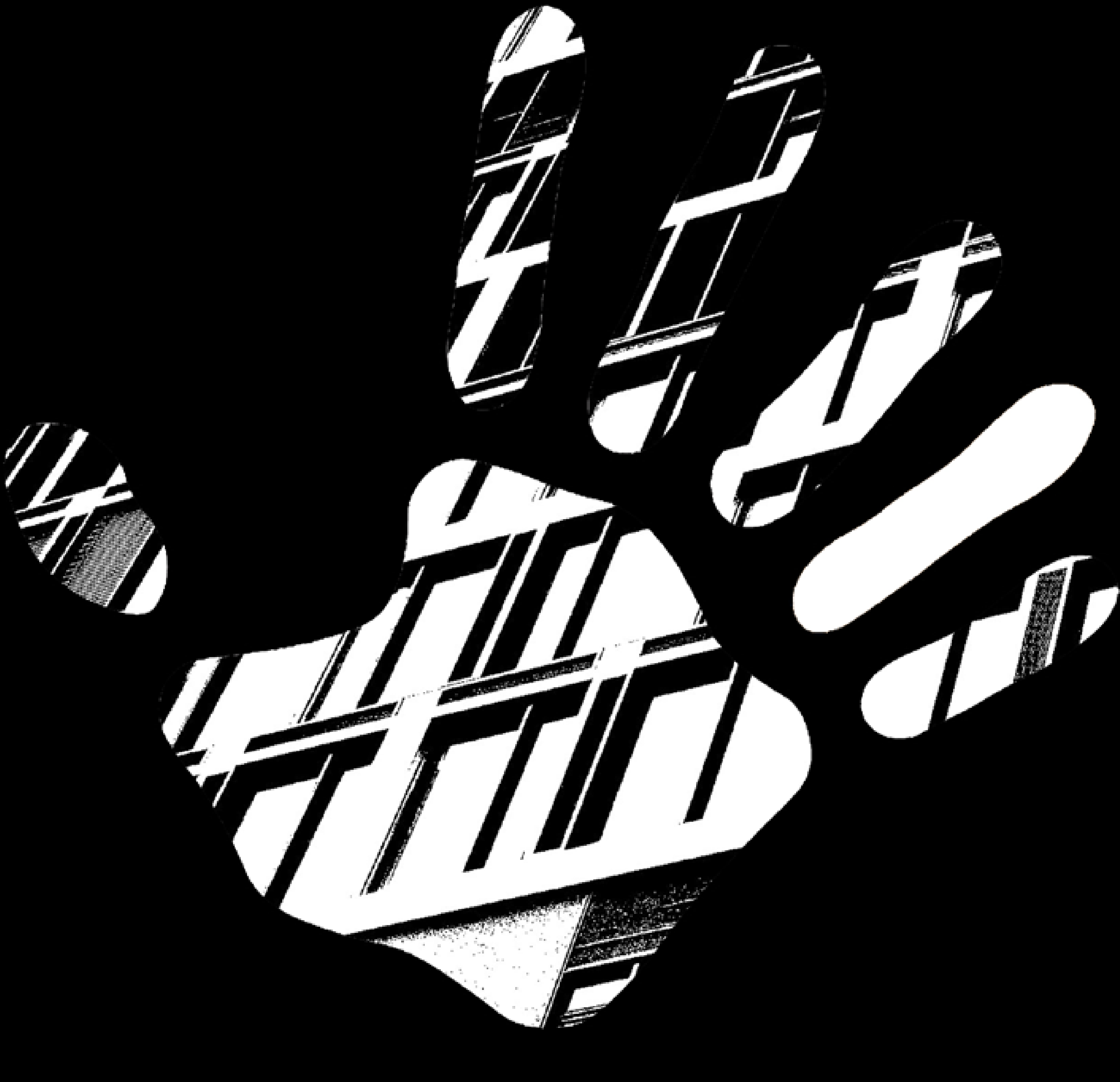

ATOSS

ATOSS@HIGHRISEONE

We live and breathe new ways of working. That is one of the reasons why we moved into our new headquarters above the rooftops of Munich's trendy "Werksviertel". Offices with a panoramic view, perfectly organized working arrangements, ultramodern information and communications technology and a sunny roof terrace are not only conducive to creativity and efficiency, they're also fun. You can find impressions of the new ATOSS working environment in our annual report.

ATOSS | 2018

SHAPING TOMORROW'S WORKING ENVIRONMENTS

Flexibility, productivity and innovative strengths are the ultimate benchmarks in times of volatile markets and Industry 4.0. An agile personnel infrastructure and fluid processes build the necessary foundation to achieve rapid response organizations. The key factor is to unleash the full potential of the existing workforce and enhance its flexibility. And precisely this is what we do. Every day, ATOSS Workforce Management solutions make significant contributions towards higher value creation and a sharper competitive edge for about 6,500 customers. At the same time, we enable the implementation of employee-oriented working time concepts, thereby ensuring greater job satisfaction. In more than 40 countries all over the world.

CONSOLIDATED OVERVIEW AS PER IFRS

YEAR ON YEAR COMPARISON IN KEUR

	1/1/2018 – 12/31/2018	PROPORTION OF TOTAL SALES	1/1/2017 – 12/31/2017	PROPORTION OF TOTAL SALES	CHANGE 2018 TO 2017
TOTAL SALES	62,611	100%	54,607	100%	15%
SOFTWARE	39,371	63%	34,590	63%	14%
LICENSES	13,333	21%	12,682	23%	5%
MAINTENANCE	21,866	35%	19,888	36%	10%
CLOUD	4,172	7%	2,020	4%	107%
CONSULTING	17,734	28%	14,712	27%	21%
HARDWARE	4,082	7%	3,718	7%	10%
OTHERS	1,423	2%	1,587	3%	-10%
EBITDA	17,994	29%	14,879	27%	21%
EBIT	**16,917**	**27%**	**14,126**	**26%**	**20%**
EBT	16,789	27%	14,060	26%	19%
NET PROFIT	**11,194**	**18%**	**9,330**	**17%**	**20%**
CASH FLOW	12,610	20%	8,857	16%	42%
LIQUIDITY (1/2)	33,312		27,122		23%
EPS IN EURO	2.81		2.35		20%
EMPLOYEES (3)	465		417		12%

QUARTERLY COMPARISON IN KEUR

	Q4/18	Q3/18	Q2/18	Q1/18	Q4/17
TOTAL SALES	17,258	15,907	14,926	14,520	14,585
SOFTWARE	10,984	9,875	9,265	9,248	9,252
LICENSES	4,043	3,320	2,897	3,073	3,455
MAINTENANCE	5,654	5,455	5,420	5,337	5,147
CLOUD	1,287	1,100	947	838	650
CONSULTING	4,853	4,430	4,284	4,167	3,922
HARDWARE	1,124	1,178	1,016	764	1,024
OTHERS	297	424	362	341	387
EBITDA	5,252	4,800	3,849	4,093	4,114
EBIT	**4,870**	**4,575**	**3,624**	**3,848**	**3,920**
EBIT-MARGIN	28%	29%	24%	27%	27%
EBT	4,898	4,500	3,616	3,775	3,950
NET PROFIT	**3,176**	**3,032**	**2,436**	**2,550**	**2,691**
CASH FLOW	-719	8,963	-1,368	5,734	-797
LIQUIDITY (1/2)	33,312	34,383	25,862	31,584	27,122
EPS IN EURO	0.80	0.76	0.61	0.64	0.68
EMPLOYEES (3)	465	448	436	425	417

(1) Cash and cash equivalents, other current and non-current financial assets (sight deposits, gold) as of the qualifying date, adjusted to exclude borrowings (loans)
(2) Dividend of EUR 1.17 per share on 05/02/2018 (kEUR 4,653) and dividend of EUR 1.16 per share on 05/04/2017 (kEUR 4,613)
(3) At the end of the quarter/year

DEVELOPMENT OVER 13 RECORD YEARS

2006 to 2018

+207%
TOTAL SALES

+233%
SOFTWARE LICENSES SALES

+257%
CONSULTING SALES

+177%
INVESTMENTS IN R&D

+2,906%
EBIT

+2,242%
EARNINGS PER SHARE

+3,893
NEW CUSTOMERS


ATOSS

CONTENTS

DIGITIZE NOW or NEVER

Prof. Dr. Matthias Fank in conversation with Andreas F.J. Obereder, CEO and Founder of ATOSS Software AG

Mr. Obereder, the 13th record year in succession – aren't you running out of steam by now?
On the contrary – our topic is more relevant than ever. Today, companies are focusing on automating and digitizing processes and business models. ATOSS is playing the role of digital trailblazer, helping companies in all sectors to make tomorrow's work more efficient and master the transformation leading to the world of new work. It's not just a matter of efficiency and optimization, but first and foremost of intelligent, new ways of organizing working time and better integration of existing manpower into these processes. Agility and flexibility are the success factors of tomorrow.

How does ATOSS manage to stay ahead of the pack even after more than three decades?
The key to it lies in the expertise of our staff as well as the state-of-the-art technology and innovative power of our company. 40 percent of our almost 500 employees are developers, and every year, we invest 20 percent of our sales in driving sustainable, technological progress – more than 100 million euros in total. This investment share makes ATOSS the clear number 1 among European workforce management suppliers as the EU has just re-confirmed in its annual "EU R&D Scoreboard". Values such as reliability and credibility which frame our actions are also pivotal for our success.

Can you cite an example of one of your values?
Well, the share price is certainly a good, objective indicator of credibility for listed companies. And as of January 2019, this share price had multiplied ten-fold in the last ten years. And that is five times higher growth than the DAX and broadly comparable with the appreciation of the Apple, Google or Facebook stocks. And in all those years, we have never once downgraded a forecast.

ATOSS seems to be a very reliable company, but what risks do you see in your economic environment?
The risks to further positive growth in the overall economy have heightened due to creeping deglobalization caused by the increase in ruthless nationalism. This is exemplified by the trade war between the USA and China or the gradual rejection of multinational institutions as in Great Britain. These are the times when best-in-class companies back solutions to optimize their processes and efficiency. And precisely this is our competence.

Don't you not feel just a little bit of pessimism looking forward, Mr. Obereder?
Not when I look at ATOSS. In 2018 alone, over 1,000 companies around the world – the Rhenus Group, GrandVision B.V., or more precisely Apollo Optik, DB Netze or hidden champions such as Manthey-Racing – went for an ATOSS solution. The range of our solutions for companies from two to 200,000 employees and for nearly every sector and any challenge is totally unique.

How have customer requirements changed over time?
It used to be all about administrating and calculating working times. Today, that is merely the platform on which we build high-performance algorithms with data on companies, employee requests and statutory frameworks. The result is an accurate forecast of personnel requirements and optimized planning aligned with the forecast. The quality of these algorithms is already making a difference today and will do so to an even greater extent in the future. Take our customer, the perfumery chain Douglas, which today knows precisely which employees to deploy and when, thanks to our highly accurate forecasts. As a result, Douglas is able to plan the volatile Christmas period with its peak demand times significantly better, more fairly and more cost-efficiently. Within six months, this led to a 25 percent reduction in overtime for the same level of sales.

What about the war for talents – how much of an effect is this having on your customers?
You mean the shortage of specialists in various lines of work? It's already slamming the brakes on growth in many places. The proportion of unfilled vacancies in Europe has risen by more than 60 percent in the last five years. This trend will intensify appreciably if the economy remains healthy. And it's compounded by the new challenges posed by younger generation Y and Z employees such as a rising demand for more flexible working hours and the democratization of corporate processes. Establishing a win-win situation between a company and its staff has never been harder. And this is precisely where we enter the picture, with solutions enabling highly flexible work patterns and integrating staff in planning their working times.

How does this employee integration work in practice?
Let's use one of our long-standing customers, Lufthansa, as an example. Here the transparency surrounding working times has improved markedly and with it employee satisfaction. Shift exchange platforms and preferred duty planning based on smartphones have been very well received by staff as additional service features in the company. Our solution also shows the degree to which employee requests are met which provides strong support for the democratization process which is so important these days in companies.

Why should a CEO invest in your solutions?
The quantifiable benefits of digital workforce management are strategically significant for just about every company today. They impact sales as well as customer satisfaction, productivity, quality and efficiency. They accelerate processes, prevent mistakes and achieve cost benefits. Put in a nutshell, they deliver value added on many levels. In Austria's exclusive department store, Kastner & Öhler, our solution allows customer demands in terms of high quality of service and low waiting times at the check-out to be met while simultaneously lowering personnel costs. Improving the service level naturally also has a positive effect on sales. Such effects are commonplace among our customers. Many of them are actually saving millions every year thanks to the value added our solutions deliver.

From your point of view, how far has the process of digitization progressed in companies?
You would be amazed to know how many companies are still operating on in-house or heavily customized partial solutions, manual processes or even with pen and paper. Sometimes I get the impression we are doing just a bit too well, and are spoiled by the success and growth of the last few years. And it seems to me, the conclusion many companies draw is that there is no need to change the status quo. But they do recognize the importance of it. According to a study conducted by etventure and GfK, more than half of German companies cite digitization among their top 3 priorities. But only 35 percent are happy with their digitization status. This means they are lagging significantly behind the USA where 85 percent of companies see themselves as well or very well prepared for digital transformation. Now is the time when companies must act, when the economy is booming and the resources are available. It's now or never as they say. Industry 4.0 and workforce scheduling on a whiteboard just don't go hand in hand.

Why is workforce management a strategic topic that top level executives are devoting so much time to?
Well, the current shortage of skilled professionals, a situation that even a weak economy is hardly ameliorating, is forcing every company to use its existing personnel a great deal more efficiently. And of course it's important to take best possible account of employees' requests in terms of the duration, location and timing of their deployment. And executives are concerned not to break laws when it comes to working times and workforce management. Look at Austria, for example, where the new working time legislation passed in September 2018 extended the option of a 12-hour day beyond the retail trade. This just goes to show how quickly companies have to respond to changing framework conditions. We ensure that new regulations are quickly reflected in our solutions. Customers such as Fronius International, a globally successful technology company with almost 4,000 employees headquartered in Austria, are the beneficiaries. The automatic duty plans generated there and complying with statutory rules and regulations not only meet requirements but also ensure that teams represent the best blend of skills. This directly elevates their effectiveness and contributes towards the strategically vital goal of employee satisfaction.

Are there examples of similar benefits in other sectors, too?
Most certainly. We create value added wherever staff costs play a major role. At Versandhaus Walz, around 1,200 employees use our self service solution in administration, branch offices, logistics and customer service. Employees plan their own holidays, take the initiative in reviewing the working times recorded for them and if necessary, submit an electronic application for correction. Their line managers enjoy mobile access to a wide range of applications via the ATOSS App, for example a budget/actual comparison of staffing in branch offices or a live sales ticker for each specialist shop. Our solution is also generating measurable benefits in the healthcare and nursing sector. The precise assignment of the actual working time of all employees via detailed cost unit management enables highly detailed and proactive management of working time at our customer Leverkusen Hospital – especially in the medical and nursing areas. As a result, the hospital has been able to reduce provisions for overtime and residual leave by a six-digit figure, while maintaining consistently high care quality. ATOSS Workforce Management has also played a pivotal role in employer branding and the implementation of innovative working time concepts.

There's a lot going on in the healthcare sector right now …
The nursing industry is indeed a good example of how changes to external conditions can have a major impact on workforce management processes. The new regulation defining lower limits for nursing staff in hospitals has been in force since this year. It defines precisely the ratio between the number of patients and the number of nursing staff deployed for each shift – specialists and auxiliary staff. The ATOSS Medical Solution plays a pivotal role in helping hospitals and nursing homes to meet the new legislative requirements.

How is ATOSS dealing with customers' increasing globalization?
Our solutions are in use in over 40 countries today. Our standard software solutions can readily and fully adapt to local requirements without additional programming. This allows global companies to manage their workforce management processes in a standardized manner, as the company W.L. Gore, for example, has successfully proved by means of our Enterprise Solution in 29 countries. Or Shell Retail Netherlands, too, where we introduced Automatic Duty Scheduling for more than 3,000 employees at 230 gas stations in 2017. By the way, the ability to adapt quickly to constantly changing conditions is also crucial in an international context. In the Netherlands, for example, employees in various sectors have recently gained the right to know their duty plan two weeks earlier based on a local collective agreement called CAO. The rules governing holiday entitlements for older employees also changed this year. Both of these factors have to be mapped in processes and systems to guarantee that work complies with the law.

Speaking of globalization – what are your plans for the future?
Well, we're still far from the finishing line. Today's global workforce management market remains highly fragmented. There are some regionally strong providers, similar to ATOSS in Europe. But there is no single player out there offering a standardized, genuinely beneficial solution portfolio worldwide. We want to be the first company to master this challenge by the year 2025. That's no walk in the park, but I'm convinced that we are extremely well positioned to go for it.

> The shortage of skilled professionals is forcing every company to deploy its existing workforce a great deal more efficiently.

And the ever-present cloud issues?
It looks like the trend towards cloud solutions has now also arrived in the more reticent markets such as Germany. Today, over 70 percent of our new customers are putting their money on workforce management in the cloud. And this upwards trend is set to advance further over the next few years. Which is why we continue to expand our cloud portfolio to provide our customers with fast, secure and flexible access to their applications. This enables companies to focus even more sharply on their core business and business innovations.

Technology stands center stage at ATOSS – so what was your personal highlight in 2018?
Last year, we succeeded in launching a revolutionary development in the self service solution area. Our new Staff Center proves that workforce management processes can actually be fun. When intuitive design and a radical focus on customer benefits go hand in hand, that is. Which is why we developed a highly innovative solution from the ground up, driven by the most advanced technology. To date, we have invested over 20 million euros in our Staff Center alone. These days, solution providers cannot keep the pace of IT developments without committing such hefty sums. The rule of thumb used to be that processing power doubles roughly every 18 months. Today's AI is doubling every three and a half months – meaning that the growth pace has skyrocketed by a factor of 12. Only companies with state-of-the-art technology in place will be able to keep the pace over the medium and long term!

