liquidity was also affected by the payment of a dividend in the amount of EUR 0.60 (previous year: EUR 0.50) per share.

ATOSS is excellently supplied with financial resources which enable the company to counter both macro-economic as well as sector-specific risks and exploit opportunities for external growth. Similarly the ability of the company to meet its payment obligations remains securely guaranteed.

Tangible and intangible assets at EUR 3.1 million were on a par with the year before. Investments in fixed assets in the financial year rose from EUR 0.7 million, compared with EUR 2.5 million in the previous year.

The company's long-term holdings in gold are reported under the heading of non-current financial assets in the amount of EUR 0.6 million. This item was reallocated in 2011 from current to non-current financial assets. The figure for the previous year has been adjusted accordingly. Also in 2011 allocations not recognized in profit or loss were made to non-current financial assets in the amount of EUR 0.1 million.

Receivables were reduced from EUR 3.1 million to EUR 2.6 million. The average time to receipt of 25 days (previous year: 32 days) remains extremely low – a fact which in the company's opinion is attributable to a high level of customer satisfaction as well as successful customer account management.

Other current financial assets classified as assets available for sale rose from EUR 0.0 million to EUR 9.2 million. The increase resulted from the implementation of the investment strategy announced in the previous year. Other financial assets comprise investments in dividend-bearing securities in the amount of EUR 2.9 million (previous year: EUR 0.0 million) and gold in the amount

of EUR 7.0 million (previous year: EUR 0.0 million). As of December 31, 2011 impairments in equity instruments (shares) in the amount of EUR 0.1 million and in debt instruments (gold) in the amount of EUR 0.8 million were recognized in profit and loss. Allocations not recognized in profit or loss were made to equity instruments in the amount of EUR 0.1 million.

The company is financed through the ongoing cash flow generated from operations. Current liabilities included trade accounts payable in the amount of EUR 0.8 million (previous year: EUR 0.8 million), deferred revenues of EUR 1.7 million (previous year: EUR 1.7 million), tax provisions amounting to EUR 1.0 million (previous year: EUR 1.0 million) and miscellaneous current liabilities of EUR 4.6 million (previous year: EUR 4.2 million). In total, current liabilities on December 31, 2011 had increased to EUR 8.2 million (previous year: EUR 7.7 million). The increase was essentially attributable to the rise in miscellaneous liabilities.

The other current liabilities relate predominantly to commitments to employees in respect of variable salary components to be disbursed in the following year, and also to anticipated accounts payable.

Among the items reported under non-current liabilities are the deposits on convertible bonds. Of the 7,000 convertible bonds outstanding on December 31, 2010 some 7,000 were converted in the past financial year. As a result as of Dec ember 31, 2011 there were no convertible bonds in circulation.

Group equity capital as of December 31, 2011 amounted to EUR 21.1 million (previous year: EUR 17.6 million), resulting in an equity ratio of 67 percent, compared with 63 percent on December 31, 2010. The return on equity as of December 31, 2011 stood at 27 percent (previous year: 27 percent).

As a matter of principle, ATOSS reports its expenditure on research and development in its income statement. As in the past, intangible assets of our own manufacture are not capitalized.

In order to reduce administrative costs, the company vehicle fleet as well as various items of business equipment are leased. As of December 31, 2011 there were 78 leasing agreements for company vehicles (previous year: 81). In addition there were also 7 leasing agreements for copiers (previous year: 7).

Thanks to its excellent earnings and to its continuing sound asset position, the company expects its ability to meet its financial commitments to remain unchanged in the future.

5. Events after the end of the reporting period

By a resolution adopted at the annual general meeting of ATOSS Software AG (hereinafter called the company) on May 3, 2011, the Board of Management is authorized to purchase shares in the company. Shares purchased on the basis of this and previous authorizations may be withdrawn without the need for a further resolution to be adopted by the general meeting to approve either the withdrawal or the implementation thereof (Section 71, Para. 1, No. 8, Sentence 6 of the German Stock Corporation Act).

On the basis of this authorization the Board of Management on January 9, 2012 resolved with the consent of the Supervisory Board on January 9, 2011 to reduce the company's capital stock by EUR 49,099 from EUR 4,025,667 to EUR 3,976,568 through the withdrawal of 49,099 shares each representing a nominal EUR 1.00 in capital which had been purchased via the stock market on the basis of the above and/or previous authorizations to purchase own shares.

The withdrawal of shares and reduction in capital took place on January 27, 2012 after the close of trading on the stock market.

There have been no further reportable events of particular import subsequent to the closing date.

6. Risk management and control system
As a capital market oriented company as defined in Section 264d of the German Commercial Code, the Group is obliged in accordance with Section 289, Para. 5 of the Commercial Code to describe the essential features of its internal risk management and control system insofar as this affects its accounting procedures.

The law does not provide a definition of an accounting-related internal control and risk management system. Drawing upon the definitions given by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf, of an accounting-related internal control system (IDW PS 261 Tz. 19f) and of a risk management system (IDW PS 340, Tz. 4), we understand an internal control and risk management system to be an all-embracing system. An internal control system is accordingly considered to comprise the principles, processes and measures introduced internally within the Group by the management to support the organizational implementation of management decisions

- to safeguard the effectiveness and economic efficiency of business operations,

- to ensure the correctness and reliability of internal and external accounting processes, and

- comply with the provisions of the law applicable to the company.

The risk management system comprises the entirety of all organizational rules and activities designed to recognize risk and deal with the risks inherent in the conduct of business. The procedure for the recognition and management of risk is described in the following explanatory notes:

In accordance with its long-term business strategy the company endeavors to avoid exposure to any unreasonable risks. Nevertheless in the course of its ordinary business activities the company is unavoidably exposed to a variety of risks which arise from these business operations as well as from changes in environmental conditions.

In order to make these risks transparently clear and evaluate them, the company has developed a comprehensive risk management system. The object is not merely to identify and monitor risks on an ongoing basis, but also having assessed the probability of their occurrence and the conceivable level of damage that may be caused, to provide decision-making criteria which convey a transparent picture of the company's willingness to accept risk exposure. Overall in the view of the Board of Management, ATOSS has at its disposal an extremely comprehensive and easily comprehended system which meaningfully supports the company's risk strategy.

In the past financial year two extensive risk reviews were undertaken. The results were compiled by the risk management committee in a risk report and submitted to the Board of Management.

Material aspects of risk are perceived to lie in particular in the economic environment and market environment, employee fluctuation, data protection and data security, the system and network infrastructure and liquidity losses resulting from fluctuations in the value of cash invested in financial assets. The company endeavors to counter these risks through organizational and other

risk-reducing measures and via the installed risk management system which ensures that risks are communicated promptly to the Board of Management.

Our high equity ratio and substantial liquidity offer security in economically challenging times. The market environment is continuously monitored, possible growth opportunities are explored, and the potential to distinguish ATOSS from its competitors is duly exploited. High levels of investment in research and development and the considerable technical skills of our employees serve to guarantee high product quality. In the case of major projects, the status of progress is continuously communicated to the administrative department. The risk resulting from the loss of key personnel is fundamentally covered by the fact that knowledge is distributed within departments. Likewise, in addition to implementing organizational data protection and data security measures, new employees are placed under obligation to comply with the data protection regulations. Risks resulting from system and network failures are countered in particular by continuous data backups and via emergency plans to deal with system failures, as well as by the high-availability platform introduced and refined in 2010/2011.

The Group counters the financial risk arising from the change in investment strategy by diversifying the company does not invest its available liquidity in speculative forms of investment. Available funds are invested in whole or in part in short-life fixed term deposits with reputable banks, in equities and in physical gold. The Group's investment strategy is oriented towards preserving value and safeguarding against inflation in the long term. Financial risk is countered through regular monitoring of the financial market and regular reports to the Board of Management and Supervisory Board on the development in financial assets. In addition all investments in financial assets are reviewed and approved by the company management.

Trade accounts receivable are continuously assessed in terms of viability and allowances are made where noticeable problems arise. Since the company has no single customers which account for more than 10 percent of sales, the credit risk does not present a potential hazard to the continued existence of the business.

In view of the substantial cash funds available at short notice and as well as the positive cash flow from operations, the company is not subject to any liquidity risk.

Risks arising from existing and future customer contracts are continuously monitored and assessed.

It is possible that legal risks or changes to regulatory requirements may impair business operations. Similarly, as a stock market-listed company there is a risk that at some point it may no longer be possible to satisfy increasing legal requirements in an economically tenable manner. For this eventuality formal procedures are created within our organization, the purpose of which is to take account of changes in conditions.

Finally, there is also the possibility that as yet unrecognized and unreported risks may arise which might also have negative effects on business activities. The combination of in principle mutually independent risks may present additional hazards to the company which may amplify one another. Therefore ATOSS will continue to constantly monitor its environment and review the effectiveness of measures taken and of the risk management system as a whole. Despite continuous adjustments to the risk management system, it is not possible to entirely quantify either the probability of the described risks occurring or their financial impact.

The essential features of the accounting-related internal control and risk management system at ATOSS Software AG may be described as follows:

- The Group exhibits a clear management, corporate and control structure.

- The functions of the departments essentially concerned with financial accounting, order processing and controlling are clearly separated and responsibilities are unambiguously assigned.

- For the purpose of analyzing and managing risk factors that may impinge on earnings, we have integrated the risk management system previously described and established a coordinated planning and control system.

- In order to continuously monitor the development in our assets, financial position and earnings situation, a review is submitted to the management and to the Supervisory Board on a monthly basis.

- Uniform accounting procedures are assured by the application of uniform Group-wide guidelines which are adapted as necessary.

- Functions and responsibilities are unambiguously assigned in all areas of the accounting process.

- The departments involved in the accounting process comply with the relevant quantitative and qualitative requirements.

- The IT systems employed in connection with the accounting process are protected by security features against unauthorized access.

- The financial systems employed are based on standard software.

- Matters with a material accounting relevance are discussed and clarified at weekly finance meetings.

- Essential accounting-related processes are subject to regular audit. Where necessary the risk management system is adapted in line with current developments.

- All essential accounting-related processes are consistently subject to the principle of dual control.

- The Supervisory Board concerns itself with matters of material importance pertaining to accounting, risk management and the audit assignment and its areas of emphasis.

- The Board of Management bears overall responsibility for the company's accounting-related internal control and risk management system. All of the companies and departments included in the financial statements are integrated into a clearly defined management and reporting organization.

The accounting-related internal control and risk management system, the essential features of which are described above, ensures that business events are accurately recorded, treated and reflected in the internal accounts and correctly translated into external accounts. The system also

guarantees that potential risks are identified at an early stage and appropriate counter-measures initiated where necessary in good time.

The clear management and corporate structure and the appropriate personnel and material resources made available to the accounting departments provide the basis for a correct, uniform and sustainable accounting process. The clear demarcation between areas of responsibility coupled with the various control and monitoring mechanisms ensures that the accounts are prepared coherently and without error.

The internal control and risk system further ensures that the Group accounts are prepared in compliance with legal regulations and statutory requirements as well as internal guidelines and that risks are recognized, assessed and communicated and where necessary counter-measures are taken in good time.

7. Dividend distribution

As in the preceding year, in considering the dividend to be paid, the Board of Management and Supervisory Board have based their proposal upon the long-term dividend policy applied by the company, under which between 30 percent and 50 percent of consolidated earnings per share generated in the financial year is distributed as a dividend. The Board of Management has accordingly resolved to propose to the General Meeting that a dividend of EUR 0.71 per dividend-bearing share be paid for the financial year 2011.

8. Outlook: Future economic and sector situation, future position of the company

The prospects for the global economy deteriorated markedly in summer 2011. In Europe there is a risk that the sovereign debt crisis will broaden into a banking crisis. This situation is increasingly also becoming a burden on the German economy. According to the assessments by leading economic research institutes, the rapidly growing uncertainty has the potential to depress domestic demand while exports, given the difficulties in which some important trading partners find themselves, will cease to contribute to expansion. As a result of these uncertainties, the Joint Economic Forecast published in autumn 2011 points to economic growth of 0.8 percent in 2012. The unemployment rate is likely to decline only slightly in 2012, slipping from 7.0 percent to 6.7 percent. The likely inflation rate of 2.3 percent in 2011 and 1.8 percent in 2012 will increasingly be determined by rising domestic prices.

In its economic forecast for 2012 the ifo Institute also predicts a downturn in the German economy, the main factors being the weakening global economy and the European debt crisis. In fact the ifo Institute forecasts economic growth of 0.4 percent in 2012.

In contrast to the downturn in economic growth relative to 2011, industry association BITKOM is forecasting growth of 4.5 percent in the IT sector and 5.2 percent in the software segment. In 2012 the ITC market in Germany is expected for the first time to exceed a volume of EUR 150 billion, compared with EUR 148 billion in 2011. Software sales are expected to develop particularly strongly, rising by more than 5 percent in 2012 to some EUR 17 billion.

ITC suppliers accordingly take an optimistic view of the year 2012. A total of 69 percent of companies surveyed expect to see rising sales in 2012, 20 percent expect revenues to remain stable, and just 11 percent anticipate a decline. Software suppliers are leading the field. In this segment almost 80 percent expect sales revenues to increase.

Clearly distinguished as it is at the level of products and technology, financial stability and sustainability and with first-class references in all relevant markets, ATOSS is well positioned to

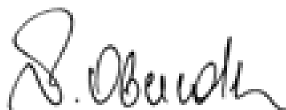
take advantage of the opportunities that present themselves and convert these into business success. What's more, there is considerable potential to improve the competitiveness of our target customers and thereby secure sustained sales opportunities in the company's specialist field of solutions designed to enhance workforce management efficiency.

ATOSS therefore anticipates moderately increasing sales in 2012. At the same time in financial year 2012 the company intends to make further investments in sales in order to address the potential for fresh growth in the field of workforce management. Taking these investments into account, the Management Board continues to expect an EBIT margin in excess of 20 percent in 2012.

In the medium term the company expects the trend in sales and margins to continue.

The Board of Management gives an assurance to the best of its knowledge and belief that the development in business including the results and the situation of the company are so described in this management report as to convey an impression which accords with the true facts; and that the essential opportunities and risks are described accordingly.

Munich, January 27, 2012



Andreas F.J. Obereder   Christof Leiber

CONSOLIDATED BALANCE SHEET TO 31.12.2011

Assets (EUR)	Notes	31.12.2011	31.12.2010
Non-current assets	11		
Tangible fixed assets	6,12, 28	2,948,852	2,812,173
Intangible assets	6,13, 28	177,184	136,155
Other financial assets	6, 8, 9, 25, 28	553,450	399,816
Deferred taxes	14, 29	277,534	260,259
Total non-current assets		**3,957,020**	**3,608,403**
Current assets	8,10		
Inventories	10, 26	8,199	9,480
Trade accounts receivable	6, 8, 9, 25	2,611,623	3,063,813
Other financial assets	6, 8, 9, 25	9,180,200	0
Other non-financial assets	27	518,104	401,975
Cash and cash equivalents	8, 9, 24	15,117,296	20,691,419
Total current assets		**27,435,422**	**24,166,687**
Total assets		**31,392,442**	**27,775,090**

Equity and Liabilities (EUR)	Notes	31.12.2011	31.12.2010
Equity	38		
Subscribed capital	39	4,025,667	4,025,667
Capital reserve	40	-387,528	-375,203
Treasury stock	19, 41	-322,909	-376,284
Equity deriving from unrealized profits/losses	38	205,237	0
Unappropriated net income	67	17,585,809	14,296,435
Total equity		**21,106,276**	**17,570,615**
Non-current liabilities	30		
Convertible bonds	6, 17, 35, 36	0	7,000
Pension provisions	18, 37	1,716,969	1,744,723
Deferred taxes	14, 29	321,766	727,851
Total non-current liabilities		**2,038,735**	**2,479,574**
Current liabilities	15,16, 30		
Trade accounts payable	15, 30	790,104	788,217
Other liabilities	15, 30, 32	4,622,107	4,153,537
Deferred revenues	15, 30, 33	1,702,752	1,709,514
Tax provisions	14, 29, 30	1,038,468	974,633
Other provisions	6, 16, 30, 34	94,000	99,000
Total current liabilities		**8,247,431**	**7,724,901**
Total equity and liabilities		**31,392,442**	**27,775,090**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1.1.2011 TO 31.12.2011

EUR	Notes	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Sales	6, 20, 42	31,574,529	29,314,472
Cost of sales	43	-9,345,963	-9,352,871
Gross profit on sales		**22,228,566**	**19,961,601**
Selling costs	44	-5,526,833	-4,753,527
Administration costs	45	-2,739,992	-2,544,283
Research and development costs	21, 46	-6,651,478	-5,962,616
Other operating expenses	49	-82,555	-18,531
Other operating income	49	80,251	156,948
Operating profit (EBIT)		**7,307,959**	**6,839,592**
Interest and similar income	48	2,078,485	208,365
Interest and similar expenses	22, 48	-975,644	-89,787
Earnings before taxes (EBT)		**8,410,800**	**6,958,170**
Taxes on income and earnings	14, 29, 51	-2,735,485	-2,159,081
Net income		**5,675,315**	**4,799,089**
Earnings per share (undiluted)	52	1.43	1.21
Earnings per share (diluted)	52	1.43	1.21
Average number of shares in circulation (undiluted)		3,975,486	3,964,423
Average number of shares in circulation (diluted)		3,976,568	3,976,568

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1.1.2011 TO 31.12.2011

EUR	Notes	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Net income		**5,675,315**	**4,799,089**
Changes not recognized in profit and loss resulting from the sale/purchase of treasury stock	19, 38, 41	41,050	40,560
Changes not recognized in profit and loss resulting from the sale of financial assets available for sale	25	245,334	0
Income tax effects	25	-40,097	0
Other income for the period after taxes		**246,287**	**40,560**
Comprehensive income after taxes		**5,921,602**	**4,839,649**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD FROM 1.1.2011 TO 31.12.2011

EUR	Notes	01.01.2011 -31.12.2011	01.01.2010 -31.12.2010
Net income	52	**5,675,315**	**4,799,089**
Depreciation of fixed assets	28	486,217	450,169
Gains/Losses from the disposal of fixed assets		8,956	511
Gains/Losses from the sale of available-for-sale financial assets	48	-1,867,804	0
Other result on financial assets	48	662,682	-159,820
Change in deferred taxes	29	-423,360	-35,933
Change in pension provision	37	-27,754	-137,552
Adjustment for other items not recognized in profit or loss	53	-49,586	0
Change in net current assets			
Trade accounts receivable	25	452,190	1,218,079
Inventories and other current assets	26, 27	-114,850	121,141
Trade accounts payable	30	1,887	102,671
Other current liabilities and convertible bonds	30, 32, 36	461,570	-132,333
Deferred revenues	30, 33	-6,763	-1,494,550
Tax provisions	30	63,835	874,504
Other provisions	30, 34	-5,000	28,900
Cash flow generated through business operations (1)	**53**	**5,317,535**	**5,634,876**
Cash flow from investment activities			
Disbursements for the acquisition of tangible and intangible fixed assets	28	-672,424	-2,491,113
Disbursements for the acquisition of other financial assets	54	-23,648,802	0
Receipts from the disposal of other financial assets	54	15,577,892	0
Disbursements for interest	54	-1,297	-681
Receipts from interest	54	197,864	160,501
Cash flow generated from investment activities (2)	**54**	**-8,546,767**	**-2,331,293**
Cash flow from financing activities			
Dividend paid	38, 55	-2,385,941	-1,980,784
Income from the sale of treasury stock	19, 41, 55	41,050	40,560
Cash flow generated through financing activities (3)	**55**	**-2,344,891**	**-1,940,224**
Change in liquidity - total of (1) to (3)		**-5,574,123**	**1,363,359**
Liquidity at beginning of year	24	20,691,419	19,328,060
Liquidity at end of year	24	15,117,296	20,691,419
Income tax paid		2,192,158	1,350,682
Tax refunds received		2,089	130,698

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY TO 31.12.2011

EUR	Subscribed capital	Capital reserve	Treasury stock	Equity deriving from unrealized profits/losses	Unappropriated net income	Total
Notes	39	40	19, 41	38	67	
01.01.2010	**4,025,667**	**- 301,013**	**-491,034**	**0**	**11,478,130**	**14,711,750**
Net income for the year 2010	0	0	0	0	4,799,089	4,799,089
Dividend	0	0	0	0	-1,980,784	-1,980,784
Purchase/Sale of treasury stock						
Purchase of treasury stock	0	0	0	0	0	0
Sale of treasury stock	0	-74,190	114,750	0	0	40,560
Other result	**0**	**-74,190**	**114,750**	**0**	**0**	**40,560**
Status 31.12.2010/1.1.2011	**4,025,667**	**-375,203**	**-376,284**	**0**	**14,296,435**	**17,570,615**
Net income for the year 2011	0	0	0	0	5,675,315	5,675,315
Dividend	0	0	0	0	-2,385,941	-2,385,941
Other result	0	0	0	205,237	0	205,237
Purchase/Sale of treasury stock						
Purchase of treasury stock	0	0	0	0	0	0
Sale of treasury stock	0	-12,325	53,375	0	0	41,050
Other result	**0**	**-12,325**	**53,375**	**205,237**	**0**	**246,287**
Balance 31.12.2011	**4,025,667**	**-387,528**	**-322,909**	**205,237**	**17,585,809**	**21,106,276**

One share corresponds to a notional share in the subscribed capital of 1 Euro.

Notes to the consolidated financial statements for 2011

I. Company information

ATOSS Software AG, hereinafter also called "ATOSS" or "the company", is a stock corporation established in Munich, Germany, with limited liability. The company with headquarters at Am Moosfeld 3 in Munich is one of the leading provider engaged in the development and sale of software licenses, software maintenance, hardware and consulting services pertaining to the provision of electronic support for all corporate processes involved in the efficient deployment of personnel resources at business enterprises and public institutions. Each of the ATOSS product lines consists of integrated software modules which are employed by large numbers of customers.

II. Accounting and valuation methods

1. International Financial Reporting Standards (IFRS)

These consolidated financial statements have been prepared for the parent entity and its subsidiaries, as in the previous year, in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as they are to be applied in the EU, as well as by way of supplement in pursuant to the German commercial code regulations set out in Section 315a para. 1 HGB.

Pursuant to Section 315a of the German Commercial Code, consolidated accounts prepared in accordance with the provisions of the Code were dispensed with.

The accounting and valuation methods applied in the previous year have been retained.

The Group applied the following new or modified standards for the first time in financial year 2011.

Standard or interpretation	Description	for financial years from
IFRS 1/ IFRS 7	Adoption of amendments to IFRS 1 and IFRS 7: Limited exemption of first-time users from the obligation to provide reference figures pursuant to IFRS 1 and IFRS 7 Financial Instruments	01.07.2010
IFRIC 19/IFRS 1	Adoption of IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments and amendments to IFRS 1: First-time adoption	01.07.2010
IAS 24/IFRS 8	Adoption of the revised IAS 24: Related party disclosures and amendments to IFRS 8: Operating segments	01.01.2011
IFRIC 14	Adoption of amendments to IFRIC 14: Advance payments under minimum funding requirements	01.01.2011
IAS 32	Adoption of amendments to IAS 32: Financial instruments presentation	01.02.2010

The essential effects of these changes are as follows:

The amendment to IFRS 1 allows companies adopting IFRS for the first time to take advantage of an exemption from comparative disclosures for the measurement of fair value and liquidity risk. IFRS provide for these exemptions in cases in which the comparative periods ended prior to December 31, 2009. The amendment does not have any effect on the Group's accounts.

IFRIC 19 supplies guidelines for the accounting of equity instruments that a debtor issues after renegotiation of the conditions of a financial liability on its complete or partial extinction. The Interpretation makes clear that

- the equity instruments issued to a creditor for redemption of a financial liability are part of the "consideration" in the meaning of IAS 39.41;
- the relevant equity instruments must in principle be measured at fair value. If this cannot be determined reliably, the equity instruments must be measured at the fair value of the redeemed liability;
- the difference between the carrying value of the financial liability to be retired and the initial valuation of the equity instruments being issued is to be recorded in the income statement.

Hence IFRIC 19 and the subsequent changes to IFRS 1 are brought under the scope of the IFRS regulations that are mandatory for entities that prepare IFRS consolidated financial statements according to the regulations of Section 315 a HGB. No such transactions have been performed by the Group. Therefore the resolution does not affect the Group.

The revised version of IAS 24 is intended to clarify the definition of related entities and persons (i.e. related parties) and to exempt entities that are related to public bodies from certain disclosures on transactions with related parties. The changes to IFRS 8 relate to subsequent changes from the adoption of IAS 24 related to the duty of disclosure in connection with substantial governmental customers. The revised version of IAS 24/IFRS 8 does not affect to the Group.

The purpose of the amendments to IFRIC 14 is to eliminate the unintended consequence of IFRIC 14 insofar as a company subject to minimum funding requirements that pays a contribution in advance may then under certain circumstances be required to report this as an expense. The interpretation indicates how to establish the limitation as per IAS 19 - Employee Benefits on surpluses that may be recognized as assets. Clarification is also provided on the effects on the valuation of assets and provisions deriving from defined-benefit pension plans as the result of a statutory or contractual obligation to pay minimum contributions. This ensures that companies are able to consistently account for surpluses as assets. The amendment to IFRIC 14 does not affect the Group's accounting.

The amendment to IAS 32 clarifies how certain subscription rights are to be accounted for if the instruments issued are not denominated in the functional currency of the issuer. If such instruments are offered to the present owners on a pro rata basis at a fixed figure, they must be classified as equity instruments even if their subscription price is denominated in a currency other than the functional currency of the issuer. These changes are not expected to have any effect on the Group.

The following standards, amendments to standards and IFRIC interpretations of IFRS, which have been published but have not yet come into force, have not been applied ahead of time by the Group. The essential effects resulting from these changes are explained hereinafter:

Standard or interpretation	Description	for financial years from
IFRS 9	Financial Instruments: Classification and valuation	01.01.2013
IFRS 10	Consolidated financial statements	01.01.2013
IFRS 11	Joint arrangements	01.01.2013
IFRS 12	Disclosure of interests in other entities	01.01.2013
IFRS 13	Fair value measurement	01.01.2013
IAS 27	Separate financial statements	01.01.2013
IAS 28	Accounting for investments in associates and joint enterprises	01.01.2013
IAS 12	Deferred taxes: Realization of underlying assets	01.01.2012
IFRS 1	Hyperinflation and suspension of fixed times of application	01.07.2011
IFRS 7	Disclosures: Transfer of financial assets	01.07.2011
IAS 1	Presentation of financial statements	01.07.2012
IAS 19	Employee benefits	01.01.2013
IFRIC 20	Accounting for stripping costs in a surface mine	01.01.2013

On November 12, 2009, the International Accounting Standards Board (IASB) published the new IFRS 9 on the classification and valuation of financial instruments. The publication constitutes the completion of the first part of a three-phase project to replace IAS 39 Financial instruments: Recognition and measurement with a new standard. IFRS 9 introduces new rules for the classification and measurement of financial assets. These rules must be applied with effect from January 1, 2013.

IFRS 9 provides for the measurement of financial instruments of only two instead of previously four categories: at amortized cost and at fair value. As the exception to measurement at fair value, measurement at amortized cost is subject to strict conditions. With its new regulations on determining impairment (in particular, provisions for credit risks), the IASB has moved away from the Incurred Loss Model to an Expected Loss Model. The requirements set out in the draft paper on impairment regulations extend well beyond the existing system functions that institutes currently use to determine impairment for accounting purposes. According to the plans of IASB, fair value hedging will continue to be possible in future – however, through an accounting procedure similar to that previously used in cash flow hedging. This must be implemented anew for many financial institutions. The amendment will have an effect on the classification and, possibly, on the measurement of the financial assets of the Group. Similarly, a change is expected in the disclosures in the Notes.

IFRS 10 creates a uniform definition of the concept of control. The intention of the new definition is to ensure that, in determining whether there is a control relationship, the same criteria are used for all entities. The new standard replaces the previously relevant IAS 27 – Consolidated and Separate Financial Statements and SIC-12 – Consolidation. This definition is supported by comprehensive application guidelines that indicate the different fashions in which a reporting entity (investor) may control another entity (participation). The core principle that consolidated financial statements present the parent entity and its subsidiaries as a single enterprise remains unchanged, as is also the case with the consolidation methods. Therefore, IFRS 10 relates to all entities using IFRS that control one or more than one participation as set out in the definition. The

Group does not expect the revised version of IFRS 10 to give rise to any changes in the accounting of the enterprise.

IFRS 11 governs the accounting for situations in which one entity exercises joint control over a joint venture or a joint operation. The new standard replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities. The Group does not expect the revision of IFRS 11 to give rise to any changes in its accounting.

IFRS 12 governs the disclosures in the Notes on company mergers in the consolidated financial statements and joint arrangements. The Group assumes that the revised version of IFRS 12 will not give rise to any new disclosure requirements in the Notes.

IFRS 13 addresses the determination of fair value as well as the relevant disclosures in the Notes, and it pursues the goal of a further approximation of IFRS and US GAAP. IFRS 13 provides advice on determining fair value where this is prescribed as the criterion under other IFRS. IFRS 13 does not provide for any extension of fair value measurement. The aim is the harmonization across standards of the fair value concept and of the methods to be applied when determining fair value as well as, in particular, the disclosures in the Notes that are associated with fair value measurement. The Group does not expect any changes to arise on this count.