And what can we expect from ATOSS in the future?
Well, nobody is perfect. Which is why we are working on many innovative topics in line with our ATOSS|2025 growth strategy. Think voice and gesture commands or integrating AI into workforce management processes. So keep watching this space.

I wish you every success in these endeavors!

Prof. Dr. Matthias Fank *has been teaching and conducting research at the Faculty of Information and Communication Sciences at TH Köln/University of Applied Sciences since 1999. Since 2011, Matthias Fank has headed the Master's degree course in Market and Media Research. His activities focus primarily on the field of Social Media Research. Dr. Fank founded infospeed GmbH and was active as co-editor of the specialist magazine Social Media Manager up to 2014.*
Contact: matthias.fank@fh-koeln.de

BEST PRACTICES


Bachmann

THE SOPHISTICATED WORLD OF CHOCOLATE

We strictly focus on artisan production, excellent quality and premium service. In this context, future-viable workforce management is absolutely essential.

MATTHIAS BACHMANN
Managing Director
Confiseur Bachmann AG

Confiserie Bachmann epitomizes utmost culinary delight and premium quality. The company – now in its fourth generation of family management – is one of Switzerland's largest confectionery bakers. Spreading across an area measuring more than 10,000 square meters, the bakehouse in Lucerne focuses on traditional baking techniques and recipes, involving artisan sophistication and meticulous attention to detail. Specialties such as freshly baked bread, exquisite chocolates and cakes are sold by 19 specialist retailers or made exclusively to customer orders. And all of this 365 days a year. This traditional confectioner also places high quality demands on its workforce management. Consequently, the ongoing digitization project is taking high priority throughout the company. Besides comprehensive functionality, the future viability and professional consulting were especially crucial criteria in selecting the new solution. And this is precisely where our strength lies. In future, around 600 employees from the Production, Logistics, Admin and Sales areas will be scheduled and managed by the ATOSS Enterprise Solution – naturally factoring in all the relevant statutory regulations, collective agreements and specific company regulations. Following on from the company-wide introduction of working time management and access control, workforce scheduling is being implemented for the roughly 400 employees active at the bakehouse and specialist retailers. The company has opted for intuitive self services to involve the entire Bachmann team more closely in the organization of their working times. And, as the icing on the cake, we will be installing Workforce Forecasting and Automatic Duty Plan in the retail outlets in the third phase of the project. Around 200 employees in Sales will then be automatically planned, taking account of defined demand drivers such as cashdesk receipts and footfall measurements. Backed by these capabilities, this innovative company rooted in a long tradition is endeavoring to luxuriate its customers with a truly exceptional shopping experience – also at its new flagship location in Zurich's Bahnhofstrasse, where the finer things in life are celebrated on all levels.

Greater transparency, higher planning quality and significantly more efficient HR processes – our new workforce management system is already making an impact.

RICHARD KNEIS
Head of IT Department (CIO)
Alnatura

AN ECO SYSTEM DELIVERING ORGANIC VALUE

ATOSS CUSTOMER **ALNATURA**

Beneficial for people and the planet – this is the guiding principle behind the **Alnatura** success story. As an organic foods retailer, simply everything revolves around sustainability – whether in Production, Logistics, the Online shop or the more than 130 Super Nature Markets. Information transparency and co-determination are integral elements defining the identity of this expanding organization with around 3,000 employees. Naturally, these principles were also key considerations when it came to workforce management. Alnatura opted for ATOSS Retail Solution in the cloud. The implementation of the solution called for minimum support by our consultants. Following a pilot project with two representative markets – Constance as the largest outlet and Stuttgart as one of average size – the company managed the rollout mostly by itself. Tightly planned, well structured and according to a uniform concept, this was all accomplished within a sensational five-month period. Another benefit of the cloud solution: The key users in individual areas were efficiently and cost-effectively trained at events hosted in centrally located hotels. Market managers and planners are not only delighted with the high degree of functionality, but also appreciate their solution's modern interactive design. Today, time and attendance management and workforce scheduling are significantly more efficient. The qualifications required are automatically incorporated in the planning process. After all, there are special requirements to be considered, especially with regard to herbal and natural care products, that must be met by way of specific approvals for certificates. Moreover, workplaces such as the cashdesk, the fresh food or bakery counters also demand skills that are reflected in ATOSS Qualifications Management. Thanks to self services, employees can access their working time accounts at all times. The complex process of planning annual holidays has also been optimized. In order to provide customers with even better service, the introduction of Workforce Forecasting and Planning Quality modules as well as staff integration are next on the agenda. Alnatura lives sustainability – and workforce management is no exception.

Given the many different lines of work and the high demands on service quality, it was a challenge for Globus to find the right partner for workforce scheduling. We are convinced that ATOSS Retail Solution is an advanced and extremely agile software system that accommodates the needs of both employees and customers alike.

TOM WINTER
General Sales Manager | Deputy CEO
Globus

UNIQUE SHOPPING EXPERIENCES

ATOSS CUSTOMER **GLOBUS**

Globus is a veritable Swiss institution. For over 125 years, this premium department store has been synonymous with a unique, exquisite shopping ambience, exclusive products, as well as a passionate dedication to detail and superb service. Some 3,200 members of staff active at 13 Globus department stores, 30 specialist retailers and two additional outlets never fail to delight their customers. Digital workforce management was topping senior management's agenda, with the aim to ensure high service quality and cost efficiency over the long term. Following reference visits to Breuninger and Sprüngli, the MIGROS subsidiary opted for ATOSS Retail Solution in the cloud. Customer centricity, employee satisfaction and the optimization of personnel expenses – these are the core issues of the strategic project. Scheduling quality is also to be enhanced, in connection with lower planning input and costs. No problem for ATOSS Retail Solution. In future, workforce scheduling in food and non-food departments will be based on precise staff demand forecasts. Drawing on sales figures from comparable days in the past, requirements are determined on a 30-minutes-scale. Planning and scheduling will incorporate events, promotions and break times, ensuring best service at all times – also during sales peaks. ATOSS Task Management warns of impending understaffing, so that planners can rapidly adapt personnel capacity. The planning process also factors in the roughly 500 seasonal workers. Thanks to our mobile app, sales and fashion consultants are granted greater responsibility, as well as enhanced working time transparency. Thanks to their digital "Compagnon", employees can record time, view duty plans and receive shift offers at short notice – in all required languages of course. The pilot project is now ongoing at the Glattzentrum store. The rollout in all other Globus stores is to be completed within twelve months. So when it comes to workforce management, Switzerland's premium retail address is also living up to its aspiration to uniqueness. Premium – plain and simple.


AIR so PURE

BUSINESS IS FLOURISHING

Comprising a total of 133 markets in Germany and Austria and an online shop, **Dehner** is Europe's largest garden center group. The thriving market network continues to grow. This leading cross-channel retailer in the horticultural sector remains a family-managed business. And such continuity is likewise reflected in the company's philosophy: entrepreneurially attuned to the requirements of the times, while maintaining the highest quality standards. In order to put this principle into practice for its customers on a daily basis, Dehner relies on more than 5,500 dedicated employees and ATOSS Workforce Management. The ATOSS Retail Solution has been proving its worth at Dehner's 13 Austrian garden centers since 2016. The decisive factor here was the fact that the solution was able to manage the extremely complex Austrian collective agreement for the retail trade, as well as all employee protection regulations, thereby guaranteeing compliance with the law. ATOSS Retail Solution will now be implemented at 120 markets in Germany. In addition, in Austria and Germany the module Workforce Forecasting will enhance the planning quality. The aims are clearly defined: expert advice at all times, matched by a generous supply of goods on display – also at peak times and during the weather dependent seasonal business. In addition to time and attendance management and workforce scheduling, the Workforce Forecasting and Automatic Duty Plan modules will also be introduced, ensuring that the twin focus on service and cost efficiency is maintained. In future, workforce scheduling in all Dehner garden centers in Germany and Austria will be conducted based on demand drivers defined by way of POS data. Statutory regulations, collective agreements, qualifications and working time data are also automatically incorporated in the planning process. Pilot tests are now underway in two garden centers each in Germany and Austria, with the rollout in all markets due to be completed in the coming year. Dehner is implementing a comprehensive change management process, supported by the ATOSS Consulting Team, conveying the message to staff that continuity also involves change. Teaming up with regional sales managers and market managers, processes will be optimized and innovative working time concepts developed – benefiting staff and customers alike. In this way, workforce management can show its full potential.

NONSTOP WORKFORCE MANAGEMENT

ATOSS CUSTOMER **ALBRECHT DÜRER AIRPORT NÜRNBERG**

Whether you're off to Paris, Marrakech or Palma – **Albrecht Dürer Airport Nürnberg** whisks travelers away to over 60 destinations nonstop. Last year, the number 10 of German commercial airports handled around 4.5 million passengers. Backed by a workforce counting some 1,000 members of staff, Flughafen Nürnberg GmbH guarantees the smooth operation and maintenance of this modern airport. This includes the entire array of ground services such as handling operations, terminals and runways, multi-story car parks, airport shops, power generation systems and a fire department. 24/7 operations, fluctuating passenger volumes, short-term changes and a plethora of laws and collective agreements determine work at this hub. As the existing solution was no longer capable of meeting the steady rise in requirements over the years, management decided to introduce a sustainable, future-proof time and attendance management system. As part of the digitization project, processes and systems will be subjected to a thorough review across all areas and departments and subsequently optimized. Visits to our customers Lufthansa and Luxair, combined with an intensive process and requirements analysis, convinced the airport operator that ATOSS is the right partner to master this demanding project. The challenge is not only for the solution to reflect a multitude of rules and regulations, working time models and qualifications, but also to introduce demand-driven, rule-based workforce scheduling throughout the entire airport. Moreover, numerous interfaces to the airport's systems and subsystems have to be implemented. No problem whatsoever for the ATOSS Staff Efficiency Suite. It covers all the demands in terms of functionality, while offering the degree of openness and flexibility that the airport's complex IT system landscape requires. While our consultants have only just embarked on implementation, the goals are clearly defined: efficient, cost-effective processes and workforce scheduling in sync with flight frequencies that also takes employees' interests into account. We are certain this project will be a spot landing.

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DB

PLANNING THE ROUTE AHEAD

DB Netz AG is responsible for almost 33,400 kilometers of track. The infrastructure company belonging to Deutsche Bahn is in charge of ensuring that 40,000 passenger and freight trains reach their destination safely and smoothly every day. The roughly 2,800 mechanical, electro-mechanical and digital signal boxes form the centerpiece of its railway operations. This is where the signal box staff specify the intervals at which trains are allowed to enter each section of the track. To accomplish this task, they work around the clock. DB Netze relies on ATOSS Work-force Management for some 14,000 staff to guarantee that the network runs smoothly with optimum staffing levels. Besides the integration of professional qualifications management, the focus is on maintaining high planning quality – both operationally and strategically. DB Netze therefore opted for rule-based scheduling with the Automatic Duty Plan. Annual workforce scheduling as preview helps to make sure that the signal boxes are adequately staffed around the clock. Strategic Capacity Planning provides the transparency needed to bring personnel capacity into line with personnel requirements for the long term. Planners also benefit from ATOSS Task Management. Push notifications, for example, issue warnings in case of defined events such as insufficient qualifications, breaches of working time and collective agreement rules or imminent understaffing. Around 300 workforce scheduling planners in Administration are now looking forward to the new Staff Center. With efficient workflows and an intuitive user interface, the self service solution facilitates smooth navigation through HR processes. In this way, DB Netze is mapping out the route for a sustainable, future-proof working environment.

ATOSS Workforce Management has been helping to make personnel deployment more efficient at Deutsche Bahn AG for more than 25 years. Today, more than 120,000 employees are scheduled and managed by means of our Enterprise Solution in roughly 60 group companies including DB Schenker, DB Station&Service, DB Gastronomie and DB Fahrzeuginstandhaltung. And the numbers are steadily increasing.

> The aim of our project was to establish uniform planning processes across all our locations. Today, we are able to act far more flexibly and cost-efficiently. And we are benefitting from a great deal more transparency in all staff-related matters.

RONALD UDO
IT Director
Rhenus Contract Logistics Netherlands

LOGISTICS 4.0

ATOSS CUSTOMER **RHENUS LOGISTICS NETHERLANDS**

Rhenus Logistics ranks as one of the largest providers of integrated logistic processes in the Netherlands. The company belongs to the Rhenus Group, which is represented globally with more than 29,000 employees at over 600 locations. The Contract Logistics, Freight Logistics and Port Logistics Divisions stand for the management of complex supply chains and for innovative value-added services. In Germany and Switzerland, the company is already relying on ATOSS Workforce Management for more than 11,000 employees. The ATOSS solution is now also being deployed at all facilities of the Contract Logistics Division in the Netherlands, including the new, ultra-modern logistics center in Tilburg. This elliptical, futuristic-looking building offers space for 45 loading ramps and 40,000 m² of storage space across a total area of 60,500 m². The objective was to optimize the working time management processes across all locations and to deploy a standard planning tool. We succeeded in meeting all the locations' demands made on digital workforce management with the ATOSS Logistics Solution, and there was no need for special programing. The company-wide Raet payroll system was seamlessly integrated into the solution. The working times of around 1,000 employees are now being recorded digitally and can be planned and scheduled at all times – with up to the minute information always to hand. Highly complex working time rules, special shift sequences and numerous required qualifications are incorporated into the planning process. The external employee pool is also being planned and managed via the ATOSS solution. This enables the company to respond flexibly and cost-effectively to the fluctuating order situations so typical of the logistics sector. Management is delighted with more efficient processes, a location-wide uniform planning system and enhanced transparency in all staff matters. In a next step, employees will be actively involved in managing their own working times by way of intuitive ATOSS Self Services. And that's one more expedient step towards Logistics 4.0 and a future-viable working environment.


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SPOTLIGHT ON PROCESSES

The **Duvenbeck** Group is represented at over 35 locations throughout Europe, employing around 6,000 members of staff. Founded in 1932, this family business stands for integrated logistics services and total customer focus. And this is precisely the corporate culture lived at Duvenbeck as a daily matter. Consequently, the portfolio is rigorously aligned to customer requirements, ranging from Conceptual Development to Freight Forwarding through to Contract Logistics. The roster of customers includes, for example, the major brands of the automotive and automotive supply industries. Just-in-time and just-in-sequence are the guiding principles here. Duvenbeck is opting for digital workforce management to bring even greater efficiency to its personnel processes in Contract Logistics and ensure optimal personnel deployment at all times. In this context, the owner-managed company is relying on the ATOSS Logistics Solution for its facilities in Germany and Hungary. The rollout for the 500 employees at the Hungarian Kecskemét location is already underway, while the introduction in Germany for 600 employees is topping the shortlist. At that juncture, the working times of 1,100 logistics staff will be recorded digitally and will be available for planning with real-time information. Country-specific regulations, collective agreements and rules are automatically reflected in the planning process. The qualifications required are also automatically incorporated. This ensures that the right employees are always in the right place at the right time. In future, planners will be able to conveniently fill jobs such as order picking, high-bay work or the pre-assembly of engines by drag&drop – based on the Flexible Assignment Plan. Employees in Germany will be able to view their working time accounts at any time via ATOSS Self Services, which means they are always right up to the minute on their shifts. The expectations of the workforce management projects are clearly defined: leaner processes, less administration, higher planning quality and just-in-time staff deployment.

> The seamless integration of SAP Time and Attendance Management and ATOSS Workforce Scheduling results in leaner processes and enhanced planning quality.

MARKUS MÜLLER
Head of Production Line Mechanical Workshop
Plansee SE

TOUGH METALS, POWERFUL WORKFORCE

ATOSS CUSTOMER **PLANSEE GROUP**

The **Plansee Group** specializes in the powder-metallurgical processing of the refractory metals molybdenum and tungsten. Founded in 1921, this private company always comes up with just the right solutions wherever exceptionally tough materials and tools are required to operate at the limits of technical feasibility. The globally operating innovation and technology leader is represented on four continents with 50 production plants and just under 14,000 employees. The company relies on the ATOSS Manufacturing Solution at its largest production facility in Reutte in Austria. It is seamlessly connected to the company-wide SAP ERP HCM PT system via the ATOSS SAP Connector. Working time data are automatically incorporated into ATOSS Workforce Scheduling and enriched with data from Qualifications Management. After a pilot project involving around 350 employees, the 1,800 production staff active in Reutte, as well as some 300 seasonal interns, will be managed by ATOSS Workforce Scheduling. The Capacity Planning module is intended to ensure long-term planning quality and even more precise delivery commitments. The so-called ghost shifts in which machines are equipped to operate on their own over weekends, will be set up in the system, too. Besides legal framework conditions, planning and scheduling also takes account of all the relevant machine qualifications. This ranges from simple machine operations to equipping machines, as well as training other employees in their use. A transparent qualifications matrix ensures that every work station has the right mix of trained staff – including additional qualifications such as fork lift drivers, fire safety officers or first responders. The Plansee Group is firmly committed to agile processes, high flexibility and optimized shift planning. Both at home in Austria and abroad. The introduction of ATOSS Workforce Management in Switzerland, Japan, the USA, France, Korea, China and India is now under consideration.