IFRS 10, Consolidated financial statements, is the product of the consolidation project of IASB and replaces the consolidation guidelines of IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. Regulations applying to separate financial statements are contained, as before, in IAS 27, renamed to "Separate financial statements". The Group does not expect the revision of IFRS 10 to give rise to any changes in its accounting.

IAS 28 was revised in 2011 in connection with the IASB project on joint arrangements. Most of these changes arise from the inclusion of joint ventures in IAS 28 (2011). One fundamental change must be noted for the accounting of shares in joint ventures. The revised version of IAS 28 now prescribes as mandatory the application of the equity method for the accounting of joint ventures. Hence, a prorated inclusion of the joint enterprise and associated entities is presented in the revised IAS 28 according to a uniform accounting method. The revision of IAS 28 will not affect the Group's accounting.

Under IAS 12 the measurement of deferred taxes depends on whether the carrying value of an asset is realized through use or through sale. The distinction proves to be difficult in some cases and is often prone to subjective influences, especially when the asset is measured according to the fair value model of IAS 40 as a property held as a financial investment. The change offers a practical solution to this problem by introducing a defeasible supposition that the realization of the carrying value normally proceeds by sale. As a consequence of the change, SIC 21, Income taxes – Recovery of revalued non-depreciable assets, no longer applies to properties held as financial investments. The remaining interpretations in SIC-21 were integrated into IAS 12 and those of SIC 21 revoked. The change to IAS 12 will not affect the Group.

IFRS 1 has been extended to include a further exemption option. The change provides for an additional exemption for entities that have been impacted by hyperinflation and subsequently wish to resume presentation of financial statements in accordance with IFRS or to prepare these under IFRS for the first time. The exemption enables an entity to recognize certain assets and liabilities at fair value and to use this measurement in the opening balance sheet under IFRS as a substitute

for acquisition or manufacturing costs. The exemption option of IFRS 1 has no relevance for the Group.

The changes to IFRS 7 are intended to make it easier for the users of the financial statements to measure the risks connected with the transfer of financial assets and the effects of these risks on the financial position of an entity. They are intended in particular to enhance transparency of reporting for transfers that are connected with a securitization of financial assets. The Group does not expect any additional disclosure requirements to arise from the change to IFRS 7.

Through the change to IAS 1 Presentation of items under "Other Comprehensive Income (OCI)" the IFRS income statement will in future formally consist of only one element of the financial statements, namely: Statement of Profit or Loss and Other Comprehensive Income. None the less, this income statement, although formally combined, must in future be divided into two sections: One part with the profit or loss, and one with other comprehensive income. Under the current IAS 1, the income statement may constitute formally a separate element of the financial statements, prefacing the aggregate income statement. A further change is that the factor "Other comprehensive income" (OCI) must be subdivided in future in order to indicate whether the expenses and income recorded therein will at a later time be "recycled" in the income statement. The option remains of presenting the items of OCI before or after taxes; in the case of presentation before tax charges, these must afterwards be shown separately depending on whether they relate to items that can be recycled or to non-recyclable items. Overall, the changes lead to a more transparent and comparable presentation of the other comprehensive income. The group does expect the amendment to IAS 1 to lead to any changes in the statement of comprehensive income.

The most significant change to IAS 19 is that, in future, unexpected fluctuations in the pension commitments as well as in any plan assets, so-called actuarial profits and losses, must be recorded directly under other comprehensive income. The previous option of immediate recognition under profit and loss, under other comprehensive income, or delayed recognition under the so-called corridor method, will be abolished. A second change in accounting under IAS 19 is that, in future, management is no longer to estimate the interest generated by the plan assets on the basis of interest expectation subject to asset allocation, but income may be recorded on the basis of the expected interest born by the plan assets solely at the level of the discount rate. The changes to IAS 19 require more extensive disclosures in the Notes. In future companies must make disclosures on the funding strategy of their pension plans and not only describe the financial risks of those plans, but also quantify them. Inter alia, a sensitivity analysis is required showing the extent to which pension commitments fluctuate with the fluctuation in material measurement assumptions. In future, too, a disclosure must be given of the mean residual term of pension commitments. The Group expects the amendments in IAS 19 to result in a change to the measurement of the pension commitment as well as changes to and additions to the disclosures in the Notes.

IFRIC 20 addresses the accounting of costs for waste stripping (i.e. removal of rubble) that are incurred when an open-cast mine is developed. The Interpretation elucidates the preconditions under which waste stripping costs must be recognized as an asset and the treatment of initial and subsequent measurement of the asset. The change in IFRIC 20 is not relevant to the Group.

The IASB introduced an annual amendment procedure in 2007 in order to implement necessary but not otherwise urgent amendments to standards at uniform yearly intervals. These "Improvements to IFRSs" were published in May 2008, April 2009, May 2010 and June 2011. The

Improvements published in 2010 which were to be adopted with effect from January 1, 2011 were duly applied by the Group in financial year 2011.

The Improvements to IFRSs published in 2011 which are to be adopted with effect from January 1, 2012 have not been applied by the Group. The improvements 2011 relate to IFRS 1: First-time adoption of international financial reporting standards; IFRS 7 Financial instruments: Disclosures; IAS 1: Presentation of Financial Statements; IAS 34 Interim financial reporting; and IFRIC 13 Customer loyalty programmes.

Since the annual improvements procedure essentially involves the elimination of inconsistencies and the clarification of wordings that may be misleading, their application will have no effects on the way items are reported, valued or declared in the financial statements.

2. Bases for the preparation of the financial statements
The present consolidated financial statements were prepared to December 31, 2011 for the reporting period from January 1, 2011 to December 31, 2011. The financial year for all Group companies coincides with the calendar year. The consolidated financial statements are prepared applying the acquisition cost principle. The exceptions are current and non-current financial assets, these being measured at fair value.

3. Reporting currency
The present consolidated financial statements were prepared in euro. Figures are rounded up to whole euro units.

4. Scope of consolidation
In the consolidated financial statements for ATOSS Software AG, Munich, all subsidiaries are fully consolidated in accordance with IAS 27.12. Subsidiary companies are fully consolidated from the time of acquisition, that is to say, from the time at which the Group acquires control. Companies cease to be consolidated when the parent company no longer has control. The financial statements for subsidiaries are prepared in compliance with uniform accounting methods for the same reporting period as the financial statements for the parent company. All Group-internal balances, income and expenses as well as unrealized profits and losses and dividends on internal transactions are eliminated in full.

A change in the level of participation in a subsidiary that does not result in a loss of control is accounted for as an equity transaction.

Should the parent company lose control over a subsidiary,

- the assets including goodwill and liability of the subsidiary are derecognized;
- the carrying value of all non-controlling interests in former subsidiaries is derecognized;
- the cumulative differences recognized in equity are derecognized;
- the consideration received in return for loss of control is recognized at fair value;
- the residual holding is remeasured at fair value;
- gains or losses are recognized in profit or loss;
- other income components accruing to the parent company are recognized in profit or loss or where so specified, posted to profit reserves.

Their annual financial statements have been prepared in accordance with national regulations and reconciled in accordance with IFRS.

Company	Share in subscribed capital	Equity 31.12.2011 in EUR	Net income 2011 in EUR
ATOSS CSD Software GmbH, Cham, Germany	100%	280,561	180,859
ATOSS Software Gesellschaft m.b.H., Vienna, Austria	100%	559,183	522,846
ATOSS Software AG, Zürich, Switzerland	100%	317,018	218,998
ATOSS Software S.R.L., Timisoara, Romania	100%	204,499	38,374

5. Principles of consolidation

In addition to the parent company ATOSS Software AG, Munich, the consolidated annual financial statements also include all subsidiaries.

Subsidiary companies are fully consolidated from the time of acquisition, that is to say, from the time at which the Group acquires control. Companies cease to be consolidated when the parent company no longer has control. The financial statements for subsidiaries are prepared in compliance with uniform accounting methods for the same reporting period as the financial statements for the parent company. All Group-internal balances, transactions, unrealized profits and losses on internal transactions, and dividends are eliminated in full.

Capital consolidation of fully consolidated companies was undertaken in accordance with the purchase method. The recognized values of assets assigned and liabilities accepted representing the acquisition cost of the interest in each relevant company were offset pursuant to IAS 27.22 ff. against the equity capital reported by the subsidiary at the time of acquisition. Capital consolidation of the interest in ATOSS CSD Software GmbH, Cham, acquired in the year 2000 continues to be undertaken in accordance with IFRS 1 B1 by the pooling of interests method.

Business combinations are accounted for using the purchase method pursuant to IFRS 3. The cost of acquiring a company is deemed to be the sum of the consideration transferred measured at fair value at the time of acquisition and the shares without controlling interest in the entity acquired. In the case of every business combination, the acquirer must value the shares without controlling interest in the acquired entity either at fair value or at the appropriate proportion of the identifiable net assets of the acquired entity. Costs incurred in connection with the business combination must be expensed.

Should the Group acquire a business, it must assess the appropriate classification and designation of financial assets and assumed debts in compliance with the terms of contract, business circumstances and conditions prevailing at the time of acquisition. This includes the separation of embedded derivatives in underlying contracts.

In the case of business combinations achieved in stages, the equity stake in the acquired entity previously held by the acquirer is remeasured at fair value at the time of acquisition and the resulting differences recognized in profit or loss.

An agreed contingent consideration is recognized at fair value at the time of acquisition. Subsequent changes in the fair value of a contingent consideration constituting an asset or liability are recognized in accordance with IAS 39 either in profit or loss or as other income. A contingent consideration classed as equity is not remeasured, and its subsequent settlement is recognized in equity.

Goodwill is measured on first recognition at cost of acquisition which is deemed to be the surplus consideration transferred in excess of the identifiable assets acquired and liabilities assumed. Should the consideration be less than the fair value of the net assets of the acquired subsidiary, the difference is recognized in profit or loss.

Subsequent to first-time recognition, the goodwill is measured at cost of acquisition less cumulative impairments. For the purpose of the impairment test, the goodwill acquired in connection with a business combination with effect from the time of acquisition is allocated to the cash-generating entities of the Group which can be expected to profit from the combination. This applies irrespective of whether other assets or liabilities of the acquired business are assigned to these cash-generating entities.

If goodwill is assigned to a cash-generating entity and a division of this entity is sold, the goodwill attributable to this division is recognized as part of the carrying value of the division when calculating the profit or loss on the sale. The value of the share in goodwill thus sold is calculated on the basis of the relative values of the division disposed of and the remaining part of the cash-generating entity.

The existing structure of the company remained unaltered in financial year 2011.

6. Estimates, assumptions and discretionary decisions made in preparing the consolidated financial statements

Preparing the annual financial statements in compliance with International Financial Reporting Standards (IFRS) necessitates estimates and assumptions which affect the figures shown in the consolidated balance sheet, consolidated income statement and the notes to the consolidated financial statements.

Thus, for example, estimates are made in determining sales revenues for long-term production orders. The amount here is dependent upon the anticipated duration of implementation and the resulting proportionate progress of the project. In financial year 2011, sales revenues deriving from production orders in work on the balance sheet closing date amounted to EUR 843,240 (previous year: EUR 2,367,062).

In addition, when convertible bonds are issued, the likelihood of their being exercised in future is estimated on the basis of anticipated employee fluctuation.

Impairments in the value of receivables are likewise calculated by estimating those factors which may influence their sustained value. The carrying value of receivables on December 31, 2011 amounted to EUR 2,611,623 (previous year: EUR 3,063,813).

On every reporting date the Group investigates whether there are objective indications to conclude that the value of a financial asset or class of financial assets available for sale is impaired. In the case of financial assets available for sale, a significant or sustained decline in fair value below the cost of acquisition would constitute objective grounds. The decision as to the meaning of "significant" or "sustained" is a matter of judgment. This discretionary decision involves the Group measuring, among other factors, the price fluctuations of the past as well as duration and scope for which the fair value of a financial asset lies below its acquisition costs. An impairment of other financial assets is subject to the assumption if their fair value falls 25% in the case of equities and 10% in the case of gold and/or six months without interruption below the aquisition costs. The carrying value of other financial assets on December 31, 2011 amounted to EUR 9,733,650 (previous year: EUR 399,816).

Moreover, estimates are made when forming and assessing provisions for future risks. The carrying value of provisions on December 31, 2011 amounted to EUR 94,000, compared with EUR 99,000 on December 31, 2010.

The anticipated service life of fixed assets is also subject to estimation. The carrying value of tangible and intangible fixed assets on December 31, 2011 stood at EUR 3,126,036 (previous year: EUR 2,948,328).

Actual figures may deviate from estimates made.

7. Currency translation

The functional currency for all Group companies is the euro.

Foreign currency transactions are translated by Group companies into the functional currency at the spot rate on the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are converted into the functional currency at the exchange rate on the qualifying date.

Non-monetary items measured in foreign currency at historic cost of acquisition or manufacture are converted at the exchange rate applying the date of the transaction. Non-monetary items measured in foreign currency at fair value are converted at the exchange rate applying on the date on which fair value is ascertained.

Corresponding foreign currency profits and losses are recognized in the consolidated income statement.

8. Financial assets

Initial recognition and measurement

Financial assets within the meaning of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, financial assets available for sale or derivatives designed as hedging instruments and effective as such. The Group determines the class to which its financial assets belong upon first recognition.

Financial assets are measured on initial recognition at fair value. In the case of financial investments which are not measured at fair value through profit or loss, transaction costs directly attributable to the acquisition of the asset are also taken into consideration.

All purchases and sales of financial assets which foresee delivery of the asset within a period determined by the regulations or conventions of the market in question (regular way purchases) are recognized on the trade date, that is to say, on the date on which the Group entered into a commitment to buy or sell the asset.

The financial assets of the Group comprise cash and cash equivalents, trade receivables and other financial assets.

Subsequent measurement
The subsequent measurement of financial assets is dependent on their classification, as follows:

Financial assets at fair value through profit or loss
The category of financial assets at fair value through profit and loss includes financial assets held for trading and financial assets that are designated on first recognition as assets to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the short term. This category includes derivative financial instruments held by the Group that are not designated as hedging instruments pursuant to IAS 39. Derivatives, including separately recognized embedded derivatives, are also classed as held for trading with the exception of derivatives that are designated as hedging instruments and are such in effect. Financial assets measured at fair value through profit or loss are recognized on balance sheet at fair value, whereby changes in fair value are recognized in profit or loss as financial income or expenses.

When financial assets (held for trading) measured at fair value through profit or loss are subsequently valued, it must be considered whether the intention of selling these in the short term is still appropriate.

Insofar as the Group is unable to trade these financial assets as a result of inactive markets and the management abandons its intention of selling them in the short term, the Group may decide to reclassify these financial assets under extraordinary circumstances. Reclassification as loans and receivables or assets available for disposal or held to maturity will be dependent on the nature of the asset. This measurement does not affect financial assets classed as measured at fair value through profit or loss in exercise of the fair value option.

Derivatives embedded in underlying contracts are reported separately and recognized at fair value, provided that their characteristics and inherent risks are not closely associated with the underlying contracts and these contracts are not held for trading or designated as measured at fair value through profit or loss. These embedded derivatives are measured at fair value, whereby changes in fair value are recognized in profit or loss. Remeasurement takes place only in the event of a change in the contract terms, if this results in a significant change in the cash flows that would otherwise have derived from the contract.

The Group has not classified on initial recognition any financial assets for measurement at fair value through profit and loss.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, such financial assets are measured at amortized cost by the effective interest method less any impairments. Amortized costs are calculated in consideration of any premium or discount at time of acquisition and fees and costs which represent an integral part of the effective interest rate. Amortization income in application of the effective interest method is recognized in the income statement as financial income. Impairment losses are recognized in the income statement as financial expenses.

Financial investments held to maturity
Non-derivative financial assets with fixed or determinable payments and fixed maturity dates are classified as financial assets held to maturity, provided that the Group intends and is in a position to hold these to maturity. Subsequent to first recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any impairments. Amortized costs are calculated in consideration of any premium or discount at time of acquisition and fees and costs which represent an integral part of the effective interest rate. Amortization income in application of the effective interest method is recognized in the income statement as financial income. Impairment losses are recognized in the income statement as financial expenses. During the financial year 2011 the Group did not have any financial investments held to maturity.

Financial assets available for sale
Financial assets available for sale include debt and equity instruments. Equity instruments classed as available for sale are instruments that are classed neither as held for trading nor as measured at fair value through profit or loss. Debt instruments in this category are those intended to be held for an indefinite period and may be sold in response to a need for liquidity or changes in market conditions.

Subsequent to their initial valuation, in following periods financial assets available for sale are measured at fair value. Unrealized profits or losses are recognized as other income/expenses in a reserve for financial assets available for sale. On derecognition of such an asset, the cumulative gain or loss is presented in the financial result. If an asset is impaired, the cumulative loss is recognized in profit and loss as a financial expense and removed from the reserve for financial assets available for sale.

With respect to financial assets available for sale the Group must judge whether the possibility and intention of selling these in the short term remains appropriate. Insofar as the Group is unable to trade these financial assets as a result of inactive markets and there is a material change in the intention of the management to sell them in the short term, the Group may, under extraordinary circumstances, decide to reclassify these financial assets. Reclassification as loans and receivables is permitted provided that the financial asset fulfills the definition of a loan or receivable and the Group intends and is in a position to hold the asset for the foreseeable future or until maturity. Reclassification among assets held to maturity is permitted only if the company is in a position and has the intention to so hold the asset.

In the case of a financial asset declassified as available for sale, all previous profits and losses associated with this asset that have been recognized in equity must be reversed in profit or loss over the residual life of the financial investment in application of the effective interest method. Differences between new amortized cost and expected cash flows must be liquidated by the effective interest rate method over the residual life of the asset. If the asset is subsequently determined to be impaired, the amount recognized directly in equity must be reallocated to the income statement.

The group has classified its financial investments in gold and equities as financial assets available for sale.

Derecognition
A financial asset or a part of a financial asset or a part of a class of similar financial assets is derecognized if one of the following conditions is fulfilled:

- The contractual rights to receive the cash flow from a financial asset have expired.
- The Group has transferred its contractual rights to receive the cash flow from the financial asset to a third party or assumed a contractual obligation to immediately pass on the cash flow to a third party under an arrangement that meets the conditions in IAS 39.19 (a transmission arrangement), and has thereby either a) transferred substantially all the risks and rewards associated with ownership of the financial asset or b) neither transferred nor retained substantially all the risks and rewards associated with ownership of the financial asset, but relinquished control over the asset.

If the Group transfers its contractual rights to the cash flow from an asset or enters into a transmission arrangement whereby substantially all the risk and rewards associated with ownership of the asset are neither transferred nor retained but control over the asset is not relinquished, the Group must continue to recognize the asset to the extent that it has a continuing involvement with the asset.

In this case the Group must also recognize an associated liability. The transferred asset and associated liability are so measured as to take account of the rights and obligations retained by the Group.

If the continuing involvement formally guarantees the transferred asset, the extent of the involvement equates to the lower of either the original carrying value of the asset or the maximum amount of the consideration received which the Group might possibly have to repay.

9. Impairment of financial assets
On every reporting date the Group investigates whether there are objective indications that the value of a financial asset or class of financial assets is impaired. A financial asset or class of financial assets is deemed to be impaired if, as a result of one or more events that have occurred subsequent to initial recognition, there are objective indications of impairment, and this impairment will have an effect on the expected future cash flows from the financial asset or class of financial assets that can be reliably estimated. Impairment may be inferred if there are indications that the debtor or group of debtors are in severe financial difficulties, in the event of delay or default on interest or redemption payments or of the probability of insolvency or other restructuring, or if observable data indicate a measurable reduction in the expected future cash flow, such as, for example, alterations in arrears or economic conditions that correlate with business failures.

Financial assets carried at amortized cost
With regard to financial assets carried at amortized cost, it must first be determined whether there are objective indications of impairment individually among assets perceived as significant or individually or jointly among assets that are not perceived as significant. Should the Group determine that upon individual examination of a financial asset, whether significant or not, there are no objective indications of impairment, the asset is included within a class of financial assets with comparable default risk profiles and the class is then jointly examined for indications of impairment. Assets individually examined and found to be, or to continue to be, impaired are not included in such joint examination.

If there are objective grounds to believe that an asset is impaired, the impairment loss is calculated as the difference between the carrying value of the asset and the cash value of the expected future cash flow with the exception of expected future loan losses which have yet to occur. The cash value of the expected future cash flow is discounted at the original effective interest rate for the financial asset. If a loan bears interest at a variable rate, the discounted interest rate for the purpose of measuring impairment is the current effective rate.

The carrying value of the asset is reduced with the aid of a value adjustment account and the impairment recognized in profit and loss. Interest income continues to be recognized on the reduced carrying value at the interest rate applied in discounting future cash flow for the purpose of calculating the impairment cost. The interest income is recognized in the income statement under the heading of financial income. Receivables including an associated impairment are derecognized if they are classed as uncollectable and all securities have been claimed and realized. Should the estimated impairment increase or decrease in subsequent reporting periods as the result of an event which occurs after the impairment has been recognized, the increase or decrease in the previously recognized impairment cost is recognized in profit or loss by adjusting the impairment account. If a derecognized receivable is subsequently considered to be collectable as the result of an event which takes place after derecognition, the corresponding amount is set off directly against financial expenses.

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Financial assets available for sale
On every reporting date the Group investigates whether there are objective indications to conclude that the value of a financial asset or class of financial assets available for sale is impaired.

In the case of equity instruments available for sale, a significant or sustained decline in fair value below the cost of acquisition would constitute objective grounds. The criterion of 'significance' should be assessed on the basis of the original cost of acquiring the financial investment and the criterion of 'sustainment' should be assessed on the basis of the period for which the fair value has lain below the original cost.

If there are indications of impairment, the cumulative loss - being the difference between the cost of acquisition and current fair value less any impairment of the instrument previously recognized in profit and loss - is separated from other income and expenses and recognized in profit and loss. Equity instrument adjustments are not reversed in profit and loss: A subsequent increase in fair value is recognized directly as other income.

In calculating the impairment of debt instruments classed as available for sale, the same criteria are applied as in the case of financial assets carried at amortized cost. However, the amount

recognized as an impairment is the cumulative loss which is calculated as the difference between the amortized cost of acquisition and current fair value less any impairment of the instrument previously recognized in profit and loss.

Future interest income continues to be recognized on the reduced carrying value of the asset at the interest rate applied in discounting future cash flow for the purpose of calculating the impairment cost. The interest income is recognized under the heading of financial income. If the fair value of a debt instrument increases in subsequent reporting periods for reasons objectively attributable to an event that occurs after the impairment has been recognized in profit and loss, the increase in value is likewise recognized in profit and loss, unless the asset is recognized at remeasured value. Any increase in value of a remeasured asset must be treated as an increase in value through remeasurement.

10. Inventories
In accordance with IAS 2.9 the company values its inventories at cost or lower net disposal value. Inventories which are interchangeable are valued at cost using the first in first out (FIFO) method.

The net disposal value is the estimated proceeds of a sale in the normal course of business less the estimated costs up to completion and the estimated sales costs.

Appropriate reductions in value are made to take account of all recognizable risks arising from above-average storage periods or reduced usability.

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11. Non-current assets
At the end of every reporting period the Group investigates whether there are grounds to believe that the value of an asset is impaired. If such grounds exist or if an annual review of the sustained value of an asset is required, the Group makes an estimate of the amount that may be achieved for the asset in question. The recoverable amount is the higher of either the fair value of an asset or cash-generating entity less disposal costs or its value in use. The recoverable amount must be determined for each individual asset, unless an asset generates no cash flow which is essentially independent of those generated by other assets or classes of assets. If the carrying value of an asset exceeds its recoverable value, the asset is impaired and is written down to its recoverable value. To determine the value in use, the expected future cash flows are discounted to their cash value at a pre-tax discount rate which reflects current market expectations regarding the interest effect and the risks specific to the asset. An appropriate valuation model is applied to determine the fair value less sales costs. This model is based on valuation multipliers or other available indicators of fair value.

Impairment costs at going-concern business units are recognized in the income statements under cost headings which correspond with the function of the impaired asset.

An investigation is similarly made at the end of every reporting period to determine whether there are grounds to believe that a previously recognized impairment no longer exists or is reduced. If such grounds exist the Group makes an estimate of the recoverable amount. A previously recognized impairment will only be reversed if the estimated amount that may be achieved has changed since the last occasion on which an impairment was recognized. Should this be the case, the carrying value of the asset is increased to its recoverable value. This amount must not,

however, exceed the carrying value that would apply after scheduled depreciation if no impairment of the asset were to have been recognized in preceding years. A write-up is recognized in the result for the period.

In the financial year under review there were no impairments of non-current assets pursuant to IAS 36.

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12. Tangible fixed assets

Tangible fixed assets are valued at cost less cumulative scheduled linear depreciation. Assets are depreciated over periods of between three and five years. In deviation herefrom, leasehold fixtures are depreciated over the term of the lease or over their estimated service life if this is shorter. The business premises acquired in Meerbusch are depreciated over a service life of 33 years.

Write-downs on tangible fixed assets are allocated to the relevant expense items in the income statement.

A tangible fixed asset is derecognized either when it is disposed of or when there is no economic benefit to be expected from the continuing use or sale of the asset. The profits or losses resulting from the derecognition of the asset are calculated as the difference between the net sale proceeds and the carrying value of the asset and are recognized in the income statement in the period in which the asset is derecognized.

Residual values, service lives and methods of depreciation are reviewed at the end of each financial year and adjusted as required.

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13. Intangible assets

Intangible assets are valued at cost upon acquisition and, assuming a finite service life, are subject to linear depreciation over an anticipated useful life of between three and five years. At the end of the reporting period the company had no intangible assets with an indefinite service life.

Write-downs on intangible assets with limited service life are recognized in the income statement under the expense heading which corresponds with the function of the intangible asset.

Where there are indications that intangible assets with limited service life may be impaired, these assets are reviewed accordingly. The depreciation period and the method by which intangible assets with limited service life are depreciated are as a minimum reviewed at the end of each financial year. Alterations to the method or period of depreciation necessitated by changes in the expected service life or expected consumption of the future economic benefit of the asset are treated as changes in estimates.

Profits or losses resulting from the elimination of intangible assets are calculated as the difference between the net sale proceeds and the carrying value of the asset and recognized in the income statement in the period in which the asset is eliminated.

Residual values, service lives and methods of depreciation are reviewed at the end of each financial year and adjusted as required.

14. Taxes

Actual taxes on income

The actual tax refund claims and tax liabilities for current and previous periods are measured at the amount in which a refund is expected from or payment expected to the tax authorities. This amount is in turn calculated on the basis of the tax rates and tax regulations applying on the balance sheet closing date.

Actual taxes relating to items recognized directly in equity are themselves recognized not in the income statement but in equity.

Deferred taxes

Tax deferrals are formed in application of the liability method, based on temporary differences existing at the end of the reporting period between the value at which an asset or liability is reported on the balance sheet and its value for tax purposes.

Deferred tax claims are recognized for all tax-deductible temporary differences, unused tax loss carryforwards and unused tax credits in the amount in which taxable income against which tax-deductible temporary differences and unused tax loss carryforwards and tax credits can be offset is likely to be available.

The carrying value of deferred tax claims is reviewed on each balance sheet closing date and reduced accordingly if it is no longer likely that adequate taxable income will be available against which the deferred tax claim might at least in part be offset. Deferred tax claims not carried on balance sheet are reviewed at the end of each reporting period and taken on balance sheet in the amount in which it is now likely that future taxable income will allow the deferred tax claim to be realized.

Deferred tax claims and liabilities are calculated at the tax rates likely to apply in the period in which an asset is realized or a liability satisfied. The tax rates and tax regulations applying on the balance sheet closing date are taken as a basis. Future changes in tax rates must be taken into account on the balance sheet closing date provided that the necessary material conditions for these changes to become effective are fulfilled in the form of legislation.

Deferred taxes relating to items recognized directly in equity are themselves recognized not in the income statement but in equity.

Deferred tax claims and deferred tax liabilities are offset against one another provided that the Group has an enforceable claim to set off actual tax refund claims against actual tax liabilities and these relate to income taxes on the same taxable entity, levied by the same tax authority.

Turnover tax

Sales, expenses and assets are generally recognized after deduction of turnover tax. Exceptions apply in the following cases:

- If the turnover tax incurred when assets or services are purchased cannot be reclaimed from the tax authority, the tax paid is recognized as a part of the manufacturing cost of the asset or as part of the expense.
- Receivables and liabilities are reported at an amount including the turnover tax.

The amount of turnover tax refunded by or remitted to the tax authority is recognized in the consolidated balance sheet under either receivables or liabilities.

15. Other liabilities

Other liabilities such as trade accounts payable and other financial liabilities are measured on first recognition at cost, being the fair value of the consideration received. Thereafter these liabilities are carried on the balance sheet at amortized cost.

Deferred revenues are carried at fair value and essentially include amounts invoiced in advance for maintenance works and long-term orders implemented until later and therefore pertaining to sales in later periods.

A liability is derecognized when the underlying obligation is satisfied, terminated or expired. If an existing liability is exchanged for another liability to the same creditor under substantially different terms of contract, or if the conditions pertaining to an existing liability are materially altered, the exchange or alteration is treated as if the original liability were eliminated and a new liability taken up. The difference between the respective carrying values is recognized in profit and loss.

16. Provisions

A provision is reported if the Group is under a present statutory or actual obligation resulting from a past event, if it is likely that resources having an economic value will be expended to satisfy the obligation and a reliable estimate can be made of the extent of the obligation. Insofar as the Group expects an accrual carried as a liability to be at least in part reimbursed as, for example, under an insurance contract, provided that it is as good as certain that it will be received, the reimbursement is carried as a separate asset. The cost of forming the provision is reported in the income statement after deduction of the reimbursement.