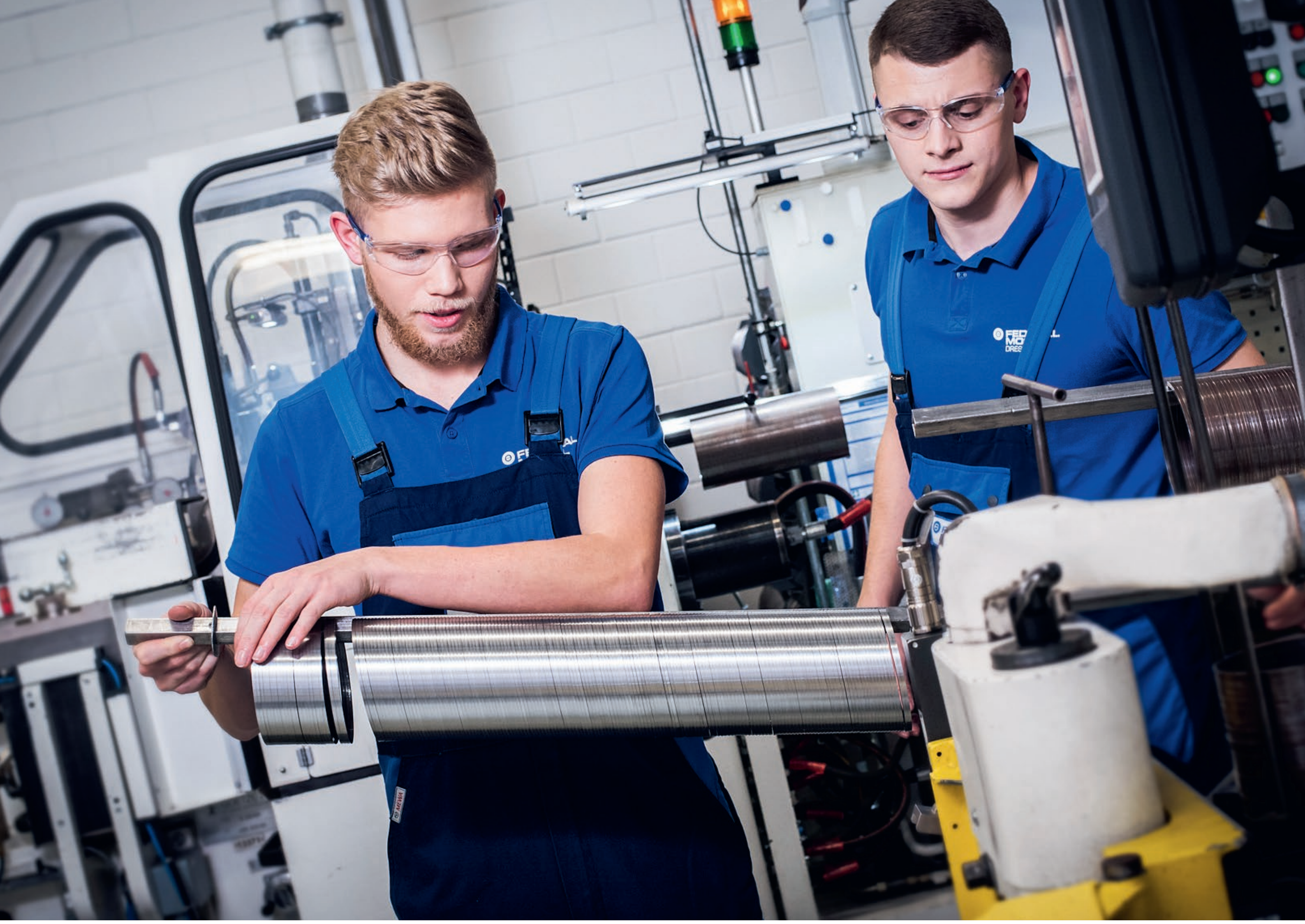

MB 2000
Epiroc

ROCK SOLID WORKFORCE

Professional workforce management is a key building block on our way to the Factory 4.0.

REINER KOCH
CEO
Epiroc Construction Tools

Epiroc ranks among the world's leading manufacturers of drilling equipment for the construction of tunnels and underground projects, providing a full range of equipment for construction work above and below ground. With around 14,000 employees active worldwide, Epiroc epitomizes the highest levels of precision and innovation. Fielding its premium products, the company is continually setting new standards in the mining, infrastructure and natural resources sectors. Transparent, agile personnel processes are essential in securing global technology and innovation leadership. Which is why Epiroc Construction Tools has chosen ATOSS Time Control in the cloud for its workforce management. Around 470 employees in Germany, Austria, Belgium, the Netherlands and Switzerland will be integrated into time and attendance management and workforce scheduling. As part of the digitization project, the three-shift system at the production location in Essen will be concurrently converted to a more efficient four-shift system. The entire workforce takes actively part in the working time processes via self services. The entire absence and approval process is now handled digitally with workflows. Employees and management are able to access up-to-the-minute information at all times. To bring even greater flexibility and transparency to its working time processes, the manufacturer of hydraulic auxiliary equipment for carriers has introduced the ATOSS Mobile App. Moreover, an access control system with PCS terminals is on the agenda. Globalization spells complexity. Among other features, the software takes account of the pay scale for the chemicals industry, collective agreements with the IG Metall and Verdi unions, eight company agreements and the Austrian collective agreement. An interface with the global payroll of our partner ADP ensures that wage payments and allowances are correctly calculated across national borders. The solution is due to enter real-time operation within the shortest period of time. In order to ensure that everything runs smoothly and in time and budget, ATOSS Consulting is taking over the project management, while guaranteeing professional change management at the same time. We are looking forward to supporting Epiroc on its journey to a future-proof working environment.



THE POWER OF THE CLOUD

"We are relying on digital workforce management across the board at our production plants. In the final expansion stage, around 4,000 employees are due to be managed by our planning tool.

FRANK GUNDEL
Manager HR Holding and HR Projects Germany
Federal-Mogul Powertrain

Federal-Mogul is a global manufacturer of components and systems for the automotive industry and its associated after-market. In order to optimize their personnel and planning processes and secure their long-term productivity, two German Federal-Mogul Powertrain Division sites have opted for ATOSS Workforce Management. The two locations are the Nuremberg plant, a center of excellence and production facility for engine pistons, and the Wiesbaden plant, center of excellence and production plant for plain bearings, bushings and thrust washers. In these sites, more than 2,000 employees will be scheduled and managed by our cloud solution. ATOSS Workforce Scheduling will be connected seamlessly to the Time and Attendance Management of the company-wide SAP ERP HCM PT solution via our SAP Connector – full functionality of both systems ensured. Decentralized data, laborious manual processes and plans drawn up on spreadsheets will soon be a thing of the past at Federal-Mogul Nuremberg and Wiesbaden. Instead, rule-based duty plans will be produced at the touch of a button, factoring in statutory regulations, collective agreements, qualifications and time data. Planners can easily assign employees directly to machines by means of drag&drop, as part of workplace-oriented planning. A qualifications matrix delivers an overview of the skills required and their status at all times. For example, employees are automatically assigned to different machines if multiple qualifications are required at certain time intervals. If qualifications are about to expire, ATOSS Task Management issues a warning. Federal-Mogul Powertrain also relies on this innovative tool to monitor the deadlines defined in the Temporary Employment Act and to manage holiday accounts. If holiday balances exceed a defined threshold on a cut-off date, a report is automatically generated. The next step for Federal-Mogul Powertrain will be to introduce ATOSS Capacity Planning, thereby raising the quality of long-term planning. Greater flexibility in responding to volatile order books is to be achieved across all departments by means of an internal stand-by pool for the plant in Nuremberg. Management and employees alike are delighted by the potential of their new solution. It comes as no great surprise then that the rollout has already commenced at an additional plant for 600 members of staff – in order to reap the benefits of even more planning power from the cloud.


bott
GRAN TURISMO
THE REAL DRIVING SIMULATOR
912
Porsche Zentrum Wiesbaden
BILSTEIN
SCHERER
bott
SCHERER
bott
MICHELIN
BESAGROUP

HR PROCESSES IN TOP GEAR

Thanks to digital workforce management, we can focus firmly on the essentials – our passion for motorsport.

MARKUS BERENDS
Head of the IT-Processes-QM
Manthey-Racing

Whether on the racetrack or on the roads – at **Manthey-Racing** they all have a need for speed. Founded in 1996 by the former race car driver Olaf Manthey, this high-performance motorsports team has specialized in developing Porsche race cars as well as actually competing on the circuits. Since 2013, the company has also been responsible for maintaining Porsche Motorsport's GT factory stock cars in the FIA World Endurance Championship. Manthey-Racing handles the entire process here – from preparing the cars, conducting the planning and on to logistics. With outstanding success! The team recently notched up a sensational double victory at the legendary 24-hour Le Mans race. Manthey-Racing has also made a name for itself in customizing and tuning Porsche road cars. In each and every project, utmost precision and uncompromising quality are the name of the game. Efficient, agile personnel processes are an essential precondition in achieving this goal. And ATOSS Workforce Management is always right at hand, backing the team on the starting grid. Digitally recorded – smart, quick and convenient – the working times of around 160 employees are assessed monetarily and directly transferred to the DATEV payroll system by way of an interface. In order to raise transparency across the many ongoing projects, another interface was set up with the existing SAP system. All working times are now automatically and correctly allocated via ATOSS Project Time Recording. Budget/actual comparisons can be generated at the touch of a button at all times, facilitating cost controlling of complex projects. The entire workforce is incorporated into the time management processes via self services and digital workflows, relegating tiresome form-filling and manual routines to the past. Our conclusion: At Manthey-Racing, the cars and workforce management are all on full throttle.

> The aim of our digitization project is
> to ensure efficient, flexible and
> employee-friendly working time management.

SUSANNE STEFFEN
Head of IT
TEREG Gebäudedienste GmbH

COMMITTED TO SERVICE EXCELLENCE

ATOSS CUSTOMER **TEREG**

TEREG is a well-known organization in Hamburg and its environs. Offering a full range of services for buildings, this successful company has been operating here since 1963. Today, TEREG customers benefit from a genuinely all-inclusive package. Through its Cleaning, Refurbishment and Services Divisions, TEREG protects portfolios as well as preserving the value and functionality of properties, facilities, vehicles and outdoor spaces. Customer centricity is key – around the clock. After a thorough analysis of its requirements, TEREG has opted for the ATOSS Enterprise Solution, enabling the company to maintain its high quality standards and deploy personnel even more flexibly. The introduction of the solution is underway. Internal change management augments this ambitious project and is intended to secure the acceptance of the workforce right from the start. In future, the working times of all around 1,700 TEREG employees will be managed digitally. Working time will then no longer be recorded on time sheets but, depending on the situation, on the phone, at PCs or on the road via smartphones. Thanks to intuitive self services, employees can view their working time accounts at all times, apply for absences or correct their time entries. Working times can also be conveniently booked to individual buildings or projects. An interface automatically transfers assessed working times to the SAP Payroll System. Managers benefit from greater transparency and proactive notifications, e.g. on the expiry of fixed-term employment contracts, rule breaches or employees' birthdays. A second step involves introducing the Automatic Duty Plan and Qualifications Management modules. The TEREG planners will then be able to produce cost- and demand-optimized duty plans, incorporating working time data, the necessary qualifications and individual employee requirements, besides factoring in statutory regulations and collective agreements. And the next project is already on the agenda. Additional companies are set to be integrated into the ATOSS solution. When it comes to workforce management, this full service provider is absolutely committed as well.

A CUSTOMER DIALOG UNIVERSE

ATOSS CUSTOMER **CALLPOINT**

Callpoint has been providing a full range of sales and service-oriented customer communication for more than ten years – 24/7 and in four languages. Sophisticated solutions along the customer life cycle and across all channels represent the core expertise of this owner-managed stock corporation. With around 500 employees active in Baden, Basle and Berne, the company has opted for Switzerland as a location, matched by top-notch quality. And doing so with great success. The number 2 in the domestic call center market was presented with the Best Partnership Award for excellent customer relations in 2015 and 2017. In order to achieve even more service-driven and at the same time more employee-friendly workforce scheduling, Callpoint opted for digital workforce management with the ATOSS Call Center Solution. The project is already in the implementation phase. A visit to Medgate, the telemedicine provider, convinced the management of the high functionality of the ATOSS solution and the benefits of integrating time and attendance management and workforce scheduling. A major strong point being the fact that all the relevant data such as budget/actual times, absences, qualifications or shift models are available to planners in real time. The Automatic Duty Plan will ensure that agents are deployed in line with the volume of customer contacts or orders on the basis of precise demand forecasts – including back office activities. Employee requests and preferences concerning their working time are also incorporated into the planning. The team is delighted with the new, intuitive Staff Center where they have instant access to all information and processes concerning their personal working time – as straightforward as a private app. And of course our software speaks fluent French and Swiss German.

TOP-NOTCH
FACILITY SERVICES

HECTAS is one of the leading providers of infrastructure building services and is specialized in commercial cleaning as well as in building and security services. Maintaining 41 subsidiaries and numerous branches, the company is on location across Germany, Austria and the Netherlands. In this multi-services branch, the economic and efficient planning and scheduling of staff is of crucial importance. Consequently, HECTAS has long been relying on ATOSS Time Control as an on premise solution for the planning and management of its more than 8,500 employees in Germany and Austria. Now, HECTAS has also opted for ATOSS Workforce Management in the Netherlands – this time in the cloud. The record time rollout of less than six months was part of an ambitious major project in which structures were optimized and two further systems concurrently implemented. Via interfaces, the ATOSS solution was smoothly connected to the company-wide SAP ERP system and the local Raet payroll solution, resulting in a consistent, new system environment with efficient personnel processes. Time recording, working time management and workforce scheduling are now performed digitally for some 2,000 employees. The standard version of the program maps and meets the entire scope of requirements that HECTAS makes on workforce management. Today, when projects are taken over, new employees coming on board are rapidly integrated into the solution. Management is able to access evaluations and calculations on all working time management issues at any given time. In the highly competitive facility management market, service orientation and cost efficiency are decisive success factors. At HECTAS, digital workforce management creates the necessary transparency and flexibility in all aspects of human resources – in Germany, Austria and now also in the Netherlands.


Kreis Mettmann

CITIZENS COME FIRST

Always close at hand for citizens, offering good services matched by favorable costs: Today, public administrations such as the **District of Mettmann** must think and act along entrepreneurial lines. The paramount aim is to deliver excellent service offerings, while keeping the administrative input and costs as low as possible. Digital workforce management supports this general public service provider in mastering these challenges based on lean, flexible personnel processes. With around 1,400 employees, the District of Mettmann is the port of call for around 500,000 citizens. Counting some 1,187 inhabitants per square kilometer, this is quite simply Germany's most densely populated district. Whether it's the Road Traffic Department with its licensing office, the Veterinary Office or the Immigration Registration Department – citizens of the ten local authorities forming part of the district can approach this authority in many different issues and questions. The District of Mettmann has been relying on the ATOSS Staff Efficiency Suite to manage its working time for many years. Each and every member of staff is included in the solution. Time recording, access control and parking management are all handled by the terminals our partner PCS provides. Self Services ensure that employees have an overview of their working time accounts at all times. After all, flexible, self-determined work is encouraged and promoted by the District of Mettmann. Holidays and absences are also applied for and approved digitally and paper-free. The next step planned is the introduction of ATOSS Workforce Scheduling for the planning of 50 support workers for Ratingen's affiliated housing association. Their central task is to ensure living conditions that are as normal as possible for disabled individuals, as well as assisting in their social integration. These dedicated employees put their heart and soul into their work, 24/7 and also on weekends. Such a demanding task scope calls for a sound work-life balance. Consequently, employee wishes and preferences will also be incorporated into the workforce scheduling. To make sure that at the end of the day, the focus is on what really matters: people.


SYNLAB

CHANGE IS IN THE AIR

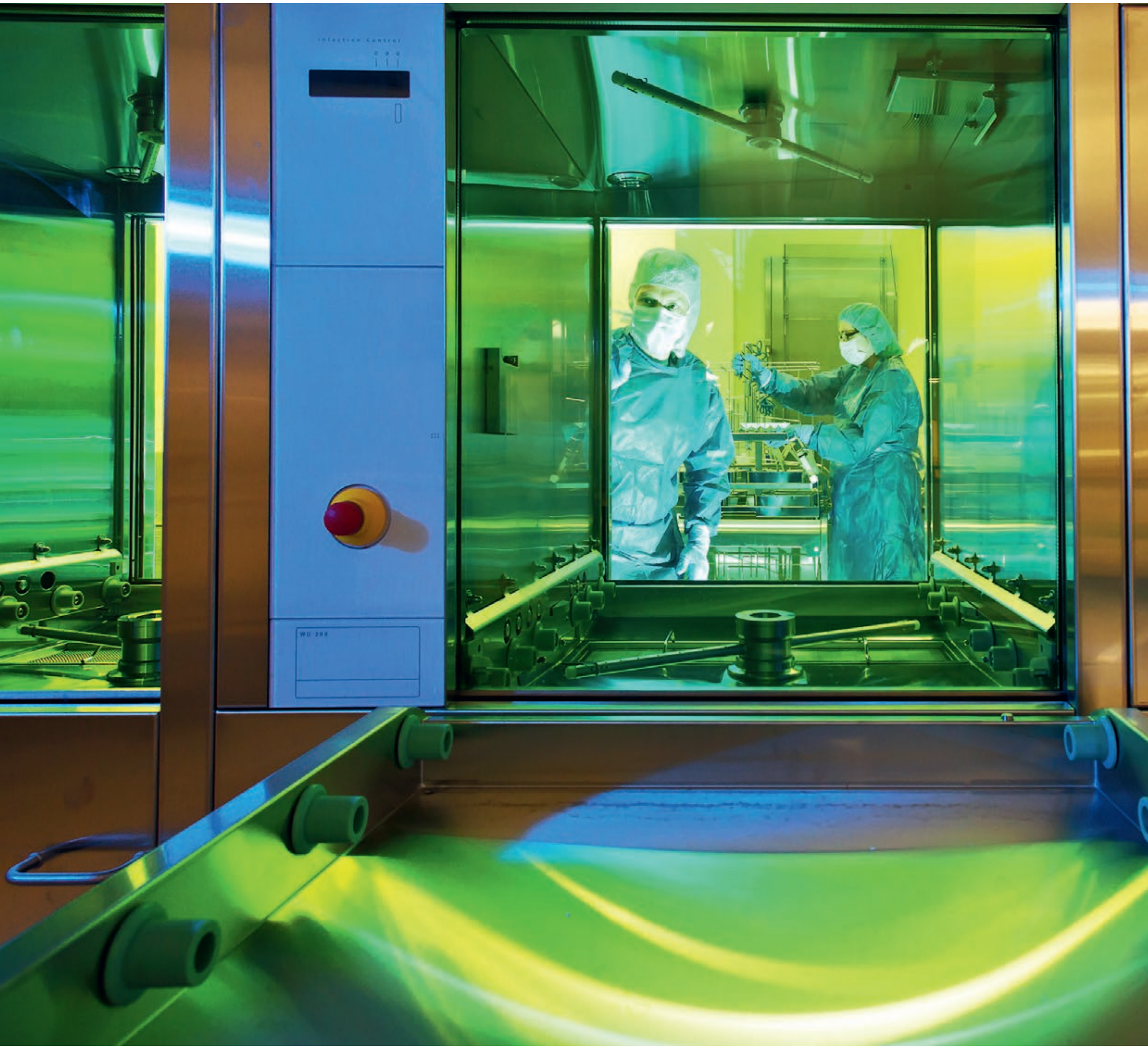
Thanks to the intuitive software and the professional project and change management ATOSS Consulting provided, we quickly achieved a high level of acceptance among all participants.

ARIANE LUUK
HR Manager Shared Services & HRIS Projects
SYNLAB Holding Germany

Think global, act local. True to this principle, **SYNLAB** analyzes some 500 million lab samples in more than 35 countries around the world every year. Europe's largest laboratory operator is an integrated, end-to-end medical diagnostics service provider. In Germany, SYNLAB supports doctors and hospitals at over 100 locations. In future, the planning and management of the roughly 5,500 employees will be based on ATOSS Workforce Management in the cloud. The pilot project in Leverkusen is now up and running, and will be followed by the nationwide rollout. ATOSS Consulting accompanied SYNLAB right from the outset to ensure the project ran smoothly. The aim was to harmonize the heterogeneous personnel processes at the different locations, thereby creating a solid basis for the phased introduction of the cloud solution. While a detailed analysis of the processes revealed huge potential, it also highlighted the complexity of the project. Among other aspects, the new solution had to reflect 20 collective and 30 company agreements, more than 2,800 working time models and around 650 overtime schemes. Our consulting team also made a valuable contribution towards the change management process. The in-house branding of the solution under the SYNChron acronym – involving the entire project team – already marked a major success. The introduction process included all stakeholders, an approach that created acceptance on every level. Employees benefit from the simple and intuitive operation of the new self service portal as well as from greater transparency in all working time matters. Duty scheduling quality has improved markedly, in connection with significantly lower planning input. In future, the qualifications and certifications so essential in laboratory operations will be factored into planning by the system. Likewise, all the statutory, pay scale and company-specific rules are automatically incorporated in planning and scheduling. The SYNChron project creates measurable value added: more efficient processes, less administration, demand-driven scheduling and stronger employee integration. From now on, the company can bring an even sharper focus on its core competence – conducting lab tests in the shortest possible time and to the stipulated high quality standards. Our conclusion: a sound and healthy workforce management.

Our workforce management system is geared to ensuring even better patient care throughout all our facilities – in addition to a stronger emphasis on employee needs in the planning process.

FRANK KLEEMANN
Head of Business Applications
Central IT Services | Helios Clinics Group



FIT FOR THE FUTURE

ATOSS CUSTOMER **HELIOS**

Everybody should benefit from good, affordable medical care. This is the mission that **Helios** has set itself in Germany with 86 acute care hospitals, 120 medical centers, ten prevention centers and around 100 service companies. More than 66,000 members of staff dedicate themselves to ensuring that 5.2 million patients a year regain their health or stay healthy. As part of the Fresenius Group, Germany's largest private hospital operator is now bringing its personnel processes up to speed for the future. Powered by digital Workforce Management from ATOSS. The aim of this ambitious project is to consolidate all its working time management systems and establish uniform duty scheduling with the highest degree of functionality, a standard payroll system and a consistent reporting tool across all clinics. Every professional group – doctors, medical-technical service professionals, staff active in functional services, nursing and administration – will be integrated into the ATOSS Medical Solution. At the same time, thanks to self services, employees will be more closely involved in HR processes. A core team consisting of 35 managers and users from different clinics in the network drew up a comprehensive analysis of requirements and a detailed implementation concept together with our consultants. Based on the 80:20 principle – 80 percent defined standard and 20 percent leeway for customizing – a master client was set up to ensure a rollout in time and budget in all facilities. The plan envisages three to six months for implementation depending on the hospital size. This large-scale project is to be completed by the end of 2023. At that point in time, the Helios clinics will be accessing the ATOSS Medical Solution through around 400 clients. The pilot project at a maximum care facility in Wiesbaden has been completed successfully. Implementation is currently ongoing at three additional clinics, while the next two are already short-listed. Our experts are currently still supporting the facilities in the implementation process. Meanwhile, however, seven employees of Central IT Services are being trained to continue the rollout mainly on their own, together with key users from individual clinics. Up to 30 clinics a year will then be incorporated into the ATOSS solution. On completion, the transformation will result in sustainable workforce management, duty scheduling based on employees' and patients' needs as well as company-wide transparency.

> We have taken preemptive measures at an early stage. We are meeting the acute shortage of skilled professionals head on with innovative working time concepts. And we are well equipped to deal with the latest statutory requirements.

THOMAS HESSE
Head of Personnel Administration and Controlling
Saarbrücken Clinics

HEALTHCARE WITH A VISION

ATOSS CUSTOMER **SAARBRÜCKEN CLINICS**

The new legislation on lower limits for nursing staff entails challenges for hospitals of all sizes. **Saarbrücken Clinics** with its roughly 2,000 employees has adapted to this development at an early juncture and is well prepared for the new legislation to strenghten the nursing staff. For years, this maximum care facility has been emphasizing flexibility and transparency in its duty scheduling, relying on the ATOSS Medical Solution. The software also provides tremendous help with the Verification Directive that has been in place since January 2019. The targeted and actual working times of the entire hospital staff are stored centrally in the system. The statutory reporting by quarter, ward and shift is available at the touch of a button. The hospital owners can easily document all information required by legislation. Added to this are the strategic benefits of digital duty scheduling and qualifications management. The responsible personnel can manage their nursing staff, whether specialist nurses or auxiliary staff, exactly as required by the new directive. The midnight statistics from the SAP based hospital information system serve as the basis for daily planning in the ATOSS solution. Modifications to the plan can be carried out at short notice during the day. As a result, the hospital has achieved a high level of security and reliability in its care arrangements. A standby pool with more than 30 qualified staff is available for selected shifts, or defined days across all wards. This serves as an additional tool promoting the employee-oriented flexibilization of working time. In this way, short-term bottlenecks can be alleviated. Saarbrücken Clinics, however, is not only breaking new ground in the healthcare sector with workforce management. Working times of choice based on employee life phases, specialist training of junior nurses and the specific reallocation of jobs to other professional groups enable this top-notch, regional facility to maintain high care standards, while operating a sound business at the same time. Patients and staff benefit in equal measure. And this is striking a welcome note on the labor market – reflected by the fact that Focus Money recently awarded the clinic the “Top Career Opportunities in Hospitals” seal.

IT'S ALL ABOUT PEOPLE

Expertise for people. True to this motto, **Vitos Teilhabe** specializes in providing welfare services for young people and disabled persons. With 1,400 care places, this charitable organization is one of the largest subsidiaries of Vitos Holding, whose sole shareholder is the State Welfare Association of Hesse. 1,000 employees put their heart and soul into their work for Vitos Teilhabe across the State of Hesse – on an inpatient, outpatient and day patient basis. Around 800 working time models in the areas of youth welfare and curative education are representative of the individual nature of these assistance and care services. In this context, Vitos Teilhabe meets the requirements of the Federal Participation Act. As ATOSS Medical Solution has already proved its worth in other subsidiaries of the Group such as Vitos Rheingau or Vitos Hochtaunus, Vitos Teilhabe, too, has opted for our solution for the healthcare sector. Thanks to the skills of our consultants and the intensive training of responsible planners, the system was quickly in real-time operation. Today, the facility is benefiting from more efficient processes, as well as greater transparency and flexibility in all working time matters. Specific qualifications in therapy, youth education and special education are automatically incorporated in the digital duty scheduling. This increases planning quality and represents an important step towards maintaining high care standards. New requirements such as legislation governing the further development of care and the remuneration of psychiatric and psychosomatic services have been mapped in the ATOSS Medical Solution to ensure compliance. Staffing specifications resulting from the Psychiatry Personnel Regulation are also filed in the system. Reports, e.g. statutory requirements for supporting documents, can be generated at the touch of a button with a full audit trail. The solution has been very well received by management and staff alike. So it's no big surprise that further subsidiaries of this clinic operator such as Vitos Weilmünster and the charitable Vitos organizations based in Gießen-Marburg and Riedstadt are also relying on ATOSS Workforce Management in the meantime. In the end, competence and expertise should benefit those who need it the most: the people we care for.

LEARN MORE ABOUT US

“We are in the process of experimenting with opportunities to deploy Artificial Intelligence which would hugely simplify workforce management.

MARKUS WIESER
Executive Director Product Management
ATOSS

LET'S TALK BUSINESS

FLEXIBLE, EMPLOYEE-FRIENDLY AND EVER MORE INTELLIGENT

Markus, where are we heading with workforce management?
Things are clearly moving towards smartness in terms of solutions. As far as the organization of working time is concerned, self-determination and co-determination are the key trends. We were well aware of these developments at an early juncture. As a result, the technical prerequisites are already in place in our solutions today. Our all-new, intuitive Staff Center is taking the user experience to the level of consumer apps. A level to which staff have long since become accustomed in their private lives and which they also expect today. Users are shown the precise function they need to perform their task. No more and no less. They are also proactively informed of to-dos, dates as well as outstanding or confirmed requests. As a result, workforce management is fun for everyone involved.

Can you elaborate a little on the term user experience?
Today, it is no longer sufficient for a product to be efficient and solution-driven. Business software should also keep surprising users with a wow factor, time and time again. Systems have to be proactive and smart. Expectations are characterized by the statement: "the tool works for me and supports me" and not "I work with the tool". Usability has to be in sync with the user experience for this to be the case.

What does this mean for a software provider such as ATOSS?
The complexity of workforce management as a topic presents a major challenge. We develop standard software – a product suitable for any industry and company size. But the demands of our customers vary enormously. As no two customers use the product in the same way, the details of the solution always differ somewhat. We solve the problem by offering a high degree of flexibility in the configuration. Consequently, every new element of the software has to have this total flexibility factored in. Ideally, from the user experience vantage point, the solution should be tailored to fit the individual customer. In order to achieve this, we don't stop addressing usability and user experience after the product has been developed. A key element of our offerings is the fact that our consultants tailor the product perfectly to fit customer needs and processes.

Further developments and enhancements never stop with us. Are there any new offerings for the market?
Our Personnel Structure Analysis module forming part of our Enterprise Solution is brand new. For example, it supports retail shops regarding demand-driven workforce scheduling. The module enables the personnel structure in a shop or branch to be analyzed. How many part-time, full-time and marginal employees do I have? What would the ideal mix be for my personnel requirements, and what are the implications for recruiting? This tool can also be used to determine the ideal personnel capacity when it's time to open a new branch. The software simulates various staffing alternatives and shows the optimum working time models for the new branch.

And with a look to the future? What are you working on in Product Management?
We are in the process of experimenting with opportunities to deploy Artificial Intelligence which would hugely simplify workforce management. We are currently addressing the field of natural language interaction, for example. Instead of navigating to the "apply for holiday" sub-menu item and filling out a form, I can use a voice-controlled assistant, and simply say: "Next week, I would like to take Wednesday to Friday off." The system understands my request and completes the application in a fully automated process. This is what looks like intelligent workforce management of the future.


BÜCHER
NEW

WORKFORCE MANAGEMENT THAT'S US!

More than 30 years of experience in the workforce management area and around 6,500 successful projects – that is intellectual property which our customers benefit from on a daily basis. Our relentless specialization has paid off. Today, ATOSS appears as a full range provider fielding a unique portfolio of solutions. No scenario is too complex, no company too large or small for us. We have the right answers to meet all requirements – whether classical time and attendance management, intuitive self services, mobile apps, precise workforce forecasting, demand-driven workforce scheduling or strategic planning of capacity and resources. In the cloud or on premise – we live and breathe workforce management without compromise.

This also applies to the refinement of our product suites, because for us the development of software on the highest level is a continuing obligation. Every year around 20 percent of our revenue is committed to R&D. According to the EU Industrial R&D Investment Scoreboard, this positions us among the top 100 software companies in Europe with the highest investments. More than 180 staff in R&D and Product Management work daily to create solutions that will stand the test of time. Agile development processes and advanced test procedures ensure that solutions are quickly put into practice. And we are also setting benchmarks in terms of quality. Every day, around 40,000 automated tests are conducted on more than 200 virtual machines in over 1,700 CPU hours. Such commitment is not without effect. With regard to our Enterprise Solution, in 2018 we released three updates of our ATOSS Staff Efficiency Suite, marking an impressive total of 515 new functions and features. And our new Staff Center for self services with its intuitive operation is a genuine masterpiece of design and user experience. The strength of our solutions lies in their openness and flexibility. The interfaces with SAP systems represent a shining example of these strengths. Without additional login, the entire scope of ATOSS Workforce Management is made available to users of SAP SuccessFactors Employee Central through an ATOSS Connector. Another Connector opens up the full functionality of ATOSS Workforce Scheduling to users of SAP ERP HCM – without any system restrictions.

Our innovative strength, formidable development power and high quality standard are paying off. ATOSS software is state-of-the-art in terms of technology, functionality and user experience. And we never cease to improve. For workforce management with measurable value added.

> Our aim is to focus even more intensively on opening up the growth market of workforce management with a powerful eco system. Which is why we are looking for suitable distribution and implementation partners at home and abroad.

ALEXANDER VON FRITSCH
Managing Director International Sales & Alliances
ATOSS

LET’S TALK BUSINESS

NETWORKED MARKETS CALL FOR NETWORKED ACTION

Digitization is currently one of the hot topics in the market. How are we supporting our customers on this journey, Alexander?
Generally, we want to ensure that our customers can concentrate on their core business. The use of software in the cloud is therefore an important pillar in our offering. The expenditure of time and effort as well as costs are reduced when systems do not run on a company's own infrastructure. In addition, companies quite simply remain more flexible in the long term. The solutions are scalable and grow with the requirements, as needed. In addition to the ATOSS Cloud, in terms of a platform strategy we are systematically focusing on best-of-breed partnerships. In this way, all the relevant processes can be satisfied by the best solutions on the market in every case. Alliances of this nature create the greatest possible value added for our customers.

Like our collaboration with SAP?
That’s right, our partnership with SAP is a good example. We are extending the SAP SuccessFactors portfolio with our time and attendance and workforce scheduling solution. The market has responded very positively to this best-of-breed approach. Customers such as Mercedes AMG, Vetter Pharma International, SWARCO or J.Wagner have opted for this integrated scenario. As a result, they are not only substantially reducing their manual workload. Far more, they are also offering their employees one consistent HR platform enabling the convenient and modern design and organization of processes across system boundaries. The only way to offer shared customers the best solution in the future will be through such collaborations.

It’s a good thing for our partner strategy that our systems are so open and flexible ...
Absolutely! The open design of our solutions plays an important role in collaborations as they can be easily incorporated into other portfolios. This opens up interesting opportunities and markets for us. PENTOS and KWP INSIDE HR, two of the leading SAP SuccessFactors partners in Germany, have developed integration modules with us, ensuring in joint projects that both system worlds function seamlessly. Ultimately, this is what resulted in the partnership with SAP. We have ranked as a preferred partner of DATEV for many years, as a matter of interest. Audited interfaces guarantee the smooth connection of our SME solution to DATEV payroll accounting systems. At Bosch, for example, our solutions are the perfect complement to their innovative safety systems.

Speaking of internationalization – do partnerships play a role in our strategy?
Well, networked markets call for networked action. With this philosophy, we have created a powerful and successful eco system over the years with numerous partnerships and alliances at home and abroad. In this way, we are enabling our customers to harness ATOSS solutions across borders. We are consistently expanding our network, with a very specific emphasis on global business. We are also in the process of strengthening our own global sales team at our hub in the Netherlands.

How can partners benefit from working with ATOSS?
The market for workforce management is growing at above-average rates and is one of the most dynamic in the HR IT sector. This development is further reinforced by demographic change and associated skills shortages as well as the aforementioned trend towards digitization in the HR sector. ATOSS is benefiting from these major shifts, and our partners are benefiting too – with substantial and sustainable growth.

PRODUCTIVITY KNOWS NO BORDERS

Our solutions are Made in Germany, but they are equally at home wherever customers insist on higher productivity in workforce management. Companies having to manage staff in more than one country are well aware of how varied and complex the tasks arising in individual countries can be. Demanding labor laws and social security regulations, together with cultural differences and system diversity, make international rollouts more difficult than one would expect. But this is no problem for us or our solutions. ATOSS standard software solutions factor in laws, collective agreements, national characteristics as well as providing interfaces with country-specific systems, such as payroll systems, without any additional programming. And our consultants have the necessary know-how and experience to ensure smooth implementation. Our customers speak Italian, French, Spanish, Czech or English – we speak Workforce Management. Currently in 42 countries and nine languages around the world.