The company anticipates that the remaining time to maturity of current provisions will be less than one year.

17. Convertible bonds

Convertible bonds are compound financial instruments which contain both equity (conversion rights) and liability (bond) components.

In the case of all convertible bonds, the bond feature as the liability component is carried at amortized cost using the effective interest method as per IAS 39. The hidden margin arising from the discounted interest payable due to the difference between the nominal value and cash value of the bond is allocated to the capital reserve.

In the case of the equity component, i.e. the conversion right, a distinction is made dependent on the date of issue: In the case of convertible bonds issued prior to the publication of the draft version of IFRS 2 on November 7, 2002, the conversion right is recognized in equity. On the other hand, in the case of convertible bonds issued after November 7, 2002, the equity component is valued in accordance with IFRS 2 at fair value. The value of the conversion right is expensed over the expected period of time until the bond is converted into shares and allocated to the capital reserve.

The expense to be recognized is measured in accordance with the Black-Scholes model which was developed to assess the fair value of such options which are not subject to any conditions and are fully transferable. Given that the options valuation model is based upon subjective assumptions, real deviations from these assumptions can have a sustained effect on the value of the options. Moreover the company's convertible bonds are subject to further restrictions which are only approximately comparable with traded options, with the result that the valuation model does not necessarily provide a reliable option valuation.

In calculating the attributable fair value using the Black-Scholes model, the company applies the following parameters:

Date	Number	Mean anticipated term in months	Risk-free interest rate	Standard deviation	Expected fluctuation 31.12.2011	Impairment due to non-interest-bearing character	Returned convertible bonds	Valuation of the expense to be distributed after return
August 2003	62,000	30	3.80%	80.30%	0%	-17,295	26,000	228,630
May 2004	52,000	30	3.80%	108.26%	0%	-9,193	10,500	291,440
August 2004	36,000	30	3.70%	102.80%	0%	-298	0	205,901
November 2004	5,000	30	3.40%	97.33%	0%	0	2,000	16,282

The standard deviation used in calculating the apportionable expense is determined from the daily closing price in the XETRA trading system operated by Deutsche Börse and published by the latter.

Since all convertible bonds were already eligible to be exercised as of December 31, 2007, the company incurred no further expense in financial year 2011. The cost in the amount of EUR 742,253 was recognized in full in the years 2002 to 2007.

18. Pension provisions

A non-forfeitable pension commitment exists in favor of the CEO of ATOSS Software AG, Munich, which is classified as a defined benefits plan. Effective August 1, 2009, the previous pension commitment dating from January 1, 2004, was replaced with a new pension commitment and the pension benefit increased accordingly. Under this plan, pension payments on completion of the 65th year. The payments are granted for life. To cover this pension commitment the company has arranged pension liability insurance cover and assigned the entitlements arising therefrom with the result that, since financial year 2005 and in accordance with IAS 19.54d, the attributable fair value of the plan assets deriving from the pension liability insurance policies is netted against the benefit obligation.

The pension commitment is underpinned by an actuarial report prepared on the basis of IAS 19 - Employee Benefits. The figure reported for the accrued and predicted pension obligation corresponds with the actuarially calculated cash value which, since 2005, has been reduced by the fair value of the plan assets. The rules governing benefit commitments contained in IAS 19.63 ff. have been taken as a basis.

In accordance with IAS 19.64f, the projected unit credit method is applied. According with this method, the pension units accrued in individual years are regarded as building blocks which collectively form the pension obligation. The cost of the pension is a product of the cost of interest on accrued pension rights already reported at cash value, the current service cost, the past service cost resulting from the changes in the pension commitment, and the expected income from the plan assets. The defined benefit obligation is the dynamic cash value of the pro rata accrued pension units, taking into account the fact that future pension rights have already been proportionately accrued.

For the purpose of measuring actuarial profits and losses the company applies what is termed the corridor method, in accordance with which, with effect from the end of the next reporting period, actuarial profits and losses must be apportioned over the residual period of service if and when they exceed 10 percent either of the actual cash value or of the fair value of the plan assets. In financial year 2011 actuarial profits in the amount of EUR 0 (previous year: EUR 17,548) were taken to income.

The pension provision was calculated on the basis of an assumed interest rate of 5.6 percent (previous year: 5.4 percent), a salary trend of 2.0 percent (previous year: 2.0 percent), an inflation rate of 2.0 percent (previous year: 2.0 percent) and a pension trend of 3.0 percent (previous year: 3.0 percent). The biometric tables prepared by Prof. Klaus Heubeck [Richttafeln 2005 G] were applied. It was further assumed that the plan assets would in future attract interest at an annual rate of 4.0 percent (previous year: 4.0 percent).

In addition there are also contributory pension plans for a member of the Board of Management and for employees with 15 or more years service. The company pays contributions for the latter into a private retirement pension scheme in the form of a pension fund for the duration of their employment. These contributions in financial year 2011 amounted to EUR 76,775 (previous year: EUR 60,938).

19. Treasury stock

Treasury stock is valued at cost and reported as a separate deduction item under equity. The purchase, sale, issue or withdrawal of treasury stock is not recognized in profit or loss.

20. Recognition of sales revenues and income

The company generates sales by licensing software products to end users and resellers, as well as from maintenance contracts, services and other receivables.

Discounts, rebates and turnover tax are not considered.

Pursuant to IAS 18.14, revenues deriving from licensing and other supplies and services are regarded as realized when

(a) The essential risks and rewards associated with the contractual rights to the use of licensed software have been transferred;
(b) The company has no further rights to dispose over the licensed material;
(c) The level of sales can be reliably determined;
(d) It is sufficiently probable that the economic benefits will flow (the receivable will be received);
(e) The costs incurred in association with the sale can be reliably measured.

The company has also entered into reseller agreements in accordance with which resellers are granted discounts on the list prices for license fees. The license fees retained by the company are in principle regarded as having been realized when rights of use to the licensed software have been granted to the reseller's end customer and the essential risks and rewards have thereby been transferred either to the end user or to the reseller.

Consultancy sales are directly associated with services rendered under essentially separate contracts. Pursuant to IAS 18.20, income from the performance of services is realized when

(a) The level of sales can be reliably determined;
(b) It is sufficiently probable that the economic benefit of the transaction will flow to the company (the receivable will be received);
(c) The degree of completion at the end of the reporting period can be reliably measured;
(d) The costs incurred in performing the service can be reliably measured.

Maintenance sales are accrued over the period during which maintenance works are performed.

Software licenses and maintenance works are generally sold together. Sales revenues are realized in accordance with IAS 18.13.

Production orders are deemed to exist insofar as the contractual agreements are structured in accordance with the law on contracts for work and services or the orders cannot be fulfilled by ATOSS partners or by services rendered by the customer on own account. If a customer commissions a long-term production order, the sales revenues and income are measured by the percentage of completion method, provided that the conditions required by IAS 11.23 are met. Individual sales components are in principle realized in the ratio of the progress of the project services thus far rendered to the anticipated overall volume of services. The progress of the project is in turn measured on the basis of documentation maintained by the project managers and the overall assessment of the management.

Interest earnings are recognized when the interest arises.

21. Expenditure on research and development
The company recognizes the costs of researching and developing its software products as an expense in its income statement. The criteria contained in IAS 38.57 which would provide for development costs to be carried as assets are not fulfilled, since the original development of today's products to some extent took place through the medium of customer projects and it is not possible to reliably measure the income achievable in future from the development of individual functions and releases.

22. Borrowing costs
Borrowing costs are recognized as an expense in the period in which they are incurred.

23. Leasing
Whether an arrangement constitutes a lease is determined on the basis of the economic content of the arrangement at the time the arrangement is entered into and necessitates an estimate of whether fulfillment of the contractual agreement is dependent on the use of a specific asset or assets and whether the agreement affords a right to use the asset.

The company regularly reviews its contractual relationships with suppliers to determine whether pursuant to the provisions of IFRIC 4 - Determining Whether an Arrangement Contains a Lease they should be classified as leases. On December 31, 2011, as in the preceding year, there were no contractual arrangements which meet the criteria specified in IFRIC 4.

Lease payments for operating leases are recognized over the relevant periods in linear fashion as expenses in the income statement.

III. Notes to the Consolidated Balance Sheet

24. Cash and cash equivalents

EUR	31.12.2011	31.12.2010
Fixed-term deposits	3,899,842	16,356,855
Deposits held with financial institutions	11,217,454	4,334,564
Total	**15,117,296**	**20,691,419**

The fixed term deposits are for different periods depending on the Group's requirements for cash, with residual terms of up to 9 months, and at interest rates between 0.10 percent and 2.12 percent p.a. Other deposits held with financial institutions bear interest at up to 1.15 percent.

Cash and cash equivalents fell from EUR 20,691,419 to EUR 15,117,296. The contributory factors were the positive operating cash flow of EUR 5,317,535 and the negative cash flow from investing activity of EUR 8,546,767 following the change in 2011 in the investment strategy and dividends EUR 2,385,941 as well as the receipts from the sale of treasury shares of EUR 41,050.

Fixed-term deposits and other cash sums are invested with financial institutions with a sound and solvent financial background.

The fair value of cash and cash equivalents stood at EUR 15,117,296 (previous year: EUR 20,691,419).

25. Other financial assets

Trade accounts receivable
The reported trade accounts receivable were composed as follows:

EUR	31.12.2011	31.12.2010
Gross receivables (at fair value)	2,618,454	3,063,813
less impairments	-6,831	0
Net receivables (carrying value)	**2,611,623**	**3,063,813**

As at December 31, 2011 there were no receivables (previous year: EUR 53,884) whose target payment date had been subsequently extended. These receivables are carried at nominal value.

During the financial year no revenues resulting from the collection of previously devalued receivables were taken to income (previous year: EUR 0). As in the preceding year there were no receivables with a remaining time to maturity of more than one year.

The age structure of overdue and unadjusted receivables on December 31, 2011 was as follows:

EUR	31.12.2011	31.12.2010
Neither overdue nor adjusted	1,914,252	1,974,765
Up to 30 days overdue	648,891	836,667
31 to 60 days overdue	24,506	47,587
61 to 90 days overdue	20,530	195,828
91 to 120 days overdue	3,492	-336
More than 120 days overdue	6,783	9,302
Gross receivables	**2,618,454**	**3,063,813**
Adjustments	-6,831	0
Net receivables	**2,611,623**	**3,063,813**

As of the accounting date, adjustments on doubtful trade receivables amounted to EUR 6,831 (previous year: EUR 0) and are based on the management's estimate of recoverability. Reductions in value are implemented in the amount of the carrying value of the receivable if the due date has been exceeded by more than 120 days and an assessment of the general payment pattern and credit-worthiness of the customer indicates that such action is appropriate. In the event of a customer becoming insolvent, the full value of the receivable is reported as a loss.

As a matter of principle, trade accounts receivable are due for payment within 10 days. Different payment target dates are agreed in the case of works and fixed price projects.

The value adjustment account developed as follows:

EUR	2011	2010
Account balance on January 1	0	16,035
Expense allocations	6,831	0
Consumed	0	0
Liquidated	0	16,035
Account balance on December 31	**6,831**	**0**

The company demands no securities from its customers. A description of the risk management system, which also covers risks arising from financial instruments, is given in Section 6 of the Group Management Report.

Available-for-sale financial assets break down as follows:

Current financial assets available for sale

EUR	31.12.2011	31.12.2010
Equities	2,956,484	0
Gold	6,223,716	0
Total	**9,180,200**	**0**

Non-current financial assets available for sale

EUR	31.12.2011	31.12.2010
Gold	553,450	399,816
Total	**553,450**	**399,816**

The Group has identified, pursuant to the procedure described in items 6 and 9, total impairments of EUR 859,248 of financial assets available for sale, that are recorded in the income statement under financial expenses.

Under the current available-for-sale financial assets, gains were recorded under other income and without impacting the income statement in the amount of EUR 96,786 (previous year: EUR 0); non-current financial assets available for sale were similarly recorded, without impacting the income statement, under other income in the amount of EUR 148,547 (previous year: EUR 0). Deferred taxes have been set up on the gains recorded under other income (and without impacting on profit and loss) in the amount of EUR 40,097 (previous year: EUR 0) on the temporary difference between the valuation of the asset in the balance sheet and the valuation under tax law.

The carrying value of the other financial assets corresponds to the fair value of the other financial assets.

The fair value of the financial assets available for sale is determined on the basis of listed prices on active markets (Level 1).

In the previous year, non-current financial assets available for sale (gold) were presented under current financial assets. During 2011 these were reclassified to non-current financial assets. The prior year figure has been adjusted accordingly.

26. Inventories

The carrying value of inventories relates essentially to hardware components held in small quantities by the subsidiary ATOSS CSD Software GmbH, Cham. In the reporting period, as in the preceding year, there were no writedowns on the value of inventory assets.

27. Other current non-financial assets

Other current non-financial assets in the amount of EUR 518,104 (previous year: EUR 401,975) are presented at their fair value and consist mainly of period prepaid expenses of EUR 340,568 (previous year: EUR 294,295), turnover tax receivables of EUR 73,735 (previous year: EUR 17,071) and prepaid interest of EUR 40,484 (previous year: EUR 41,183).