For example, at **Fressnapf Group**. Headquartered in Krefeld and operating in eleven European countries, the group employs over 12,000 members of staff. Over 1,500 modern outlets of varying sizes from Denmark to Italy form an expert network for animal lovers and pet owners. Fressnapf Group has been relying on ATOSS Workforce Management for 1,300 employees in over 200 proprietary outlets in Germany since 2015. The solution is now also deployed at 80 franchise partner outlets. After the convincing project in Germany, Fressnapf has opted for ATOSS Retail Solution in the cloud across Europe. The rollout is underway. Incremental implementation in ten other countries is on the agenda. On project completion, around 8,000 of the company's own employees will be scheduled and managed by the ATOSS solution. Naturally, in their native language and in pace with footfall. Following 142 markets in Austria and 56 in Switzerland, the rollout will proceed throughout Luxemburg, Italy, France, Poland, Denmark and Hungary. In the Fressnapf Group, customer and service focus truly extends across all borders. We are happy to support Europe's No. 1 in pet supplies – both at home and abroad.

Customers such as Hectas, Hofer, HORNBACH, HOYER Group, Lufthansa, Rhenus Logistics, Shell Retail Netherlands, Sixt SE, WITRON, W.L. Gore & Associates or XXXLutz rely on ATOSS Workforce Management both at home and abroad. After all, our solutions show their true strength when used in the global arena.

> Joining forces with companies, we want to establish a strong foundation – for greater flexibility in the organization of working time and personnel processes.

MICHAEL KNOBLAUCH
Director Consulting
ATOSS

LET'S TALK BUSINESS

THE FULL POTENTIAL

In what areas is ATOSS Consulting operating, Michael?
These times of Industry 4.0, global competition and rapid digitization of the working environment call for agile organizations. We support companies in all sectors and of all sizes in optimizing their personnel processes along the entire value chain, unifying process architecture and thereby enhancing organizational agility. After all, the success of a company stands or falls with its response speed to market volatility. There is enormous potential here in an astonishingly large number of organizations for creating greater value added. Joining forces with companies, we want to establish a strong foundation – for greater flexibility in the organization of working time and personnel processes.

What methods are you employing in the process?
The first step is to find out in a detailed process and potential analysis whether the introduction of a workforce management solution has the potential to optimize processes. For example, what is the current state of play with regard to working time organization, workforce forecasting, workforce scheduling or the organization of duty plans? In the next step, we support our customers in optimizing their processes to ensure that they can derive the maximum benefit from their new solution. The digitization of workforce scheduling can only increase efficiency if all processes are aligned. If this is taken care of by professional change management, there is little to prevent the success of the project.

What does change management depend on?
Changes relating to personnel management usually have impact on all employees. It is therefore very important to establish transparency for all stakeholders and to provide regular progress reports. Whether by newsletter, intranet or even a specially designed brochure – it all boils down to open, continuous information that is in line with the company and its culture. Speaking of the stakeholders: all relevant employees should be proactively involved in the right project phase. This opportunity for co-determination is the basis for acceptance. Furthermore, we have to make sure that all users are given the skills to operate the new processes and tools efficiently. What type of training do I offer? What handouts have to be produced? Are there any power users who can act as contact points if problems occur? All these components coalesce to form a complex change process.

How do customers benefit by working with ATOSS Consulting?
We often hear customer statements such as: "This is the only project where everything is running smoothly and there are no problems." The biggest danger in introducing new solutions is resistance from within the workforce. Targeted change management ensures that such resistance does not occur in the first place and the project is completed on time, on budget and to the right quality levels. The result is satisfaction throughout the entire company – from management to every single member of staff. It's then that digital workforce management will unleash its full potential.

ATOSS HEADQUARTERS

PEOPLE MAKE ALL THE DIFFERENCE

Designing working environments for the benefit of companies, employees and society – this is a fascinating task, an exciting outlook and a great responsibility. Our employees accept this challenge with expertise, experience and enthusiasm, and breathe life into the ATOSS vision of a human economy every day. The commitment of our team is the foundation of our success and the driver of our aspiration to create value added for our customers. We believe in a motivating, productive and dynamic working environment. Ample scope for taking initiative, excellent growth opportunities, individual career paths and participation in company success – these are the cornerstones of our human resources work. We live a corporate culture in which commitment and team spirit are promoted and performance is rewarded. In this environment, our employees are able to grow professionally and personally and enjoy long-term success. This applies to every one of our employees from the outset – whether in Sales, Marketing, Product Management, R&D, Consulting, Professional Services or Internal Services. As part of the ATOSS Academy, we define an induction and development program tailored to individual demands and future roles. And we support our employees in all phases of their employee journey.

Many people talk about new working concepts. We make a reality of it every day. And there's no shortage of fun and action along the way. One size fits all? That doesn't apply to us or our products as they are as individual as our employees. Whether tailor-made further training, classic company pension schemes, promotional events, Thirsty Thursdays, group cooking, yoga courses, the daily dose of vitamins or coffee specialties from our Barista – there is something for everyone. During working hours and after work. Because one thing is certain: In spite of a clear performance culture, fun and work-life balance most definitely don't get lost along the way.

There are national and international career opportunities at ATOSS. For our aim is to continually expand our worldwide presence. With around 6,500 projects in more than 40 countries, we have created a solid platform for growth and expansion. And we still have a lot of ambitions.

In a workforce structure marked by generational diversity, the meaningfulness of work is gaining ever greater significance.

HENRICH GÖTZ
Director Human Resources
ATOSS

LET'S TALK BUSINESS

THE NEW VALUE CULTURE

Henrich, what is your most pressing and intriguing HR issue at the moment?
In a workforce structure marked by generational diversity, the meaningfulness of work is gaining ever greater significance. In our own structure, the ratios are shifting increasingly towards generation Y and Z. The young people who are now streaming into companies, are raising the following question with far greater urgency than ten years ago: "What is the meaning of what I am doing? As an individual, but also as a company?" These are crucial issues that we must find answers to as a company.

So values are gaining in importance in the era of New Work?
Yes, indeed! So regardless of the generational mix of a workforce, in our view, there is one very pleasing phenomenon of our time. Namely the fact that people are caring a great deal more about the meaningfulness of their work, and demanding that their work be based on congruent, shared values. This is putting massive pressure on employers, and their essential self understanding. When dealing with young people today, pure profit maximization as a company's sole purpose has outlived its validity as a factor creating meaning.

What answers can ATOSS supply in this search for meaning?
At ATOSS, there are two factors which have been part of the reality we embrace from the outset of our corporate history: first, our ATOSS vision of shaping the transformation of the working environment for the benefit of companies, employees and society, thereby making collaboration more creative, intelligent and humane. As a result, we make a significant contribution to the interplay of economic and financial viability with humane values. This is a corporate purpose that bestows real meaning and is currently of high socio-political relevance. The second main factor comprises our ATOSS values which form the basis for the collaboration of everyone in the company – and which also apply to the way we work with all external stakeholders.

How does this manifest itself in practice?
In recruitment processes, for example, we have a vested interest in understanding the motivations and values of our candidates and using them as part of the basis for our decision as to whether we are mutually compatible. But our ATOSS values also establish a crucial base internally. As a company we are always taking care to develop our processes, tools and procedures, as well as our informal dealings within the company in line with our values. And our aspirations in this regard extend much further. We challenge our managers and staff to deliberately concern themselves time and again with the following question: “How can I contribute to the creation of a culture that is based on values and gives meaning?“ One of the central tasks that we have defined for 2019 is to maintain the momentum behind this process of reflection and to constantly evolve as an employer. And we notice that focusing on such questions, both internally in our dealings with employees and externally in dialog with applicants, business partners or customers, is highly relevant.

NEW WAYS OF WORKING

Designing viable, future-proof working environments – that is our aspiration. So naturally, at our new headquarters in Munich's HighriseOne, everything revolves around New Ways of Working. Offices suffused with light, flexible workbenches, state-of-the-art technology and spectacular vistas over Munich's rooftops provide us with an "Open View" that inspires, motivates and never ceases to thrill us. The architectural concept of this 15-storey office tower with a sweeping view of the Alps is totally in line with our mission: optimizing working processes, creating information transparency, increasing productivity – while raising employee satisfaction at the workplace at the same time. Action spaces and training rooms, interactive conference areas, phone boxes and collaboration tools form the centerpieces of our new working culture. All this enables us to work in entirely new ways – across departments, teams and locations. Our new agility makes it even easier for us to develop creative ideas and integrated workforce management solutions – delivering genuine value added for our more than 6,500 customers. The ATOSS Hall is a very special highlight, a showpiece reception and meeting area on the 5th floor, featuring an 18 meter long acacia table, a sophisticated show kitchen, a cool, stylish roof terrace and our own Barista serving one of the best cappuccinos in Munich. Looking out from our new headquarters, we have a fantastic view of the trendy Werksviertel close to Ostbahnhof. Innovative urban environments where people can live, work and relax are now being created right on our doorstep. And we are the beneficiaries: Renowned companies, multifaceted restaurant and catering offerings, an up-and-coming arts community as well as a vibrant cultural scene and nightlife are bringing people of all nationalities and ages together. And we are right in the middle of all this – that's work-life integration at its best.

INVESTOR RELATIONS

In the coming years we expect to see a particularly strong and sustained momentum for growth emanating from our cloud business.

CHRISTOF LEIBER
Member of the Board of Management
ATOSS Software AG

CONTENTS

Dear Shareholders,
Customers, Business Partners
and Colleagues,

In the financial year 2018 ATOSS Software AG continued to further accelerate its dynamic developments of the previous years, achieving new records in sales and earnings. Once again, ATOSS has set new strategic, operational and financial standards, while demand for workforce management solutions from ATOSS shows no sign of abating.

Workforce management as a strategic instrument

The markets for goods and services, but also employment, are changing rapidly. Companies that wish to keep pace with the dynamics of a global market economy must be agile. This applies in particular to the human element in the work process, in view of the fact that in the age of Industry 4.0 and digital transformation, the world of work is changing fundamentally. This in turn impacts on workforce management, scheduling planning and employee integration: Rigid staffing schedules and entrenched structures are a thing of the past. The flexibilization of working hours is what makes companies fit for the future. At the same time, multiple options are emerging to integrate employees more strongly into the processes of structuring working hours and securing employee loyalty. Flexible, demand-driven and employee-oriented workforce scheduling and management based on digital workforce management is becoming a strategic tool and presents long-term competitive advantages.

Award for growth

ATOSS is an anchor of growth and stability. This is meanwhile also perceived and appreciated by the public at large. For example, in 2018 ATOSS was presented with the BAYERNS BEST 50 award by the Bavarian State Ministry for Economic Affairs, Energy and Technology, having already won the award once in 2003. This distinction is bestowed each year on the basis of extensive criteria and acknowledges selected and audited SMEs which over the preceding five years have achieved particularly strong growth in employment and sales measured against the rest of the market. This award and the appreciation of our history which it represents gives us exceptional pleasure. When taken together with our current figures, it confirms our strategy.

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

Innovative solutions for the future

When we speak about our past, our present development and our future, there is one aspect that remains constant – our vision of shaping and designing the world of work for the benefit of businesses, employees and society. We aspire to innovative, customer-oriented solutions that stand out as best-in-class in the market for workforce management. This can only be achieved through the deployment of committed and highly qualified staff. There are meanwhile over 180 employees working worldwide in the fields of research, development and product management, all with the aim of continuously refining our ATOSS solution suites. In 2018 alone, we invested EUR 11.2 million, equivalent to around 18 percent of our sales revenues, in R&D. According to the European Commission "EU R&D Investment Scoreboard (2018)" this positions us – as in the year before – among the Top 100 European software manufacturers with the highest investment in R&D, and ranks us at number 1 among Europe's WFM software suppliers. In the past 18 years we have invested a total of over EUR 110 million in the latest technologies to enhance the performance, user-friendliness and scalability of our software. One important strategic as well as technological step forward was our journey into the cloud, which since 2014 has enabled the Group to access new customer groups.

Prospects for 2019

The market for workforce management continues to offer substantial potential for growth. Many companies in almost all sectors still have no professional solution to manage their staff deployments, and in times of a buoyant economy and a shortage of skilled workers, the pressure on these companies is increasing appreciably. This is confirmed not least by a variety of studies in this field. Analysts at technology market research and consulting company TechNavio forecast annual growth rates for the global market for workforce management of more than 8 percent through to 2021. Our solutions are setting new standards as they optimize value creation for our customers and contribute to an increase in labor productivity – on premises or in the cloud. In the coming years we expect to see a particularly strong and sustained momentum for growth emanating from our cloud business which in the past year has already doubled year on year and contributed to a further increase in repeat sales as a proportion of overall turnover.

The use of cloud solutions is rapidly gaining importance in the business arena. According to a current study carried out by Bitkom Research on behalf of KPMG AG, already two thirds of German companies surveyed are employing cloud-based storage, processing power or software. The rising demand for cloud solutions is also reflected in the current year-end orders reported by ATOSS Software AG. Orders on hand for cloud solutions amounted to EUR 16.9 million compared with EUR 8.7 million for the year before. Taken together with orders for software licenses at EUR 5.5 million (previous year: EUR 5.5 million), ATOSS is outstandingly well placed to achieve further profitable growth in 2019.

Our thanks to employees, business partners and shareholders

We are making every effort to sustainably secure and expand the success of ATOSS Software AG. It is our qualified, high-achieving employees who are the foundation of this success, and to them, at this juncture, we would like to express our sincere thanks. With their competence, motivation and commitment, they are the ones who made our outstanding success in financial year 2018 possible.

We would also like to thank the Supervisory Board for their support and outstanding cooperation in the past year. Together we have exceeded the goals we set ourselves. And finally, to you, our valued shareholders, we once again express our thanks for your confidence in us and your loyalty.

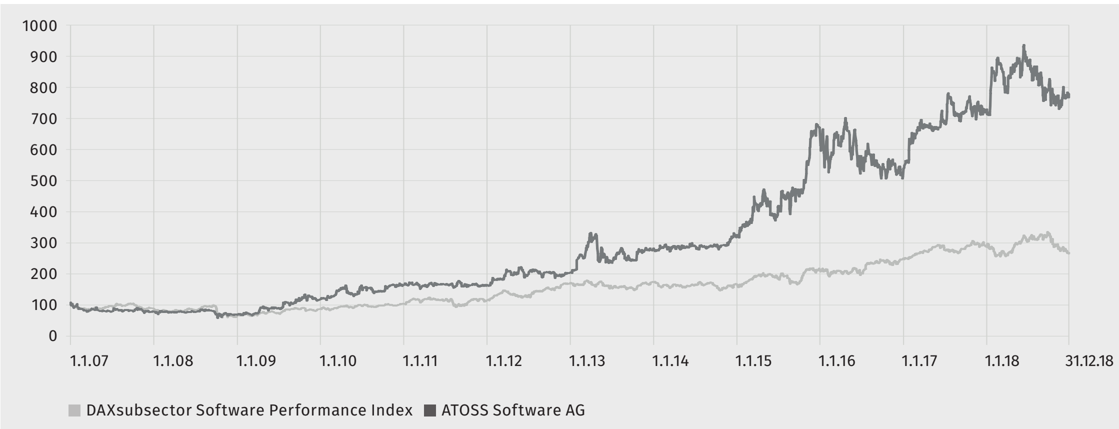
Yours sincerely,

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management

INVESTOR RELATIONS

Share price development 01/2007 to 12/2018



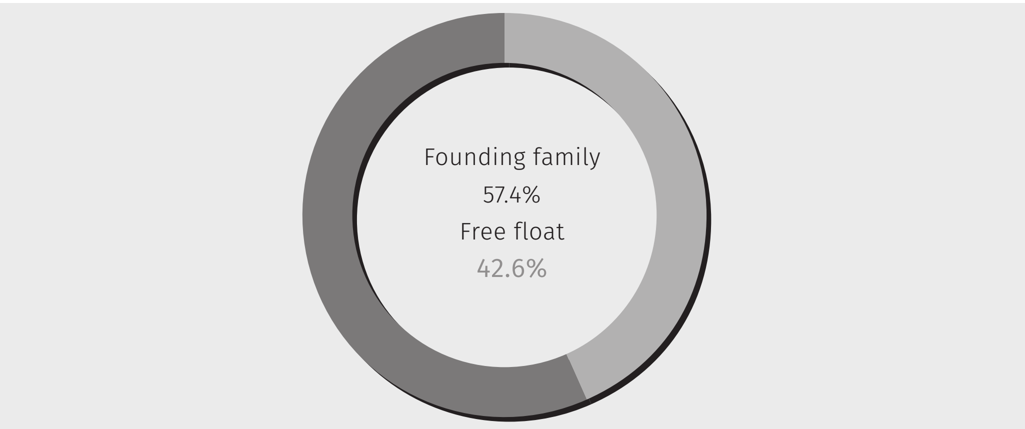
ATOSS shares put on a solid and sustained performance

The German economy is growing, and yet the country's largest listed companies lost around 300 billion euro in value in 2018. For the first time since 2011, the Deutsche Börse and its principal index, the DAX, ended the last financial year with a loss. The main cause is likely to have been the trade dispute between the USA and China, which has hit the German automobile industry particularly hard. The sell-off also continued to accelerate on the US stock markets, with the DOW Jones ending the year 2018 down 5.6 percent.

In keeping with the company's own excellent development, ATOSS also succeeded in the reporting period in continuing its strong performance on the stock markets, ending the year 2018 at another all-time high. ATOSS stock had previously peaked in mid June at EUR 96.00 (XETRA), representing an increase of 30 percent. Over the year as a whole, the shares gained 6 percent, clearly outperforming the comparative DAXsubsector Performance Index which registered a loss of 7 percent over the same period. Taking into account the dividend distribution in 2018 in the amount of EUR 1.17 per share, over the year as a whole, shareholders benefited from a 7.8 percent increase in value.

Likewise, from a long-term viewpoint, ATOSS Software AG has rewarded its shareholders with a highly stable development in value. Since 2007, the share price has risen by 667 percent (not taking into account special distributions), whereas the DAXsubsector Performance Index put on 169 percent during the same period.

ATOSS Software AG shareholder structure



The founding family continues to hold 57.4 percent of the shares in ATOSS Software AG. Since December 6, 2012 Mr. Andreas Obereder has held 50.0000025 percent of the shares indirectly via AOB Invest GmbH, of which he is sole owner.

Among the shares in free float, in accordance with voting rights notices received, the following institutional investors hold interests in excess of 3 percent / 5 percent in ATOSS Software AG:

Investor	Shareholding	Threshold exceeded on
MainFirst SICAV	5.07%	12/16/2014
Investmentgesellschaft für langfristige Investoren TGV	5.004%	10/28/2013

Capital market-oriented figures

(in EUR, unless otherwise specified)

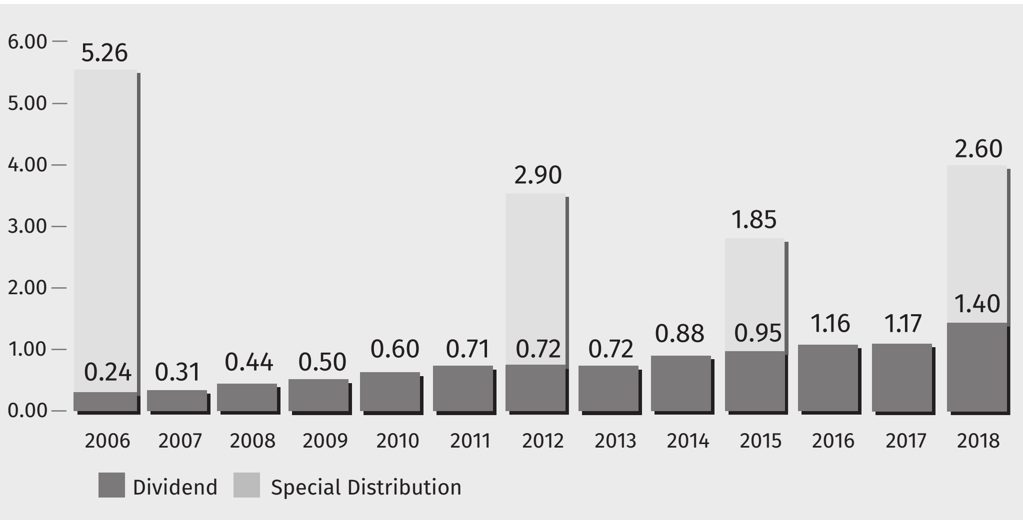
	Reporting period 2018	Previous year 2017
Market price at the financial year-end	78.6	74.01
Number of shares (Dec. 31)	3,976,568	3,976,568
Market capitalization in million EUR as of Dec. 31	312.6	294.3
Earnings per share in EUR	2.81	2.35

Based on the results for 2018 the average price/earnings ratio amounted to 29.9 with liquidity of EUR 8.37 per share at the year-end.

ATOSS Software AG dividend policy

In 2003 ATOSS published the principles of its long-term dividend policy. As in the case of the company's communications with the capital markets, one of the essential goals of this dividend policy was to offer a maximum of dependability. With dividends consistently rising over many years, ATOSS has remained faithful to its principles, offering its shareholders an excellent and reliable return in addition to significant increases in the share price. In addition, there have been respectable special distributions for financial years 2006, 2012 and 2015. A special distribution is also planned for financial year 2018.

Dividends and special distributions (EUR)



ATOSS Software AG has set a new record with earnings per share of EUR 2.81. In line with its proposed appropriation of net income, the Management Board has submitted a proposal to the Supervisory Board for a dividend of EUR 4.00 per share. This represents a continuation of the company's dividend policy which in principle provides for a dividend amounting to 50 percent of earnings per share: In this case, a regular dividend of EUR 1.40 per share for financial year 2018 and a special distribution of EUR 2.60 per share. A decision on the appropriation of earnings recommended by the Management and Supervisory Boards will be taken at the annual general meeting on April 30, 2019. Provided that the meeting adopts the proposal, based on the (XETRA) closing price on EUR 78.6 on December 28, 2018, this puts the dividend yield at 5.1 percent. By comparison, the yield for the year before amounted to 1.6 percent.

Analysts stress dynamic growth, increase forecast

The course of business and the company's dividend policy serve to confirm analysts' previous assessments of ATOSS stock. The substantial growth in sales, maintained now over many years, coupled with the stability of earnings and the dividend yield underscore the sustained value as well as the outlook for our stock.

Investment analysts take the view that ATOSS Software AG is strongly and robustly placed in an attractive market. The need to deploy staff with maximum profitability is a constant challenge for companies, to such an extent that the workforce management solutions offered by ATOSS are in demand regardless of the vagaries of the economy, and the company's growth potential is still far from exhausted. The fact that through its Cloud services and the establishment of a start-up under the Crewmeister brand, ATOSS has succeeded in accessing new areas of growth is of particular strategic importance. Another central factor in the ATOSS concept for success is the sustained high level of expenditure on research & development, which enables the company to defend its strong competitive position as a leader in technological innovation.

The company's development has been regularly reviewed during the reporting period by analysts at Warburg Research. The upside target for ATOSS stock has been raised on several occasions, most recently following presentation of the preliminary figures for the past financial year, when analysts set a target of EUR 97.5. With the company continuing to post strong figures and long-term growth expected to remain highly dynamic, the stock is rated as a "buy". The complete analyses by Warburg Research are available on the Internet at https://www.atoss.com/en-gb/investor-relations/atoss-stock.

SUPERVISORY BOARD REPORT ON FINANCIAL YEAR 2018

Peter Kirn
Chairman of the Supervisory Board

Dear Shareholders,

The financial year 2018 was a particularly successful one for ATOSS Software AG. The company continued to record consistent and sustainable growth for a thirteenth year in succession. The Supervisory Board has advised and supported the Management Board in directing the business. We have overseen the measures taken and fulfilled all of the tasks incumbent upon us in accordance with the law and the company's articles of association, as well as the German Corporate Governance Code and our own rules of procedure. The Board was also integrated into all decisions of a fundamental nature. The Management Board has kept us regularly, fully and promptly informed, verbally and in writing, of all material aspects of the development in business, including the current earnings situation, risks and risk management. At no time did we have cause for complaint regarding either the due and proper nature or economic efficiency of the company management.

Decisions made by the Supervisory Board were reached on the basis of extensive reports and proposals by the Management Board. In addition, we were kept informed, also outside of meetings, of projects and events of material importance or urgency. We also resolved upon those matters required of us in accordance with the law and the company's articles of association. The Chairman of the Supervisory Board was in regular contact with the Management Board, with the result that events of exceptional importance for ATOSS Software AG could be discussed without delay.

In financial year 2018 there were no conflicts of interest on the part of Management or Supervisory Board members which required immediate disclosure to the Supervisory Board.

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

Supervisory Board meetings and resolutions in 2018
During the reporting period the Supervisory held four ordinary meetings which were attended by all members of the Supervisory and Management Boards.

Principal subjects of discussion at the meeting on March 6, 2018
At the first meeting of the financial year, the auditors Ernst & Young GmbH of Munich gave a presentation to the Supervisory and Management Boards regarding their audit of the annual financial statements and consolidated financial statements of ATOSS Software AG and the management reports for financial year 2017. The Supervisory Board approved the annual financial statements for the Group and company for financial year 2017 which had been audited and awarded an unqualified audit certificate, and these are now deemed to be adopted. Under item 4 on the agenda the Supervisory Board subsequently approved the Supervisory Board report for financial year 2017. The discussion also extended to the agenda for the annual general meeting on April 26, 2018 which was approved by the Supervisory Board and the Management

Board. The Management Board also submitted a report explaining the profitability of ATOSS Software AG and in particular the return on equity and the current development in business.

Principal subjects of discussion at the meeting on April 26, 2018
This meeting of the Supervisory Board took place following the 2018 annual general meeting in Munich. The meeting was attended by the Supervisory Board members newly elected at the annual general meeting, Mr. Peter Kirn, Rolf Baron Vielhauer von Hohenhau and Mr. Klaus Bauer, and by the Management Board. The Supervisory Board was also reconstituted at this meeting, with Mr. Peter Kirn elected as Supervisory Board Chairman. Rolf Baron Vielhauer von Hohenhau was elected as his deputy. The Supervisory Board then went on to establish that all three members meet the criteria that render them suitable to act as financial experts within the meaning of § 100 Para. 5 of the German Stock Corporation Act. In addition, the Management Board also reported on the current course of business, the risk report and current developments in sales.

Principal subjects of discussion at the meeting on September 27, 2018
At the third Supervisory Board meeting of the year, the Management Board informed the Supervisory Board of the current course of business and provided an outlook for the budget and planning process for 2019, as well as strategic areas of development through to 2025. The last item on the agenda was a detailed report by the CEO on current developments in sales and marketing at ATOSS Software AG.

The declaration of conformity for 2018 on the basis of the German Corporate Governance Code as amended on February 7, 2017 was also approved via a circular resolution on November 15, 2018 and published on the company website (www.atoss.com) on November 28, 2018.

Principal subjects of discussion at the meeting on December 6, 2018
In addition to the Management Board report on current business development and developments in sales, the main focus of the last Supervisory Board meeting of the year was on the balance sheet, liquidity, sales and earnings projections for financial year 2019. The plans were approved as presented. The Management Board also gave an update on the risk report. As the last item on the agenda, the Supervisory Board considered the appropriateness of Management Board compensation. The discussion centered in particular on the appropriate nature of compensation in relation to senior management and workforce and in comparison with third parties.

Appointment of auditors and conduct of audit
At the annual general meeting of ATOSS Software AG held on April 26, 2018 in Munich, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart (Munich Branch) was elected as auditor for financial year 2018. 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, 2018 as well as the consolidated financial statements and consolidated management report to December 31, 2018 and awarded an unqualified audit certificate.

Supervisory Board meeting on March 6, 2019 to adopt the financial statements
The Supervisory Board received the annual financial statements, consolidated financial statements and management reports for financial year 2018 from the Management Board for examination in good time prior to the meeting. In addition, the Supervisory Board also received the 2018 dependence report confirming that no transactions took place in financial year 2018 between ATOSS Software AG and AOB Invest GmbH or companies associated with AOB Invest GmbH which were unreasonably disadvantageous to the company.

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 Ernst & Young GmbH. 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 Management Board having been approved, the annual financial statements were then adopted. The Supervisory Board likewise concurred with the proposal by the Management Board regarding the appropriation of surplus profits.

The report by the Supervisory Board for financial year 2018 was also discussed and agreed and the agenda for the annual general meeting on April 30, 2019 was approved.

Once again in financial year 2018 the Management Board and staff have achieved an outstanding result. The Supervisory Board would like to express its thanks to the Management Board and all of the employees of ATOSS Software AG for their commitment and their contribution to the success of the past financial year, and to signify its particular recognition and appreciation of 13 record years in succession.

Munich, March 2019

Peter Kirn
Chairman of the Supervisory Board

Members of the Supervisory Board, with a summary of other supervisory board positions held
The Supervisory Board of ATOSS Software AG is comprised of three members. In view of its size, the Supervisory Board dispenses with the formation of committees as recommended by the German Corporate Governance Code, including an Audit Committee within the meaning of § 107 of the German Stock Corporation Act. The Supervisory Board is of the opinion that with a 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.

Peter Kirn
Chairman of the Supervisory Board
Corporate consultant, Böblingen
Mr. Kirn held no other supervisory or similar board positions in the financial year 2018.

Rolf Baron Vielhauer von Hohenhau
Deputy Chairman of the Supervisory Board
President of the Bund der Steuerzahler in Bayern e.V., Munich
Baron Vielhauer von Hohenhau holds the following other supervisory and administrative board positions:

- Europäischer Wirtschaftssenat e.V., Munich (Supervisory Board Chairman)
- Member of the Administrative Board of Stadtsparkasse Augsburg

Klaus Bauer
Member of the Supervisory Board
Supervisory and advisory board member, Nuremberg
Mr. Bauer holds the following other supervisory or similar board positions:

- Schwanhäußer Industrie Holding GmbH & Co. KG, Heroldsberg (Advisory Board member)
- Schwanhäußer Grundbesitz Holding GmbH & Co. KG, Heroldsberg (Advisory Board member)

GROUP MANAGEMENT REPORT 2018

1. Company

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

Headquartered in Munich, ATOSS Software AG also has offices in Berlin, Frankfurt, Hamburg, Meerbusch, Stuttgart and Utrecht, Netherlands, as well as its subsidiaries ATOSS CSD Software GmbH in Cham, ATOSS Software Ges. m.b.H. in Vienna, ATOSS Software AG in Zürich, ATOSS Software S.R.L. in Romania and ATOSS Aloud GmbH in Munich.

The company's software solutions are currently deployed worldwide in 42 countries and 9 languages. More than 6,500 customers use ATOSS solutions to schedule and manage around 3.2 million employees.

2. Group basics

Economic climate
The global economy has weakened. After a very strong second quarter in 2018, in the third quarter the global economy expanded at a markedly slower pace reminiscent of the modest rates of growth in the winter half-year 2017/18. On the other hand, macroeconomic production in the USA increased sharply in both quarters. Consumer spending was a particular contributing factor, along with equipment investments, stimulated by fiscal policy measures. Economic activity in the Eurozone, however, was sluggish in the third quarter due to a downturn in the cross-border movement of goods within the EU. Despite weaker performance, the upswing in the global economy as a whole has been maintained, as capacity utilization continues to increase in the majority of economies.

The German economy too has ceased to boom and is gradually beginning to cool. In addition to problems in the automobile industry, the slowdown in economic growth is likely to have been exacerbated by Germany's foreign markets which in the past year have been exposed to some significant economic risks.[1]

This estimation is also reflected in the most important early indicator for the German economy, the ifo Business Climate Index, which fell from 101.0 points in December to 99.1 points in January 2019. This is the lowest level since February 2016.[2] According to the Bundesbank forecast published in December, economic growth in 2018 is expected to be 1.5 percent.[3]

1) ifo Winter 2018 Economic Forecast: Germany's economy is cooling off
2) ifo business climate Germany: results of the business survey January 2019;
3) German Central Bank (monthly report December 2018): Outlook for the German economy - Macroeconomics estimates for 2019 and 2020 with an outlook for 2021

Segmental environment and market background
Forecasts for the German IT market are substantially more positive. Industry association BITKOM expects growth in software in the past year to amount to 6.3 percent.[4]

Against this background, ATOSS has succeeded for a thirteenth time in a row in recording sustained business success. Sales revenues were up by 15 percent, while EBIT (earnings before interest and taxes) climbed 20 percent. In the company's core software business sales rose by 14 percent to EUR 39.4 million, with software licenses contributing EUR 13.3 million (previous year: EUR 12.7 million). Growth in the cloud business was particularly strong with turnover rising to EUR 4.2 million, more than double the figure for the year before.

In the past year ATOSS booked orders for software licenses and the software component of contracted cloud solutions together amounting to EUR 18.5 million (previous year: EUR 14.6 million). Again, the cloud business developed particularly strongly, with the overall order intake climbing 124 percent to EUR 12.1 million. Consequently, orders on hand for cloud solutions rose by 94 percent from EUR 8.7 million in the year before to EUR 16.9 million. Taken together with the orders on hand as of December 31, 2018 for software licenses valued at EUR 5.5 million (previous year: EUR 5.5 million), this provides a high degree of certainty with regard to both sales and planning for the near future. What's more, the company's substantial liquidity and high equity ratio provides security for customers, employees and shareholders.

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 time and attendance management and workforce scheduling. The pioneering technological platform on which ATOSS products are based, our consulting skills and the long-term reliable and successful ATOSS management are convincing decision-making criteria.

One of the defining features of the competitive environment in which the company operates is a high degree of fragmentation. In this environment the company has established itself as one of the leading providers of time management and personnel resource planning software systems and has secured a significant market position in the retail, healthcare, manufacturing, service and logistics sectors in particular. However, ATOSS also offers solutions for all sectors in both the SME and premium market segments.

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

The products and services developed by ATOSS 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

[4]) BITKOM (January 2019): ITK-market figures

managing personnel efficiently. By utilizing personnel resources in a manner which is both economically advantageous as well as sensitive to employee and customer needs, the clients of the ATOSS Group 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 time and attendance management and workforce scheduling, 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 able to offer 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, thereby 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 which mirrors these fluctuations. Taking into account operational requirements, wage agreements and statutory regulations 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. When investment decisions are made, our robust equity ratio, our substantial liquidity and our continuing high level of expenditure on technological development are among the determining factors.

Business development

The company regards the key figures for sales and the EBIT operating profit margin as the essential measures of its success. These figures form the basis for the operational and strategic decisions taken by the ATOSS Management Board and constitute the company's most important financial performance indicators. Cash flow, software licensing revenues and orders received for software licenses and the software component of contracted cloud solutions serve the Management Board as additional important figures, however their significance is of lesser relevance in managing the business as a whole.

In financial year 2018, ATOSS achieved sales of EUR 62.6 million (previous year: EUR 54.6 million) with an operating profit (EBIT) of EUR 16.9 million (previous year: EUR 14.1 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. As a result the company succeeded in 2018 in attracting a large number of new customers both at home and abroad.

Development in software licensing, maintenance and cloud sales, order situation for software licenses and cloud

Software sales in 2018 with revenues of EUR 39.4 million were 14 percent up on the previous year's figure of EUR 34.6 million and represented a proportion of 63 percent of Group turnover (previous year: 63 percent). Software licenses accounted for sales of EUR 13.3 million (previous year: EUR 12.7 million). The increase is attributable to existing customers extending their licenses, to the progress made in projects for major customers and to the acquisition of orders from new customers. The development in software sales deriving from cloud solutions was even more dynamic with revenues more than doubling to reach EUR 4.2 million (previous year: EUR 2.0 million). The development in software maintenance which has been consistently positive for years continued in the past financial year, with sales climbing 10 percent to EUR 21.9 million (previous year: EUR 19.9 million).