28. Fixed assets

Fixed assets developed in the financial year as follows:

	Acquisition or manufacturing cost			
EUR	01.01.2010	Additions	Disposals	Reclassifications
I. Intangible assets				
Software	1,090,217	110,563	0	0
	1,090,217	**110,563**	**0**	**0**
II. Tangible fixed assets				
Land and buildings	0	2,127,241	0	8,320
Technical equipment	503,959	2,519	4,802	0
Office and business equipment	3,534,630	250,790	686,940	0
Payments on account	8,320	0	0	-8,320
	4,046,909	**2,380,550**	**691,742**	**0**
III. Financial assets				
Financial assets available for sale	0	399,816	0	0
	0	**399,816**	**0**	**0**
Total	**5,137,126**	**2,890,929**	**691,742**	**0**

EUR	01.01.2011	Additions	Disposals	Reclassifications
I. Intangible assets				
Software	1,200,780	135,004	10,895	0
	1,200,780	**135,004**	**10,895**	**0**
II. Tangible fixed assets				
Land and buildings	2,135,561	0	0	0
Technical equipment	501,676	12,904	989	0
Office and business equipment	3,098,480	524,516	136,792	0
Payments on account	0	0	0	0
	5,735,717	**537,420**	**137,781**	**0**
III. Financial assets				
Financial assets available for sale	399,816	153,634	0	0
	399,816	**153,634**	**0**	**0**
Total	**7,336,313**	**826,067**	**148,676**	**0**

	Accumulated writedowns				Net carrying values	
31.12.2010	01.01.2010	Additions	Disposals	31.12.2010	31.12.2010	31.12.2009
1,200,780	977,003	87,622	0	1,064,625	136,155	113,214
1,200,780	**977,003**	**87,622**	**0**	**1,064,625**	**136,155**	**113,214**
2,135,561	0	57,607	0	57,607	2,077,954	0
501,676	422,154	20,588	4,801	437,941	63,735	81,805
3,098,480	2,830,074	284,351	686,429	2,427,996	670,484	704,556
0	0	0	0	0	0	8,320
5,735,717	**3,252,228**	**362,546**	**691,230**	**2,923,544**	**2,812,173**	**794,681**
399,816	0	0	0	0	399,816	0
399,816	**0**	**0**	**0**	**0**	**399,816**	**0**
7,336,313	**4,229,231**	**450,168**	**691,230**	**3,988,169**	**3,348,144**	**907,895**
31.12.2011	01.01.2011	Additions	Disposals	31.12.2011	31.12.2011	31.12.2010
1,324,889	1,064,625	93,975	10,895	1,147,705	177,184	136,155
1,324,889	**1,064,625**	**93,975**	**10,895**	**1,147,705**	**177,184**	**136,155**
2,135,561	57,607	57,857	0	115,464	2,020,097	2,077,954
513,591	437,941	17,656	989	454,608	58,983	63,735
3,486,204	2,427,996	316,729	128,293	2,616,432	869,772	670,484
0	0	0	0	0	0	0
6,135,356	**2,923,544**	**392,242**	**129,282**	**3,186,504**	**2,948,852**	**2,812,173**
553,450	0	0	0	0	553,450	0
553,450	**0**	**0**	**0**	**0**	**553,450**	**0**
8,013,695	**3,988,169**	**486,217**	**140,177**	**4,334,209**	**3,679,486**	**2,948,328**

29. Taxes on income

The tax provisions in each case comprise the taxes on income for the past financial year and also preceding years if appropriate. For details of tax charges and refunds, please refer to Note 51.

The deferred taxes reported in the accounts were composed as follows:

EUR	31.12.2011	31.12.2010
Deferred taxes on valuation differences carried as assets		
- Pension provisions	277,534	260,259
Sub-total	**277,534**	**260,259**
Deferred taxes on valuation differences carried as liabilities		
- Financial assets available for sale	-67,414	-26,045
- long-term production orders	-254,352	-701,806
Sub-total	**-321,766**	**-727,851**
Total	**-44,232**	**-467,592**

EUR	31.12.2011	31.12.2010
Tax charge resulting from the accrual of deferred taxes carried as liabilities		
- on long-term production orders	-548,319	-1,111,826
- on other financial assets	-1,272	-11,925
Tax charge resulting from the reversal of deferred taxes carried as assets		
- on tax loss carry-forwards	0	0
- on pension provisions	0	0
Tax income resulting from the accrual of deferred taxes carried as assets		
- on pension provisions	17,275	10,275
Tax income resulting from the reversal of deferred taxes carried as liabilities		
- on long-term production orders	995,772	1,149,408
Total	**463,456**	**35,932**

The tax rate applicable to ATOSS Software AG, Munich, is composed as follows:

	2011	2010	2009
Earnings before taxes	100%	100%	100%
Trade tax	-17.15%	-17.15%	-17.15%
Corporation tax at 15.00% on taxable profits	-15.00%	-15.00%	-15.00%
solidarity surcharge of 5.50% on corporation tax	-0.83%	-0.83%	-0.83%
Nominal proportion of earnings after tax	67.02%	67.02%	67.02%
Computed tax rate	**32.98%**	**32.98%**	**32.98%**

The tax rates for subsidiary companies were 25 percent in Austria, 22 percent in Switzerland and 16 percent in Romania. The translation from the expected Group tax charge to the actual tax charge as per IAS 12.81 is illustrated as follows:

EUR	31.12.2011	31.12.2010
Pre-tax earnings as per IFRS	**8,410,800**	**6,958,170**
Expected tax charge (2011: 32.98%; 2010: 32.98%)	-2,773,882	-2,294,804
Non-deductible operating expenses	-77,348	-18,552
Expenses resulting from convertible bonds	0	0
Tax income resulting from the liquidation of tax provisions formed in previous years	0	0
Tax payments/refunds for previous years	-11,196	3,043
Lower tax rates at Group companies and branches	126,941	151,232
Actual Group tax charge	**-2,735,485**	**-2,159,081**

The company anticipates that in future financial years the tax rate applicable to the parent company will be 32.98 percent. As a result of non-deductible operating expenses on the one hand, and lower tax rates at Group companies and branches on the other, the actual tax charge may be somewhat higher or lower than this figure.

30. Liabilities

The remaining times to maturity are illustrated individually in the breakdown of liabilities:

EUR	Qualifying date	Residual term up to 1 year	Residual term 1-5 years	Residual term more than 5 years	Total
Convertible bonds	31.12. 2011 31.12. 2010	0 7,000	0 0	0 0	0 7,000
Trade accounts payable	31.12. 2011 31.12. 2010	790,104 788,217	0 0	0 0	790,104 788,217
Deferred revenues	31.12. 2011 31.12 2010	1,702,752 1,709,514	0 0	0 0	1,702,752 1,709,514
Other current financial liabilities	31.12. 2011 31.12. 2010	4,622,107 4,153,537	0 0	0 0	4,622,107 4,153,537
Tax provisions	31.12. 2011 31.12. 2010	1,038,468 974,633	0 0	0 0	1,038,468 974,633
Other provisions	31.12. 2011 31.12. 2010	94,000 99,000	0 0	0 0	94,000 99,000
Total	**31.12. 2011 31.12. 2010**	**8,247,431 7,731,901**	**0 0**	**0 0**	**8,247,431 7,731,901**

Trade accounts payable and other financial liabilities do not attract interest.

31. Credit lines

There are unsecured current account credit lines in the amount of EUR 0.51 million (previous year: EUR 0.51 million) with the regular banks of the consolidated companies. Borrowings (on current account) in the context of these arrangements attracted interest at up to 5.34 percent (previous year: 4.74 percent). As the previous year, there were no liabilities to banks.

32. Other current liabilities

Other liabilities essentially comprise the following amounts:

EUR	31.12.2011	31.12.2010
Liabilities for salaries and commissions	3,789,492	3,492,426
Anticipated charges	567,242	445,484
Other financial liabilities	265,373	215,627
Total	**4.622.107**	**4.153.537**

The liabilities for salaries and commissions include claims deriving from variable salary components arising in the reporting period but not disbursed until the following year, liabilities arising from wages tax, and provisions for vacation obligations. The anticipated charges relate to performances received but not yet billed prior to the qualifying date. The other liabilities comprise mainly provisions for the cost of preparing the financial statements and audit fees.

33. Deferred revenues

Deferred revenues as of December 31, 2011 were composed as follows:

EUR	31.12.2011	31.12.2010
Amounts invoiced in advance for maintenance work	711,421	470,160
Amounts invoiced in advance for long-term production orders	777,432	700,172
Others	213,899	539,182
Total	**1,702,752**	**1,709,514**

The other deferred revenues here stated are reported at fair value and include sums invoiced in advance for hotline services as well as for software, hardware and services not yet to be supplied. The amounts invoiced in advance for manufacturing order contain payments on account of EUR 590,218 (previous year: EUR 595,640).

34. Other provisions

These provisions essentially comprise the following amounts:

EUR	31.12.2010	Utilization	Liquidated	Addition	31.12.2011
Other provisions	99,000	25,000	5,000	25,000	94,000
Total	**99,000**	**25,000**	**5,000**	**25,000**	**94,000**

Other provisions include the provisons warrenties and the provision for restoration costs.

35. Convertible bonds

On the basis of the contingent capital created for the purpose and described in Note 39, the company has issued convertible bonds under the following programs:

An employee convertible bonds program was initiated in spring 2000 (Convertible bonds program 2000/2010) with the issue of convertible bonds. At the time of the company's flotation and during the year, employees were afforded the opportunity to subscribe for convertible bonds at a nominal cost of EUR 1.00. Conversion prices were determined at the time the bonds were granted. For this purpose the conversion price was defined as the average taken over the last five trading days prior to the bonds being granted. Employees had the option upon expiry of two, three and four years to in each case convert one third of their bond holdings into company shares upon payment of the conversion price. Contingent capital 2000/I in the amount of EUR 280,000 was formed for this purpose.

In financial year 2002, at its general meeting on May 22 of that year the company approved two convertible bonds programs for Supervisory Board members (Convertible bonds program 2002/2010) and for Board of Management members and employees of the company (Convertible bonds program 2002/2011). For this purpose Contingent capital 2002/II in the amount of EUR 50,000 and Contingent capital 2002/I in the amount of EUR 360,000 were partially drawn down.

Under the convertible bonds program for Supervisory Board members (Convertible bonds program 2002/2010) the members of the Supervisory Board were each granted the right to subscribe for 12,000 convertible bonds at a nominal EUR 1.00 per bond. Conversion prices were determined at the time the offer was made. The offer was made within two weeks following

publication of the half-yearly figures for the financial year 2002 and the conversion price corresponds to the average taken over the last five trading days prior to the offer being made. Upon expiry of two and three years, Supervisory Board members had the option to in each case convert one half of their holding into company shares upon payment of the conversion price. The convertible bonds have a term of seven years from date of offer.

The convertible bonds program 2002/2011 for Board of Management members and company employees is subject to the same conditions as the program for Supervisory Board members.

In financial year 2004, at its general meeting on April 22 of that year the company resolved upon a further convertible bonds program for members of the Supervisory Board (Convertible bonds program 2004/2012). The same terms and conditions apply as in the case of the Convertible bonds program 2002/2010. The Convertible bonds program for Board of Management members and company employees (Convertible bonds program 2002/2011) was extended for three years and is now designated as the "Convertible bonds program 2002/2014". To provide an appropriate basis, Contingent capital 2004/I was approved by the general meeting in the amount of EUR 50,000.

The following table shows the development of convertible bonds in circulation in financial years 2011 and 2010:

	Number	weighted average exercise price in EUR
Outstanding on 01.01.2010	**16,000**	**5.10**
Exercised in 2010	9,000	4.51
Outstanding on 31.12.2010/01.01.2011	**7,000**	**5.86**
Exercised in 2011	7,000	5.86
Outstanding on 31.12.2011	**0**	**0**

As at December 31, 2011 there are no more convertible bonds outstanding.

36. Convertible bonds held by board members

On December 31, 2011, as previously on December 31, 2010, board members held no conversion rights to shares in ATOSS Software AG.

37. Pension provisions

Pension costs were comprised as follows:

EUR	31.12.2011	31.12.2010
Current service cost	116,853	105,281
Cost of interest	143,644	131,282
Less anticipated earnings on plan assets	-52,775	-37,861
Actuarial profits recognized	0	-17,548
Past service cost	0	0,00
Pension expenses	**207,722**	**181,154**

Current and past service costs are reported in the income statement under sales costs, while the cost of interest, income from plan assets and recognized actuarial profits are reflected in net interest.

The actual return on plan assets in 2011 amounted to EUR 16,580 (previous year: EUR 13,137). The expected return is 4 percent. In consideration of the fact that the plan assets are invested in pension liability insurance policies with reputable insurers, the company considers this figure to be reasonable in the long-term.

The company expects to incur pension expenses of EUR 190,180 for 2012.

The obligation translates to the balance sheet as follows:

EUR	31.12.2011	31.12.2010	31.12.2009	31.12.2008
Defined benefits obligation	2,745,208	2,679,934	2,303,187	1,275,692
Fair value of plan assets	-1,455,009	-1,202,953	-871,110	-711,781
	1,290,199	**1,476,981**	**1,432,077**	**563,911**
Unrecognized actuarial profits and losses	426,770	267,742	450,198	612,939
Pension provision	**1,716,969**	**1,744,723**	**1,882,275**	**1,176,850**

The company assigned its claims arising from the pension liability insurance arranged to cover the pension commitment in 2005 and in 2010.

The changes in the cash value of the defined benefits obligations are illustrated as follows:

EUR	2011	2010
Defined benefits obligation effective January 1	2,679,934	2,303,187
Cost of interest	143,644	131,282
Current service cost	116,853	105,281
Actuarial profits	-195,223	140,184
Past service cost	0	0
Defined benefits obligation effective December 31	**2,745,208**	**2,679,934**

The changes in the fair value of plan assets are illustrated as follows:

EUR	2011	2010
Fair value of plan assets effective January 1	1,202,953	871,110
Anticipated returns	52,775	37,861
Employer's contributions	235,476	318,706
Actuarial profits and losses	-36,195	-24,724
Fair value of plan assets effective December 31	**1,455,009**	**1,202,953**

The figures for the current and preceding reporting periods are as follows:

EUR	31.12.2011	31.12.2010	31.12.2009	31.12.2008	31.12.2007
Defined benefits obligation	2,745,208	2,679,934	2,303,187	1,275,692	1,442,834
Plan assets	-1,455,009	-1,202,953	-871,110	-711,781	-567,755
Shortfall in cover	**1,290,199**	**1,476,981**	**1,432,077**	**563,911**	**875,079**

In the financial year following the reporting period, the probable contribution to the pension plan will run to EUR 235,774.

38. Equity

The development in equity is evident from the statement of changes in consolidated equity. The dividend paid in 2011 amounted to EUR 0.60 (previous year: EUR 0.50). The variations not recognized in profit and loss in the capital reserve and treasury stock are attributable to the purchase and sale of treasury stock. The equity deriving from unrealized gains and losses is attributable to the mark-ups on financial assets, which do not impact on the income statement, and the associated formation of deferred taxes.

39. Subscribed capital

Issued shares in circulation

The company's capital is divided into 4,025,667 shares each with a nominal value of EUR 1.00. All shares carry full voting and dividend rights. On average during the year there were 4,025,667 shares in circulation, less the average of 50,181 own shares held in treasury, leaving a total of 3,975,486 shares (previous year: 3,964,423 shares).

ATOSS Software AG shares held by board members

At the end of the reporting period board members possessed the following holdings of ATOSS Software AG stock:

EUR	31.12.2011	31.12.2010
Andreas F.J. Obereder	1,981,184	1,981,184
Peter Kirn	19,760	19,760
Total	**2,000,944**	**2,000,944**

Authorized capital

The Board of Management was authorized by a resolution adopted by the general meeting on April 30, 2009 and entered in the Commercial Register at the Municipal Court of Munich on May 6, 2009, to increase the share capital of the company with the approval of the Supervisory Board on one or more occasions on or before April 29, 2014 by a total of up to EUR 402,566 through the issue of up to 402,566 new bearer shares in return for contributions in cash or kind.

Contingent capital

By a resolution of the general meeting on February 16, 2000, entered in the Commercial Register at the Municipal Court of Munich on March 10, 2000, the share capital was contingently increased by EUR 280,000 (Contingent capital 2000/I). This contingent capital relates to the Convertible bonds program 2000/2010.

Furthermore by resolutions adopted by the general meetings on May 22, 2002, April 30, 2003, and April 22, 2004, for the purpose of satisfying the conversion rights held by members of the Board of Management, managers of associated companies and other high-achieving personnel (Convertible bonds program 2002/2011, alternatively 2014) the share capital of the company was contingently increased by EUR 360,000 (Contingent capital 2002/I); also for the purpose of satisfying the conversion rights held by members of the Supervisory Board (Convertible bonds program 2002/2010) the share capital was contingently increased by EUR 50,000 (Contingent capital 2002/II).

Finally, by a resolution adopted by the general meeting on April 22, 2004, entered in the Commercial Register at the Municipal Court of Munich on June 11, 2004, for the purpose of satisfying the conversion rights held by members of the Supervisory Board (Convertible bonds program 2004/2012) the share capital was contingently increased by EUR 50,000 (Contingent capital 2004/I).

40. Capital reserve
The capital reserve on December 31, 2006, stood at EUR 362,241. In financial year 2007 the sum of EUR 518,611 was withdrawn from the capital reserve as a result of sales of treasury stock. As a result of convertible bonds issued in previous years, in financial year 2007 the sum of EUR 21,859 was allocated to the capital reserve. The capital reserve on December 31, 2007, stood at EUR -134,511.

In financial year 2008 the sum of EUR 113,942 was withdrawn from the capital reserve as a result of sales of treasury stock. The capital reserve on December 31, 2008, amounted to EUR -248,453.

In financial year 2009 the sum of EUR 52,560 was withdrawn from the capital reserve as a result of sales of treasury stock. As at December 31, 2009, the capital reserve stood at EUR -301,013.

As a result of further sales of treasury stock in financial year 2010 the sum of EUR 74,190 was withdrawn from the capital reserve. The capital reserve as at December 31, 2010, was EUR -375,203.

As a result of further sales of treasury stock in financial year 2011 the sum of EUR 12,325 was withdrawn from the capital reserve. The capital reserve as at December 31, 2011, stood at EUR -387,528.

41. Treasury stock
In December 2000 the company bought back 27,285 shares from a former member of the Board of Management at a price of EUR 10.00 per share. This price was slightly below the then current market price of EUR 11.00.

Following authorization by the general meeting on May 20, 2001, in financial year 2001 some 21,715 shares were bought back at prices of between EUR 4.50 and EUR 10.00.

Share repurchases continued in financial year 2002 when 184,760 shares were acquired at a total price of EUR 1,470,244.

In 2003 a further 18,000 shares were purchased at a price of EUR 15.34. Some 23,107 own shares held in treasury were utilized in financial year 2003 in respect of convertible bonds exercised in that year.

In financial year 2004 some 75,718 treasury shares were used and 78,167 shares repurchased at prices between EUR 8.47 and EUR 14.84.

In 2005 a further 81,044 treasury shares and in 2006 a further 74,004 treasury shares were used to service the convertible bond program.

In financial year 2007 some 44,173 treasury shares were utilized to service the convertible bonds program.

In financial year 2008 a further 14,500 treasury shares were used to service the convertible bond program and 51,513 company shares were repurchased at prices between EUR 5.40 and EUR 8.00 per share.

In financial year 2009 some 8,000 treasury shares were utilized to service the convertible bonds program. On the basis of an authority granted by the general meeting on April 29, 2008, a further 4,205 company shares were repurchased in financial year 2009 at prices between EUR 7.00 and EUR 7.25 per share. On December 31, 2010, the company held 65,099 own shares in treasury (previous year: 68,894) at an average price of EUR 7.54 (previous year: EUR 8.17).

In financial year 2010 some 9,000 treasury shares were utilized to service the convertible bonds program. No own shares were repurchased in financial year 2010. On December 31, 2010, the company held 56,099 own shares in treasury (previous year: 65,099) at an average price of EUR 6.71 (previous year: EUR 7.54).

The resolution adopted at the general meeting on April 30, 2010, authorizing the repurchase of own shares was revoked at the general meeting held on May 3, 2011.

At the general meeting held on May 3, 2011, the Board of Management was further authorized pursuant to Section 71, Para 1, No. 8 of the German Stock Corporation Act other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para 2 of the Act on or before October 29, 2012, to purchase company shares in the amount of up to ten percent on the company's capital stock either via the stock market or by means of a public offer to purchase addressed to all company shareholders.

The Board of Management was further authorized at the general meeting on May 3, 2011, without further resolution by a general meeting not only to offer the purchased shares via the stock market or by a public offer to all shareholders, but also to the exclusion of existing shareholders' subscription rights

- with the consent of the Supervisory Board to issue the shares to third parties in return for contributions in kind, insofar as it is understood to be in the interests of the company to acquire said contributions in kind and insofar as the countervalue per treasury share to be contributed by third parties is not unreasonably low;
- with the consent of the Supervisory Board to issue the shares to third parties in return for contributions in cash, in order to place the shares of the company on a foreign stock exchange where the shares are not yet admitted to trading;
- with the consent of the Supervisory Board to sell the shares at a cash price which shall not be materially lower that the stock market price of company shares at the time of the sale;
- to transfer the shares in fulfillment of subscription rights under the company's convertible bonds program; insofar as treasury shares are to be transferred in fulfillment of subscription rights under the convertible bonds program to members of the Board of Management, competence shall lie with the Supervisory Board.

The Board of Management was further authorized at the general meeting on May 3, 2011, to withdraw the treasury shares acquired without further resolution by a general meeting.

The authorizations concerning the use of treasury shares also extend to the use of shares in the company acquired on the basis of previous authorizing resolutions pursuant to Section 71, Para. 1, No. 8 of the German Stock Corporation Act.

In financial year 2011 some 7,000 treasury shares were utilized to service the convertible bonds program. No own shares were repurchased in financial year 2011. On December 31, 2011, the company held 49,099 own shares in treasury (previous year: EUR 56,099) at an average price of EUR 6.58 (previous year: EUR 6.71). As a result, on the qualifying date there were 3,976,568 shares in circulation (previous year: 3,969,568).

IV. Notes to the Consolidated Income Statement

42. Sales revenues

The sales revenues were composed as follows:

EUR	2011	2010
Software licenses	6,685,765	6,541,206
Software maintenance	12,135,629	11,305,759
Total software	**18,821,394**	**17,846,965**
Consulting	8,381,544	7,913,773
Hardware	2,806,126	2,452,064
Others	1,565,465	1,101,670
Total	**31,574,529**	**29,314,472**

For its long-term manufacturing orders, the Group applies sales realization according to project progression as set out in IAS 11. Revenues are recognized in line with the degree of completion. The degree of completion is determined as the ratio of the implementation hours already performed compared with the expected number of hours to be spent on the project. For each long-term manufacturing order a project plan is prepared.

Overall in financial year 2011 the amount of EUR 2,628,457 (previous year: EUR 4,393,953) was taken to income as sales from manufacturing orders. As of the end of the reporting period there were profits in the amount of EUR 0 from projects realized by the percentage of completion method and not yet billed. In the previous year the figure was EUR 6,576.

The company has customers in all branches of industry, as well as in the public sector. In financial years 2011 and 2010 no single customer accounted for a proportion of 10 percent or more of total sales.

The geographic breakdown of sales revenues was as follows:

EUR	2011	2010
Germany	28,655,252	26,548,045
Austria	1,836,630	1,984,987
Switzerland	695,992	490,838
German-speaking territories in total	**31,187,874**	**29,023,870**
Other countries	386,655	290,602
Total	**31,574,529**	**29,314,472**

43. Cost of sales

In addition to the material cost of goods bought for resale (hardware and other merchandise), the cost of sales also includes expenditure on external services as well as the personnel costs and overhead incurred in the provision of services by the Consulting Services and Support departments.

EUR	2011	2010
Material costs (goods for resale)	2,767,195	2,608,304
Material costs (external services)	68,300	127,007
Personnel costs	4,727,804	4,746,711
Scheduled depreciation	130,739	136,337
Overheads	1,651,925	1,734,512
Total	**9,345,963**	**9,352,871**

44. Selling costs

The selling costs include personnel costs and overheads attributable to sales as well as advertising costs recognized as an immediate expense.

EUR	2011	2010
Selling personnel costs	3,382,415	3,262,945
Scheduled depreciation	84,546	71,973
Selling overheads	1,362,193	692,596
Advertising costs	697,679	726,013
Total	**5,526,833**	**4,753,527**

45. Administration costs

The general and administrative costs were composed as follows:

EUR	2011	2010
Personnel costs	1,890,402	1,813,367
Scheduled depreciation	46,672	36,003
Overheads	802,918	694,913
Total	**2,739,992**	**2,544,283**

46. Expenditure on research and development

The expenditure on research and development was composed as follows:

EUR	2011	2010
Research and development personnel costs	5,335,554	4,797,283
Scheduled depreciation of tangible assets	224,261	201,925
Research and development overheads	1,091,663	963,408
Total	**6,651,478**	**5,962,616**

47. Personnel costs

EUR	2011	2010
Wages and salaries	12,649,274	11,908,490
Social security payments and expenses for pensions thereof for retirement pensions EUR 240,030 (previous year: EUR 172,479)	2,686,902	2,711,818
Costs of convertible bonds	0	0
Total	**15,336,176**	**14,620,308**

Provisions for personnel costs for financial year 2010 were not utilized in full. In the current financial year these provisions were liquidated in line with costs incurred, thereby reducing the personnel costs.

48. Financial investment income and expenses

The financial investment income in the amount of EUR 2,078,485 (previous year: EUR 208,365) relates mainly to gains on the sale of financial assets in the amount of EUR 1,775,283 (previous year: EUR 0), dividend income of EUR 92,521 (previous year: EUR 0) and interest income from fixed term deposits with short residual terms as well as overnight money and current accounts in the amount of EUR 197,864 (previous year: 208,364). The financial earnings received as at December 31, 2011 came to EUR 2,078,485 (previous year: EUR 160,501).

In 2011 the Company recorded financial expenses amounting to EUR 975,644 (previous year: EUR 89,787). This essentially concerned financial expenses in connection with the adjustment of other financial assets in the amount of EUR 859,248 (previous year: EUR 0) and financial expenses in connection with the pension provision amounting to EUR 107,449 (previous year: 89,010). The interest expenses paid as at December 31, 2011 came to EUR 1,297 (previous year: EUR 681).

49. Other operating income and expenses

The other operating income and expenses essentially included income from the liquidation of provisions in the amount of EUR 8,673 (previous year: EUR 11,156) and income from exchange rate differences of EUR 64,818 (previous year: EUR 76,867). Other operating expenses essentially comprised the amount of EUR 69,318 (previous year: EUR 15,562) arising from exchange rate differences.

50. Currency translation

Currency translation in financial year 2011 resulted in earnings on exchange rate differences in the amount of EUR 64,818 (previous year: EUR 76,867) and expenses from exchange rate differences of EUR 69,318 (previous year: EUR 15,562), these amounts being contained under other operating income and expenses.

51. Tax charge/income

EUR	2011	2010
Current tax charge	3,198,941	2,195,623
Deferred taxes	-463,456	-35,932
Tax income resulting from the liquidation of provisions formed for previous years	0	-610
Tax expenses	**2,735,485**	**2,159,081**

52. Earnings per share

The figure for earnings per share is arrived at in accordance with IAS 33 by dividing the result for the year by the weighted average number of shares issued. To calculate diluted earnings per share the average number of shares is increased with the inclusion of potential shares which may be issued as a result of convertible bonds, and the underlying net income for the year is increased by the net interest cost of the convertible bonds.

EUR	2011	2010
Net income for the year	5,675,315	4,799,089
Weighted average number of shares outstanding	3,975,486	3,964,423
Earnings per share	**1,43**	**1,21**
Effect of the interest cost of convertible bonds on results	22	243
Net income for the year after adjustment for dilution effects	5,675,337	4,799,332
Dilution effect of convertible bonds	1,082	12,145
Weighted average number of shares outstanding assuming dilution	3,976,568	3,976,568
Earnings per share (diluted)	**1.43**	**1.21**

V. Segment Reporting

The Company has only one uniform business segment within the meaning of IFRS 8 which comprises the creation, sale and implementation of Software solutions directed towards the efficient deployment and management of personnel. In accordance with the company's strategy as a provider of end-to-end solutions to issues of working time management and personnel resource planning, these Software solutions comprising Software licenses, maintenance services, Consulting services and the supply of hardware for time recording and access control purposes (merchandise for resale) are offered to customers as integrated packages and exhibit a comparable risk structure. These Software solutions are employed both by small and medium-sized customers comprising the SME market and by high-end small businesses and major customers who comprise the premium market. The choice of Software solution is essentially dependent on the specific technical and functional requirements of the individual customer. The company's endeavors in addressing the SME and premium markets differ only in terms of the marketing approach.

The following tables depict sales revenues broken down by Software solutions and their contributions to the operating result.

The individual Software solutions comprise:

- ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE): ASES and ASE are working time management and personnel resource planning solutions for customers of all sizes in all industries. Alongside these Software solutions other services are generally also provided to implement the solutions at the customer's place of business and train the customer's employees. In addition Consulting services are rendered with the object of making meaningful use of the available scope and developing Optimum solutions for the efficient deployment of personnel under specific operating conditions and in consideration of works agreements and industry-wide pay deals. The Company also sells hardware components for time recording and access control purposes.

  ASES/ASE Software is used in conjunction with all major Standard system platforms and databases. Moreover thanks to the extensive facility to define customer-specific parameters these solutions are capable of satisfying even the most sophisticated requirements of customers irrespective of size and sector.

- ATOSS Time Control (ATC): ATC offers a Software solution to working time management and personnel resource planning for small and medium-sized customers as well as large but decentrally organized clients. Likewise in conjunction with ATC, ATOSS offers Software implementation and training services as well as Consulting services to optimize efficient personnel deployment. Merchandise including hardware and recording media is also available. ATC Software is installed on the Microsoft Windows system platform in association with Standard SQL databases and is particularly user-friendly and convenient for small to medium-sized customers as well as large decentralized organizations.

The sales revenues were distributed between product groups as follows:

EUR	2011	2010
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	29,068,910	26,985,841
ATOSS Time Control	2,505,619	2,328,631
Total	**31,574,529**	**29,314,472**

EBIT breaks down by product group as follows:

EUR	2011	2010
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	6,837,019	6,445,384
ATOSS Time Control	470,940	394,208
Operating profit (EBIT)	**7,307,959**	**6,839,592**

The geographic breakdown of Group revenues is listed in Note 42. The non-current assets are essentially held in Germany. In financial years 2011 and 2010 no single customer accounted for a proportion of 10 percent or more of total sales.

VI. Notes to the Consolidated Statement of Cash Flows

53. Cash flow from business operations

The cash flow from operating activities for the period from January 1 to December 31, 2011, amounted to EUR 5,317,535 (previous year: EUR 5,634,876) and was therefore EUR 317,341 lower than in the previous year.