Orders received for software licenses and the software component of contracted cloud solutions were 27 percent higher at EUR 18.5 million (previous year: EUR 14.6 million). One percent (previous year: 4 percent) of software license orders received relate to long-term production orders. Whereas orders on hand for software licenses as of December 31, 2018 were on a par with the previous year at EUR 5.5 million (previous year: EUR 5.5 million), orders for cloud solutions rose significantly from EUR 8.7 million to EUR 16.9 million. Nine percent (previous year:

20 percent) of software license orders on hand relate to long-term production orders. It is expected that orders on hand for software licenses will be realized within one year.

Development in consultancy sales

Consultancy sales in 2018 stood at EUR 17.7 million, up by 21 percent over the previous year's figure of EUR 14.7 million. As a result consultancy accounted for 28 percent of overall sales (previous year: 27 percent).

Development in hardware and other sales

Revenues from the sale of hardware increased by 10 percent in 2018 to EUR 4.1 million, equating to 7 percent of overall sales (previous year: 7 percent). Other sales, the heading under which certain consulting services, customer-specific programming services and identification media in particular are booked, amounted to EUR 1.4 million, some 10 percent higher than in the year before. As a proportion of total sales, this amounted to 2 percent (previous year: 3 percent).

Long-term production orders

As in previous years the company realizes long-term orders in application of the percentage of completion method. In 2018 this applied to 8 orders (previous year: 16) which were realized in accordance with the progress of the project in the amount of EUR 2.5 million (previous year: 2.8 million).

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 2018. For example, products incorporating the company's latest generation of software solutions were placed both with existing customers of major importance as well as with a large number of new customers. Not least, the fact that all products are now available as cloud solutions has opened the door to new groups of customers and yielded additional orders. The year 2018 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 see opportunities to continue to develop our business model in particular in the increasing demands on companies to increase the flexibility of working hours. Essential factors in this respect include a shortage of skilled staff, demographic considerations, the growing need to increase productivity and the resulting requirements on the part of employers for workforce management solutions. As one of the leading workforce management solution providers, we expect to profit from this development.

The company also sees further potential for growth in the retail, healthcare, manufacturing, service and logistics sectors in particular.

We also perceive opportunities for growth in a dedicated approach to new sectors and in the international deployment of our software solutions, for example by accessing new markets through the formation of new partnerships.

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 that can replicate 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 ASES (ATOSS Staff Efficiency Suite), ASE (ATOSS Startup Edition) and ATC (ATOSS Time Control) which enable these solutions to be integrated into a variety of system environments represented a major milestone.

The implementation of what is termed as service-oriented architecture (SOA) greatly simplifies the exchange of data between our solutions and other products used by customers. For example, our solutions have successfully been combined with up-stream planning and personnel management 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 workforce 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. These two solutions are a stepping stone for customers using a variety of system environments. As their requirements in future become more complex, they can easily migrate to the ATOSS Staff Efficiency Suite (ASES). Regular release updates ensure that our software solutions are continuously refined. For example, with the arrival of the latest product generation ATOSS Staff Efficiency Suite 10.1, 2015 saw the successful launch of the new Expert Interface Web, one of the biggest development projects in the history of ATOSS. Both software solutions have also been available since 2015 as server-hosted (cloud) solutions. 2018 saw the introduction of a new product generation with the arrival of our ATOSS Staff Efficiency Suite 12.2 and the ATOSS Staff Center module which offers employees a simple and intuitive means of integrating themselves into the workforce management function via Self Services. This in turn accelerates processes, increases transparency and saves time and costs.

Our expenditure on research and development in 2018 amounted to EUR 11.2 million (previous year: EUR 10.3 million). The bulk of this figure in the amount of EUR 9.0 million (previous year: EUR 8.3 million) was accounted for by the personnel costs for 180 (previous year: 172) software developers. R&D expenditure as a proportion of overall sales amounted to 18 percent (previous year: 19 percent).

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

Subsidiaries and international business

With the exception of start-up company ATOSS Aloud GmbH, all subsidiaries recorded positive results in 2018. The proportion of Group sales accounted for by our international business in 2018 amounted to 15 percent (previous year: 16 percent).

Employees, development in personnel

In financial year 2018 the Group employed an average workforce of 444 members of staff (previous year: 397). Of these, 180 (previous year: 163) were employed in product development, 119 (previous year: 110) in consulting, 78 (previous year: 67) in sales and marketing and 67 (previous year: 57) in administration. Personnel costs in 2018 amounted to EUR 30.8 million, some 12 percent higher than the figure of EUR 27.4 for the preceding year.

On December 31, 2018 the company employed 8 trainees (previous year: 6).

Corporate management and control

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, whereby the company aims to safeguard average sales growth targets in a band between 10 and 15 percent and an average margin (EBIT) of around 25 percent.

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.

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.

Executive bodies

The Supervisory Board in 2018 was comprised of Peter Kirn as Chairman, Rolf Baron Vielhauer von Hohenhau as Deputy Chairman, and Klaus Bauer.

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

Corporate Governance

Since addressing the matter in connection with its flotation, 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 2018 the Management and Supervisory Boards have concerned themselves intensively with the 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 February 7, 2018 by the Government Commission on the German Corporate Governance Code.

On November 28, 2018 the Management and Supervisory Boards adopted a new declaration of compliance 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 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). ATOSS Software AG has taken account of this in its current contracts with Management Board members. 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 Supervisory Board of ATOSS Software AG therefore do not contain such a provision. No change to this situation is currently intended.

- 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 Management Board, 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 Management Board make no provision for settlement entitlements, for example in event of a change of control.

- In Section 4.2.5 the German Corporate Governance Code recommends a specified tabular structure for the disclosure of Management Board compensation. In reporting Management Board compensation the company will disclose the content specified by law. However the company reserves the right to report remuneration in a suitable form, even if this may deviate from the rigid tables annexed to the German Corporate Governance Code.

- 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.

- In Section 5.4.1 the German Corporate Governance Code recommends that the Supervisory Board should designate specific targets for its composition and develop a competence profile for the Board as a whole. With regard to its composition, the Board should within the context of the company-specific situation give appropriate consideration to the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members in consideration of the ownership structure within the meaning of Section 5.4.2 of the German Corporate Governance Code, a defined age limit for Supervisory Board members and a defined time limit for membership of the Board, as well as diversity. 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 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.

Corporate governance report

The corporate governance declaration made by the Board of Management pursuant to Section 289 a of the German Commercial Code (HGB) is published on the company website at https:// www.atoss.com/en-gb/investor-relations/corporate-governance.

Other disclosures

The company's capital is divided into 3,976,568 bearer shares each with a nominal value of 1 euro which carry full voting and dividend rights. Of this total, the majority shareholder, Andreas F.J. Obereder of Grünwald, Germany, holds 1,988,285 shares representing 50.0000025 percent of the stock. His shares are held via the company AOB Invest GmbH of Grünwald, Germany, which is wholly owned by him. Apart from Mr. Andreas F.J. Obereder and AOB Invest GmbH, the company is not aware of any other shareholders with reportable holdings of more than 10 percent of voting rights.

In accordance with Section 312 of the German Stock Corporation Act, the Management Board has prepared a report for the reporting period detailing relations with associate companies which has been examined by our auditors. The Dependence Report by the Management Board concludes with the following statement:
"We declare that in the transactions undertaken and measures taken or omitted between January 1 and December 31, 2018 and listed in the report on relations with associate companies, in accordance with the circumstances known to us at the time these transactions were undertaken and measures taken or omitted, in each legal transaction the company received an adequate consideration. Nor did the company suffer any detriment as a result of the measures being taken or omitted."

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.

At the general meeting held on April 28, 2017 the Management Board was authorized, other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para 2 of the German Stock Corporation Act, on or before April 27, 2022 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 Management Board was further authorized at the general meeting on April 28, 2017 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 and 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;

- 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;

- 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 use the shares to fulfill option and/or conversion rights arising from convertible bonds, convertible profit share certificates, warrant-linked bonds or other option rights issued by the company or a Group subsidiary.

The Management Board was further authorized at the general meeting on April 28, 2017 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.

Members of the Management Board 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 Management Board 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, Zurich, ATOSS CSD Software GmbH, Cham, ATOSS Software SRL, Timisoara, ATOSS Aloud GmbH, Munich, and ATOSS North America Inc., West Hollywood, the parent company ATOSS Software AG of Munich also has business premises in Berlin, Frankfurt, Hamburg, Meerbusch, Stuttgart, and Utrecht, Netherlands.

3. Business report

Earnings
The earnings situation in financial year 2018 was principally defined by a 15 percent increase in overall sales revenues which rose to EUR 62.6 million (previous year: EUR 54.6 million). Software sales in this period were 14 percent higher at EUR 39.4 million (previous year: EUR 34.6 million), equating to 63 percent of the Group's overall turnover (previous year: 63 percent). Software licenses accounted for sales of EUR 13.3 million (previous year: EUR 12.7 million). Growth in the cloud business was particularly strong with turnover rising to EUR 4.2 million, more than double the figure for the year before. The consistent positive trend in software maintenance over many years has also been sustained, with sales climbing 10 percent to EUR 21.9 million (previous year: EUR 19.9 million). Turnover in consulting, too, at EUR 17.7 million (previous year: EUR 14.7 million) was up by 21 percent, well above the figure for the previous year and continuing a trend that has been evident for some years. Hardware sales and other revenues amounted to EUR 4.1 million (previous year: EUR 3.7 million) and EUR 1.4 million (previous year: EUR 1.6 million) respectively.

Despite significant expenditure on R&D investments and the sales organization, the key figure which defines the operational success of the company, namely earnings before interest and taxes (EBIT) was 20 percent higher at EUR 16.9 million, well ahead of the rate of development in sales. As a result, the return on sales represented by EBIT stood at 27 percent (previous year: 26 percent).

Earnings before taxes (EBT) were 19 percent higher at EUR 16.8 million (previous year: EUR 14.1 million).

Net income for financial year 2018 amounted to EUR 11.2 million (previous year: EUR 9.3 million), some 20 percent higher than in the year before. Earnings per share accordingly increased from EUR 2.35 to EUR 2.81.

Thanks in particular to its success in acquiring further new customers and expanding business with existing clients, as well as to the efficient management of costs, notwithstanding the investments in sales and marketing and the continuing high level of expenditure on the development of functionally superior products, the company has maintained its profitability relative to the previous year and secured a sound financial basis for a long-term strategy which is proving to be correct.

Financial and asset position
The company regards equity as an essential balance sheet item 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 2018:

The cash flow from business operations for the period from January 1 to December 31, 2018 amounted to EUR 12.6 million (previous year: EUR 8.9 million) and was thereby EUR 3.7 million higher than in the year before. Liquidity (cash and cash equivalents) advanced from EUR 15.4 million to EUR 21.7 million. The position as a whole comprising liquidity and other current and non-current financial assets (e.g. gold, equities, capital assurance claims, investment funds) increased from EUR 27.1 million to EUR 33.3 million. Liquidity per share on December 31, 2018 including these other current and non-current financial assets accordingly stood at EUR 8.38 (previous year EUR 6.82).

The principal factors which impacted positively on cash flow from operations include net earnings, the formation of miscellaneous liabilities resulting from salary and commission entitlements, lower fixed tax payments and tax refunds for previous years (in 2017 the income taxes paid were burdened by tax payments for previous years). Effects that reduced cash flow derived primarily from the formation of trade receivables, other non-financial assets and contractual liabilities.

In addition to negative cash flow from investments in the amount of EUR 1.7 million, liquidity was also negatively affected by the payment of a dividend of EUR 1.17 per share (total distribution: EUR 4.7 million; previous year: EUR 1.16 per share, total EUR 4.6 million).

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 at high level.

Due to an increase in fixed asset investments in the amount of EUR 1.7 million (previous year: EUR 1.6 million), tangible and intangible assets increased from EUR 4.1 million to EUR 4.7 million.

The company's long-term holdings in gold are reported under the heading of other non-current financial assets in the amount of EUR 0.5 million (previous year: EUR 0.5 million).

Receivables increased from EUR 5.1 million to EUR 6.3 million. The average time to receipt of 28 days (previous year: 27 days) remains extremely low – a fact which in the company's opinion is attributable in particular to a high level of customer satisfaction as well as successful customer account management.

Other current financial assets as of December 31, 2018 amounted to EUR 11.6 million (previous year: EUR 11.7 million). In addition to capital assurance claims amounting to EUR 5.2 million (previous year: EUR 5.1 million), this figure also included investment fund deposits approved by the Supervisory Board in the amount of EUR 4.9 million (previous year: EUR 5.1 million) and investments in physical gold amounting to EUR 1.4 million (previous year: EUR 1.4 million) in line with the company's defined investment strategy. A valuation of the holdings in gold as of the balance sheet closing date resulted in a mark-up TEUR 43 (previous year: write-down of TEUR 26). Capital assurance claims increased by TEUR 61 (previous year: TEUR 66) as a result of write-ups. Impairments in the amount of TEUR 157 arose from the valuation of investment funds (previous year: write-up of TEUR 10 recognized in equity). Miscellaneous non-current financial assets increased by TEUR 16 as a result of write-ups (previous year: impairment of TEUR 8 recognized in equity). The market value of current and non-current gold holdings on December 31, 2018 stood at EUR 1.9 million (previous year: EUR 1.9 million).

The company is financed through the ongoing cash flow generated from operations. Current liabilities include trade accounts payable in the amount of EUR 0.5 (previous year: EUR 0.4 million), contractual liabilities in the amount of EUR 2.4 million (previous year: EUR 4.2 million), tax provisions in the amount of EUR 1.9 million (previous year: EUR 0.2 million) and miscellaneous current liabilities in the amount of EUR 8.9 million (previous year: EUR 6.9 million). Current liabilities in total on December 31, 2018 had risen to EUR 13.9 million (previous year: EUR 11.8 million). This increase is essentially attributable to higher tax provisions resulting from lower advance tax payments and higher miscellaneous current liabilities. It remains the company's intention not to incur borrowings to finance business operations.

The miscellaneous current financial 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. The company had no liabilities denominated in foreign currencies on December 31, 2018, and no bank loans. Nor does the company intend to use bank loans to finance business operations.

An unsecured credit line in the amount of EUR 0.5 million (previous year: EUR 0.5 million) is in place with the principal bank of the integrated companies which may optionally be used for guarantee purposes or as an overdraft facility. In financial year 2018 this credit line was used for guarantees in the amount of TEUR 55. As in the year before, no loans were taken out during the past financial year.

Non-current liabilities essentially include the pension provision in the amount of EUR 4.8 million (previous year: EUR 4.8 million).

Group equity capital as of December 31, 2018 amounted to EUR 28.5 million (previous year: EUR 21.8 million), resulting in an equity ratio (the ratio of equity to balance sheet total) of 60 percent (previous year: 57 percent). The return on equity (net earnings vs. equity) as of December 31, 2018 stood at 39 percent (previous year: 43 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 the burden of administrative costs, the company vehicle fleet as well as various items of business equipment are leased. As of December 31, 2018 there were 118 leasing and rental agreements for company vehicles (previous year: 108).

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

4. Compensation report

4.1 Compensation report for the Management Board

The members of the Management Board are:

Andreas F.J. Obereder	Chief Executive Officer	Appointed until December 31, 2023
Christof Leiber	Member of the Management Board	Appointed until March 31, 2022

The remuneration paid to members of the Management Board 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 11 percent and 40 percent. Non-performance-related compensation is paid in the form of a monthly 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) as revised following the introduction of the Appropriate Executive Compensation Act (VorstAG), when contracts with the Management Board are concluded in future the Supervisory Board will determine the level of compensation 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. In addition the Supervisory Board reviews the appropriateness of Management Board compensation annually on the basis of a comparison with the remuneration paid to senior management and employees.

The level of the performance-related remuneration (profit-share payment) in 2018 was as a matter of principle geared to the Group sales target and the Group operating profit target.

The contract with the CEO, Mr. Andreas F.J. Obereder, was extended with effect from January 1, 2019 for a period of five years. 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 objectives comprise quantitative targets over a three-year period.

The contract with Mr. Christof Leiber was extended with effect from April 1, 2017 for a period of five years. Of the newly agreed targets, 40 percent are one-year targets and 60 percent are multi-year targets calculated over a period of five years. The one-year targets relate to sales and earnings, while the multi-year objectives comprise qualitative targets.

Moreover, the contracts with members of the Management Board also include other elements of remuneration in the form of insurance premiums paid by the company and other ancillary benefits such as the provision of company motor vehicles.

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.

In respect of Management Board compensation, we further refer to Note 46 in the Notes to the consolidated financial statements.

4.2 Compensation report for the Supervisory Board

The Supervisory Board of ATOSS Software AG is comprised of three members. Mr. Peter Kirn, Rolf Baron Vielhauer von Hohenhau and Mr. Klaus Bauer were re-elected to the Supervisory Board by a resolution adopted by the annual general meeting on April 26, 2018.

The members of the Supervisory Board are:

Peter Kirn	Chairman, corporate consultant, Böblingen
Rolf Baron Vielhauer von Hohenhau	Deputy Chairman, President of the Bund der Steuerzahler in Bayern e.V., Munich.
Klaus Bauer	Supervisory and advisory board member, Nuremberg

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. Their compensation is accordingly composed of a fixed component and a variable component that is dependent on the number of meetings.

In respect of Supervisory Board compensation, we further refer to Note 45 in the Notes to the consolidated financial statements.

4.3 Ownership of and trading in shares and financial instruments

Board members' shareholdings insofar as these relate to shares in the company are reported in Note 32.

4.4 Reportable securities transactions

The company publishes details of all reportable securities transactions by board members on its website at https://www.atoss.com/de-de/investor-relations/nachrichten#tab-id-10654 . This information remains available for at least 12 months following publication.