The positive effects on cash flow from operating activity came principally from the net result, depreciation on items of fixed assets, the fall in trade accounts receivable, and the other result from financial assets (adjustments, interest income). The cash flow was reduced through the sale of financial assets available for sale presented under cash flow from investing activity. The average time to receipt in financial year 2011 was 25 days (previous year: 32 days) and is regarded as very low.

There has been a change in the presentation of interest income and expenses in the cash flow compared with the previous year. These are presented from 2011 under cash flow from investing activity. The prior year figure has been adjusted accordingly.

The cash flow item "Adjustment of non-cash items" comprises mainly the correction of the deferred taxes that had been formed (without impacting on profit and loss).

Similarly, operating taxes also impact in full on the cash flow from operations.

54. Cash flow from investment activities

The cash flow from investing activities for the period from January 1 to December 31, 2011, amounted to EUR -8,546,767 (previous year: EUR -2,331,293) and was therefore EUR 6,215,474 lower than in the previous year. It results from disbursements for investments in fixed assets of EUR 672,424 (previous year: EUR 2,491,113) and from disbursements for investments in other financial assets of EUR 23,648,802, and from receipts from investments in other financial assets of EUR 15,577,892 as well as receipts from interest of EUR 197,864 and disbursements for interest of EUR 1,297.

55. Cash flow from financing activities

The cash flow from financing activities for the period from January 1 to December 31, 2011, amounted to EUR -2,344,891 (previous year: EUR -1,940,224) and was therefore EUR 404,667 lower than in the previous year. In 2011 this figure was comprised of the dividend payment of EUR 0.60 per share (previous year: EUR 0.50) and of receipts from the sale of treasury shares in the amount of EUR 41,050 (previous year: EUR 40,560).

VII. Other Information

56. Supervisory Board

The members of the Supervisory Board are:

Peter Kirn	Chairman, company consultant, Böblingen
Richard Hauser	Vice-chairman, managing director of milon industries GmbH, Grünwald
Rolf Baron Vielhauer von Hohenhau	President of the Bund der Steuerzahler in Bayern e.V., Munich. (a tax payers' alliance in Bavaria)

The members of the supervisory board also hold office, at December 31, 2011, as supervisory board members in the following enterprises:

Peter Kirn	Böblinger Baugesellschaft mbh, Böblingen Fernwärme Transportgesellschaft mbH, Böblingen
Richard Hauser	MT Aerospace AG, Augsburg
Baron Vielhauer von Hohenhau	Verwaltungsrat der Stadtsparkasse Augsburg (administrative council of the Augsburg savings bank)

The compensation paid to Supervisory Board members was composed as follows:

Peter Kirn	**2011 EUR**	**2010 EUR**
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	6,000
Total	**26,000**	**26,000**

Richard Hauser	**2011 EUR**	**2010 EUR**
Compensation pursuant to the Articles of Association	20,000	0
Attendance allowances	6,000	0
Total	**26,000**	**0**

Fritz Fleischmann	**2011 EUR**	**2010 EUR**
Compensation pursuant to the Articles of Association	0	20,000
Attendance allowances	0	6,000
Total	**0**	**26,000**

Rolf Baron Vielhauer von Hohenhau	**2011 EUR**	**2010 EUR**
Compensation pursuant to the Articles of Association	10,000	10,000
Attendance allowances	2,250	3,000
Total	**12,250**	**13,000**

In the financial year 2011 no expenses were incurred for consultancy services beyond those involved in the supervisory board activity (previous year: EUR 4,363).

57. Board of Management
The members of the Board of Management are:

Andreas F.J. Obereder	Chief executive officer, industrialist, Grünwald
Christof Leiber	Member of the management board, lawyer, Munich

The compensation paid to the Board of Management in the financial year was composed as follows:

Andreas F.J. Obereder	2011 EUR	2010 EUR
Non-performance-related remuneration		
Salary	290,000	290,000
Other	97,328	95,716
Performance-related remuneration		
Profit-share payment	140,000	95,604
Overall compensation	**527,328**	**481,320**

Christof Leiber	2011 EUR	2010 EUR
Non-performance-related remuneration		
Salary	150,000	150,000
Other	63,322	63,322
Performance-related remuneration		
Profit-share payment	200,000	129,749
Overall compensation	**413,322**	**343,071**

The profit-share payments shown here relate to entitlements deriving from the achievement of targets in the respective financial year. Given that these entitlements are confirmed only after the financial year has ended, actual payments may deviate. The miscellaneous amounts include insurance premiums paid by the company and the monetary equivalent of other ancillary items such as the provision of company cars.

With regard to the expenses incurred in 2011 for performances on termination of an employment relationship for the chief executive officer, we refer to notes 18 and 37.

At the end of the reporting period there were deferred liabilities to members of the Board of Management amounting to EUR 255,000 (previous year: EUR 142,853) for variable remuneration that had not yet been paid.

58. Business transactions with related persons
The wife of the Chief Executive Officer provides services to the company. In 2011 the value of services provided amounted to EUR 5,824 (previous year: EUR 7,020). These are standard market terms.

In the 2011 reporting period, as in the preceding year, no further transactions took place with members of the Board of Management, Supervisory Board or related persons other than those specified in Note 56 (Supervisory Board) or Note 37 (Pension provisions).

59. Employees

At the end of the reporting period the company employed 269 persons (previous year: 247); the average workforce was 259 (previous year: 243); leaving aside the management board, trainees and interns, the average number of employees was 244 (previous year: 225).

The quarterly average number of employees was as follows:

	2011	2010
Sales	37	34
Consulting	70	70
Development	114	102
Administration	38	37
Total	**259**	**243**
Of which trainees	4	5
Of which temporary staff and interns	9	11
Of which Board of Management members	2	2

60. Auditors' fees

The following fees paid to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart, Munich branch, and associated companies for auditing, verification and valuation services were recorded as expenses:

	2011	2010
Audit of the annual financial statements Of which for the single entity financial statements EUR 32,240 (previous year: EUR 32,240) of which for the consolidated financial statements EUR 32,240 (previous year: EUR 32,240)	64,480	64,480
Other verification and valuation services	0	0
Total	**64,480**	**64,480**

No further payments were made to the auditors. In January 2011 the company received an auditors' independence declaration from Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart, Munich branch.

61. Financial obligations

The financial obligations relate to rental and leasing contracts.

The company leases its vehicle fleet as well as copiers and servers from various leasing companies. The arrangements are classified as operating leases since essentially all risks and rewards associated with ownership remain with the lessor. In individual cases expiring leases may be extended. No provision is made for an option to buy at the end of the term. Pursuant to IAS 17.33 the lease payments are recognized over the relevant periods in linear fashion as expenses in the income statement. The lease contracts have an average term of between three and five years.

The company rents office premises at various locations.

Some of the contracts contain clauses for the adjustment of prices on usual market terms.

The financial obligations in respect of rents and lease payments for the coming financial years are composed as follows:

	Rent for premises	Other rental and leasing payments
2012	512,423	481,588
2013 to 2015	460,190	425,745
after 2015	117,598	0

The overall costs of all rental and lease agreements in financial year 2011 amounted to EUR 1,143,420 (previous year: EUR 1,117,609).

62. Objectives and methods of managing financial risk

The company regards equity as an essential management parameter in guarding against economic, sector- and company-specific risks. Therefore the company's financial strategy is directed towards maintaining a level of equity commensurate with such risks.

The Group manages its capital structure and makes adjustments in consideration of changes in the economic climate. In order to maintain or modify its capital structure, the Group can adjust its dividend payments to shareholders, or make a repayment of capital to the shareholders, or issue new shares. As of December 31, 2011 and December 31, 2010, no changes had been made in the Group's objectives, policies or procedures. Further information on how the capital structure of the Group is managed is contained in the Management Report.

The principle financial liabilities of which the Group avails itself are trade accounts payable. The main purpose of these financial liabilities is to finance the business activities of the Group.

The Group has various financial assets such as trade receivables, financial assets available for sale, and cash and cash equivalents. The essential risks to the Group arising from the financial assets comprise market, liquidity and credit risks.

The market risk is ranked as a major risk with regard to the financial assets available for sale. The market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate due to changes in market prices. The investments the Group has made in physical gold and in shares are susceptible to market price risks that arise from uncertainty about the future value of these financial instruments. The Group counters the market price risk by diversification and restrictions in its investment in individual assets forms and securities. The Company does not invest its spare financial funds in speculative areas. The Group's investment strategy is directed at long-term value and hedging against inflation. The Group's management and supervisory board receive reports on the development of the financial assets at regular intervals. The company management examines and approves all decisions on investments in financial assets.

At the qualifying date, the risk for financial assets invested in shares at fair value was EUR 2,956,484. A further decline in the listed prices of all shares held by 10 percent would affect the result with EUR -180,285 and the equity with EUR -114,922. The result is affected only by impairments. In the case of shares, an impairment is sustained if their fair value falls 25 percent and/or 6 months

below the acquisition cost. An increase in the value of securities by 10 percent would only affect equity, not the result.

The risk at the qualifying date in terms of the fair value for financial assets invested in gold was EUR 6,777,166. A further decline in the price of gold by 10 percent would affect the result with EUR -622,372 and equity with EUR -55,345. An impairment is sustained in the case of gold if its fair value falls 10 percent and/or for 6 months without interruption below the acquisition cost. A rise in the value of gold would effect the equity or the result depending on whether an impairment was recorded.

The Group does not hold any derivative financial instruments. In accordance with internal policy, the Group did not engage in any trading in derivatives in financial years 2011 or 2010, nor will it do so in future.

To manage its credit risks the Group enters into transactions exclusively with creditworthy third parties. All customers with whom the Group wishes to enter into credit-based transactions are subjected to credit checks. In addition the trade accounts receivable are permanently monitored with the result that the Group is not exposed to any significant risk of default. The maximum default risk is limited to the carrying value detailed in Note 25. In the case of the Group's other financial assets such as cash and cash equivalents, the maximum credit risk in the event of a counterparty default equates to the carrying value of these instruments.

In addition, in order to continuously monitor the risk of a liquidity shortage, the Group prepares liquidity forecasts with a fixed planning horizon.

The sensitivity analyses relate in each case to the status as at December 31, 2011.
The sensitivity analyses were prepared on the basis of the stock of financial assets as at December 31, 2011.

The Group judges the risk concentration with regard to other financial assets to be low. Trade accounts receivable are payable from customers from different sectors of industry that are engaged in independent markets. Similarly the Group invests its spare financial funds in a variety of assets such as gold, shares and fixed-term deposits. In the case of investments in shares the Group performs diversification by choosing shares from different issuers from different sectors.

The strategies and procedures adopted by company management for the purpose of managing risks of varying types are described in the Management Report.

63. Events after the reporting period

A resolution by the general meeting of ATOSS Software AG held on May 3, 2011, authorized the management board to purchase own shares. The shares acquired on the strength of this and earlier authorizations can be withdrawn without this withdrawal requiring any further resolution of the general meeting (Section 71 para. 1 number 8 sentence 6 AktG).

On the strength of this authorization, the management resolved on January 9, 2012, with the consent of the supervisory board of January 9, 2012, to lower the company's nominal capital by EUR 49,099, namely from EUR 4,025,667 to EUR 3,976,568, by withdrawing 49,099 shares with a notional share in the nominal capital of EUR 1.00 each, which had been acquired on the basis of the aforementioned authorization or authorizations of previous years to acquire treasury shares through the stock exchange.

The withdrawal and lowering of capital took place on January 27, 2012, after the stock exchange closed.

There were no further reportable events of significance after the qualifying date.

64. German Corporate Governance Code
The Board of Management and Supervisory Board issued a declaration of compliance with the German Corporate Governance Code as required by Section 161 of the German Stock Corporation Act on December 1, 2011. The exact wording of the declaration is available on the Internet under http://www.atoss.com/NR/rdonlyres/699F22E9-8E20-4595-895F-6D4243826633/0/ATOSS_Entsprechenserklärung_2011.pdf. The management board and supervisory board state their position with regard to the recommendations of the German Corporate Governance Commission annually and report thereon in the company report.

65. Notifiable participating interests
In financial year 2011 the company did not receive any notifications regarding changes in participating interests pursuant to Sections 21 ff. of the German Securities Trading Act.

66. Adoption of the consolidated financial statements
The present annual financial statements were passed on January 27, 2012 by the Board of Management and submitted to the Supervisory Board which may make alterations to the said statements up to and including the time of the Supervisory Board meeting to adopt the accounts on March 6, 2012.

The Board of Management is satisfied that all of the information given conveys an impression of the economic situation of the company, its net assets, financial position and earnings situation and its cash flow which accords with the true circumstances.

67. Appropriation of net income
The Board of Management and Supervisory Board propose that the surplus net income from the past financial year 2011 in the amount of EUR 12,907,244 should be used to pay a dividend of EUR 0.71 per dividend-bearing share.

The remainder of the net income will be carried forward.

Munich, January 27, 2012

Andreas F.J. Obereder　　　　Christof Leiber

Audit Opinion

We have audited the consolidated financial statements prepared by ATOSS Software AG, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to 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 and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, February 8, 2012

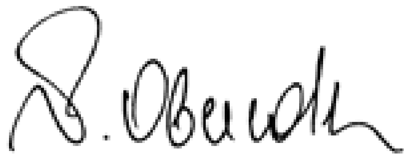
Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft

Müller Wirtschaftsprüfer [German Public Auditor]	Dr. Burger-Disselkamp Wirtschaftsprüferin [German Public Auditor]

Declaration by the Legal Representatives

We hereby give an assurance to the best of our knowledge and belief that in accordance with the applicable reporting standards the consolidated annual financial statements and consolidated management report for ATOSS Software AG and the annual financial statements and management report for ATOSS Software AG, Munich, each convey an impression of the net asset, financial position and earnings situation of the Group and of ATOSS Software AG which accords with the true fact; and that the development in business including the results and the situation of the Group and of the company are so described in the consolidated management report and in the management report for ATOSS Software AG, Munich, as to convey an impression which likewise accords with the true facts; and that the essential opportunities and risks associated with the anticipated development of the Group and of ATOSS Software AG are so described.

Munich, January 27, 2012



Andreas F.J. Obereder

Christof Leiber

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ClimatePartner
klimaneutral gedruckt
Zertifikatsnummer:
078-53405-0310-1010
www.climatepartner.com

Corporate Calendar

March 12, 2012	Publicati
March 12, 2012	Annual F
April 20, 2012	Annual G
April 20, 2012	Press Re
May 16, 2012	Publicati
July 23, 2012	Press Re
August 13, 2012	Publicati
October 22, 2012	Press Re
November 15, 2012	Publicati

on Annual Financial Statements

Press Briefing

General Meeting

elease three months' statement

on three months' statement

elease six months' statement

on six months' statement

elease nine months' statement

on nine months' statement

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