In financial year 2018 the following reportable transactions were undertaken by board members and disclosed:

Name	Transaction	Date of transaction	Number	Price	Disclosed on
Peter Kirn	Sale	03/12/2018	500	87.20	03/12/2018
Peter Kirn	Sale	05/16/2018	400	90.2275	05/16/2018
Peter Kirn	Sale	09/13/2018	250	81.60	09/18/2018
Peter Kirn	Sale	11/14/2018	180	80.00	11/16/2018

The majority shareholder, Andreas F.J. Obereder of Grünwald, Germany, holds 1,988,285 shares representing 50.0000025 percent of the shares in ATOSS Software. His shares are held via the company AOB Invest GmbH of Grünwald, Germany, which is wholly owned by him.

5. Risk management and control system

5.1 Company-wide risk management and control system
As a capital market oriented company as defined in Section 264d of the German Commercial Code, the company 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 (IDWPS 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 undertaking 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 Group-wide 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. Risk in this context is deemed to be a negative deviation from expectations. Against this background within the framework of the existing risk management system we concentrate solely on the identification of risks. 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 Management Board, 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 Management Board.

In accordance with the ATOSS principles of risk management, any risk with an expected entailed loss (defined as the product of the level of loss and the probability of occurrence) in excess of EUR 300,000 within the divisions of ATOSS Software AG, or which entails a loss specified simply as "high" or for which the loss is not quantifiable is fundamentally deemed to be material.

Probability of occurrence of potential risk

Level	
Low	0-33%
Medium	33-66%
High	66-100%

Extent of loss entailed in potential risk

Level	
Low	T€ 0-100
Medium	T€ 100-300
High	over T€ 300

Material aspects of risk are currently perceived to lie in particular in the economic environment and in the market environment, the degree of success in introducing new focus sectors, employee fluctuation, data protection and data security and the system and network infrastructure. 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 Management Board.

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 that has been introduced and refined.

The Group counters the financial risk arising from the change in investment strategy by diversifying and limiting exposure to individual forms of investment and individual securities. Moreover 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 Management and Supervisory Boards on the development in financial assets. In addition all investments in financial assets are reviewed and approved by the company management.

To hedge against financial risks arising from existing assets, in individual cases and after in-depth examination the Group avails itself of derivative financial instruments. There were no such derivative financial instruments on the balance sheet closing date.

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 volume of cash funds available at short notice and as well as the positive cash flow from operations, the Group 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 quantify either the probability of the described risks occurring or their level of financial impact.

Looking ahead to the coming two years, provided that there is no material change in either the market environment or general economic data, the Group anticipates a similar risk structure.

5.2 Risk management system and the accounting process

The essential features of the accounting-related internal control and risk management system in respect of the (Group) accounting process at ATOSS Software AG and its subsidiaries may be described as follows:

- The companies exhibit a clear management, corporate and control structure.

- The functions of the financial accounting, order processing and controlling departments materially involved in the (Group) accounting process are clearly separated and areas of responsibility 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 (Group) 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 (Group) accounting process.

- The departments concerned in the (Group) accounting process meet both quantitative and qualitative requirements.

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

- The financial systems employed are based on standard software.

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

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

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

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

- The Management Board bears overall responsibility for the internal controlling and risk management system in respect of the (Group) accounting process. All of the companies and departments included in the financial statements are integrated into a clearly defined management and reporting organization.

The (Group) 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 (Group) accounting departments provide the basis for a correct, uniform and sustainable (Group) 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.
With regard to the objectives and methods of financial risk management, we refer to Note No. 51.

6. Dividend distribution

In proposing a dividend, the Management and Supervisory Boards take due account of the need to safeguard the company's financial resources as well as the principle of dividend continuity which requires that the dividend should not be lower than that paid in the previous year and should be increased if it is possible to do so at a distribution ratio of 50 percent of consolidated earnings per share generated in the financial year. At irregular intervals the company also disburses surplus liquidity in the form of special distributions. The Management Board intends to propose that in resolving on the appropriation of net income, the Supervisory Board recommends a disbursement of EUR 4.00 per share. This would include a dividend of EUR 1.40 (previous year: EUR 1.17) in line with the policy of previous years, as well as a special payment of EUR 2.60 per share. The recommendations for the appropriation of net income put forward by the Management and Supervisory Boards will be resolved upon at the annual general meeting on April 30, 2019.

7. Outlook: Future economic and sector climate, opportunities and risks to future development, future position of the company

Global mood indicators point to a continuing slowdown in the global economic upswing in 2019. This is in part attributable to the fact that in a series of advanced economies, production capacities are over-utilized and suitable labor is in short supply. Moreover, as a result of the more restrictive monetary policy in the USA, financing terms in Latin America in particular are also likely to deteriorate markedly, thereby putting a brake on economic expansion. The positive momentum deriving from tax reform in the USA is also likely to slowly draw to an end. According to economic experts, the Eurozone economy is also like to continue to slow down. China's economy is expected to expand at a decreasing, while still substantial rate.[5]

In Germany too, it is probable that the pace of growth will continue to slow. The sustained demand for labor, the increasing wage dynamics and the high level of orders on company's books indicate that due primarily to supply-side factors, the upturn is gradually reaching its limits.[6]

5) ifo Winter 2018 Economic Forecast: Germany's economy is cooling off;
6) German Council of Economic Experts: Forecasts for the year 2019 – Annual Report 2018/19: Germany's economy is reaching its limits

Growth forecasts in the software industry remain strong. Businesses perceive digitization as a once in a century opportunity. For example, the forecasts for the German ICT market for 2019 published by industry association BITKOM in January 2019 foresee growth of 1.5 percent in the ICT market as a whole, of which the software, IT services and IT hardware segments form the core, rising to EUR 168.5 billion.[7]

We also refer to this outlook on opportunities in Section 2, Group basics, and in Section 6, Risk management and control system. 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.

We expect sales growth in financial year 2019 to be between 11 and 13 percent. At the same time in financial year 2019 ATOSS intends to increase the level of investment in addressing new markets and associated opportunities for fresh growth in the field of workforce management. Investments are planned in particular in sales and marketing. With an overall constant cost structure, the company expects to see an EBIT margin in financial year 2019 of between 25 and 28 percent. Even after the dividend distribution, ATOSS Software AG with its balance sheet structure largely unchanged will continue to enjoy a comfortable equity ratio with liquidity in excess of EUR 20.0 million at the year-end.

In its forecast published in February last year for the financial year 2018, ATOSS Software AG predicted that sales would develop at the growth rates recorded in 2017. With sales up 15 percent relative to the year before at EUR 62.6 million and an EBIT margin of von 27 percent, ATOSS has clearly exceeded its sales guidance through gaining new customers and slightly exceeded the EBIT margin within the predicted range.

[7]) Bitkom: ICT market figures January 2019

8. Responsibility Statement

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, February 14, 2019

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Management Board

CONSOLIDATED BALANCE SHEET AS OF 12/31/2018

Assets (EUR)	Note	12/31/2018	12/31/2017
Non-current assets			
Intangible assets	13, 25	380,538	358,907
Property, plant and equipment	13, 25	4,277,418	3,696,367
Other financial assets	11, 23	512,740	496,975
Deferred taxes	26	922,726	835,633
Total non-current assets		**6,093,422**	**5,387,882**
Current assets			
Inventories		4,464	3,610
Trade accounts receivable	11, 23	6,255,949	5,077,440
Other financial assets	11, 23	11,620,425	11,680,269
Other non-financial assets	24	1,500,035	949,971
Cash and cash equivalents	10, 22	21,675,798	15,428,403
Total current assets		**41,056,671**	**33,139,693**
Total assets		**47,150,093**	**38,527,575**

Equity and liabilities (EUR)	Note	12/31/2018	12/31/2017
Equity			
Subscribed capital	32	3,976,568	3,976,568
Capital reserve	32	-661,338	-661,338
Equity deriving from unrealized profits/losses	32	-1,872,779	-1,784,476
Unappropriated net income	56	27,057,136	20,312,545
Equity attributable to the equity holders of the parent		**28,499,587**	**21,843,299**
Non-controlling interests		-46,720	-34,185
Total equity		**28,452,867**	**21,809,114**
Non-current liabilities			
Pension provisions	17, 31	4,782,229	4,826,790
Deferred taxes	14, 26	54,277	50,335
Total non-current liabilities		**4,836,506**	**4,877,125**
Current liabilities			
Trade accounts payable	15	510,151	446,808
Contract liabilities	18	2,446,496	4,191,934
Other liabilities	24	8,916,637	6,946,855
Tax provisions		1,929,636	166,739
Other provisions	16, 30	57,800	89,000
Total current liabilities		**13,860,720**	**11,841,336**
Total equity and liabilities		**47,150,093**	**38,527,575**

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD FROM 1/1/2018 TO 12/31/2018

EUR	Note	01/01/2018 –12/31/2018	01/01/2017 –12/31/2017
Sales revenues	18, 33	**62,610,818**	**54,606,792**
Cost of sales	34	-18,441,321	-16,223,606
Gross profit on sales		**44,169,497**	**38,383,186**
Distribution costs	35	-10,935,362	-9,703,835
Administration costs	36	-5,216,072	-4,279,797
Research and development costs	37	-11,226,211	-10,260,676
Other operating income	40	322,789	170,979
Other operating expenses	40	-198,036	-184,118
Operating profit		**16,916,606**	**14,125,738**
Interest and similar income	39	121,936	56,453
Interest and similar expenses	39	-249,628	-122,053
Earnings before taxes		**16,788,914**	**14,060,138**
Taxes on income and earnings	26, 41	-5,595,233	-4,730,627
Net income for the year		**11,193,681**	**9,329,512**
Attributable to:			
Equity holders of the parent		11,206,216	9,343,517
Non-controlling interests:		-12,535	-14,005
Earnings per share (undiluted)		2.81	2.35
Earnings per share (diluted)		2.81	2.35
Average number of shares in circulation (undiluted)		3,976,568	3,976,568
Average number of shares in circulation (diluted)		3,976,658	3,976,568

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD FROM 1/1/2018 TO 12/31/2018

EUR	Note	01/01/2018 –12/31/2018	01/01/2017 –12/31/2017
Net income for the year		**11,193,681**	**9,329,512**
Components not reallocated in profit and loss			
Profits/losses on the revaluation of defined benefit pension plans recognized in equity	31	152,177	252,729
Tax effects on profits/losses on the revaluation of defined benefit pension plans recognized in equity	31	-49,521	-82,393
Components reallocated in profit or loss in later periods			
Profits/losses recognized in equity on the disposal of financial assets available for sale		0	67,002
Tax effects on profits/losses recognized in equity on the disposal of financial assets available for sale		0	-22,838
Other comprehensive income for the period after taxes		**102,657**	**214,500**
Comprehensive income after taxes		**11,296,338**	**9,544,012**

CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD FROM 1/1/2018 TO 12/31/2018

EUR	Note	01/01/2018 –12/31/2018	01/01/2017 –12/31/2017
Earnings before taxes		**16,788,914**	**14,060,138**
Depreciation on fixed assets	25	1,077,099	752,857
Interest and similar income	39	-121,936	-56,453
Interest and similar expenses	39	249,628	122,053
Gains from the disposal of fixed assets	25	30,716	2,896
Change in net current assets			
Trade accounts receivable	23	-1,178,509	-601,664
Inventories and other assets	23	-550,497	-53,769
Other assets		7,326	0
Trade accounts payable		63,343	-276,789
Other liabilities	28	1,970,310	241,819
Other provisions	29	-31,200	0
Contract liabilities	28	-1,745,438	-122,313
Interest received		955	54,962
Interest paid		-614	-2,836
Income taxes received		325,862	13,700
Income taxes paid		-4,275,481	-5,306,055
Cash flow generated from operating activities (1)	42	**12,610,477**	**8,857,032**
Cash flow from investment activities			
Disbursements for the purchase of property, plant and equipment and intangible assets	25	-1,716,997	-1,484,055
Receipts from the disposal of property, plant and equipment and intangible assets		6,500	0
Disbursements for the purchase of other financial assets		0	-2,101,709
Cash flow generated from investment activities (2)	43	**-1,710,497**	**-3,585,766**
Cash flow from financing activities			
Dividends paid	44	-4,652,585	-4,612,819
Cash flow generated from financing activities (3)	44	**-4,652,585**	**-4,612,819**
Change in liquidity - total of (1) to (3)		**6,247,395**	**658,448**
Liquidity at beginning of year	22	15,428,403	14,769,956
Liquidity at end of year	22	21,675,798	15,428,403

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 12/31/2018

	Attributable to the equity holders of the parent					
EUR	Subscribed capital	Capital reserve	Equity deriving from unrealized profits/losses	Profit shown on balance sheet	Non-controlling interests	Total
Note	32	32	32	32		
01/01/2017	**3,976,568**	**-661,338**	**-1,998,976**	**15,581,847**	**-20,180**	**16,877,921**
Net income 2017	0	0	0	9,343,517	-14,005	9,329,512
Other comprehensive income	0	0	214,500	0	0	214,500
Total comprehensive income	**0**	**0**	**214,500**	**9,343,517**	**-14,005**	**9,544,012**
Dividends	0	0	0	-4,612,819	0	-4,612,819
12/31/2017	**3,976,568**	**-661,338**	**-1,784,476**	**20,312,545**	**-34,185**	**21,809,114**
01/01/2018	**3,976,568**	**-661,338**	**-1,784,476**	**20,312,545**	**-34,185**	**21,809,114**
Net income 2018	0	0	0	11,206,217	-12,535	11,193,681
Other comprehensive income	0	0	102,657	0	0	102,657
Total comprehensive income	**0**	**0**	**102,657**	**11,206,216**	**-12,535**	**11,296,338**
Dividends	0	0	0	-4,652,585	0	-4,652,585
Effect of adoption of new accounting standards	0	0	-190,960	190,960	0	0
12/31/2018	**3,976,568**	**-661,338**	**-1,872,779**	**27,057,136**	**-46,720**	**28,452,867**

One share represents a notional share of 1 Euro of subscribed capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2018

I. COMPANY INFORMATION

II. ACCOUNTING AND VALUATION METHODS

III. NOTES TO THE CONSOLIDATED BALANCE SHEET

IV. NOTES TO THE CONSOLIDATED INCOME STATEMENT

V. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

VI. OTHER DISCLOSURES

I. Company information

ATOSS Software AG, Rosenheimerstraße 141 h, 81671 Munich, hereinafter also called “ATOSS” or “the company”, is a stock corporation established in Munich, Germany, with limited liability. The company is registered with the Municipal Court of Munich under Commercial Register Number HRB 124084. ATOSS has been listed on the Deutsche Börse in Frankfurt since March 21, 2000. The company is one of the leading providers 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)

The present consolidated financial statements, as in the year before, were prepared for both the parent company and subsidiaries in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as applicable in the EU and with the supplementary provisions of German commercial law applicable pursuant to § 315e, Para. 1 of the German Commercial Code (HGB).

The accounting and valuation methods applied in the previous year were retained with the exception of the following new or amended Standards.

Standard or Interpretation	Description	For financial years with effect from
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01/01/2018
Amendment to IAS 40	Investment Property	01/01/2018
Amendment to IFRS 2	Share-based Payment	01/01/2018
Improvements to IFRS 2014-2016 IFRS 1 IFRS 12 IAS 28	First-Time Adoption of International Financial Reporting Standards Disclosure of Interests in Other Entities Investments in Associates and Joint Ventures	01/01/2018
Amendments to IFRS 4	Application of IFRS 9 Financial Instruments jointly with IFRS 4 Insurance Contracts	01/01/2018
Clarification of IFRS 15 and amendments to IFRS 15	Revenue from Contracts with Customers	01/01/2018
IFRS 9	Financial Instruments	01/01/2018

Application of these new or amended Standards with the exception of those Standards described hereinafter had no material impact on Group accounting and did not affect either the presentation of the consolidated financial statements or the net assets, financial position and earnings situation of the Group. The Group has not prematurely applied any Standards, Interpretations or Amendments which have been published but are not yet in force.

IFRS 15 and IFRS 9 were applied by the Group for the first time. The nature and effects of the changes resulting from the first-time application of these new accounting standards are described hereinafter and in Sections II 18,29; III 23,32; IV 33.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue and the associated interpretations and applies, with only a few exceptions, to all revenues from contracts with customers.

Revenues deriving from the issue of licenses and trade receivables have previously been realized in accordance with IAS 18.14. Revenues from the performance of services was realized in accordance with IAS 18.20. The joint sale of software licenses and maintenance services came within the area of application of IAS 18.13. Maintenance revenues were treated as deferred income and recognized as sales revenues over the period during which the services were provided. Revenues deriving from construction contracts were measured by the percentage of completion method as per IAS 11.23. Here too, sums invoiced in advance for maintenance and construction contracts that are to be performed and taken to income in subsequent periods were carried as deferred revenues.

The new IFRS 15 introduces a five-stage model for the treatment of revenue from contracts with customers. In accordance with IFRS 15, revenues are booked in the amount of the consideration which a company is likely to receive in return for delivering promised goods or services to a customer.

IFRS 15 demands that in applying each stage of the model to contracts with their customers, companies should make discretionary decisions and consider all relevant facts and circumstances. This standard also covers the treatment of additional costs involved in the initiation of contracts and the costs directly associated with contract fulfillment. Finally, the standard also contains extensive disclosure requirements. The Group has applied the new standard retroactively in modified form.

In accordance with our new accounting and valuation methods based on IFRS 15, we no longer carry deferrals on our balance sheet for non-realized revenues. Contracts with customers are instead reported either as a contractual liability or as a contractual asset as soon as either party has commenced contract fulfillment. The headings have also been amended accordingly for comparative accounting periods. Legal claims to a consideration from a customer are reported as trade receivables only when the legal entitlement is unconditional. The changes brought about by IFRS 15 affect only the presentation in the financial statements. There are no effects on company sales or earnings.

IFRS 9 Financial Instruments
IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for financial years commencing on or after 01/01/2018. The new standard combines all

three aspects of the treatment of financial instruments: classification and valuation, impairment and accounting for hedges.

The Group has applied IFRS 9 retroactively with effect from 01/01/2018.

Classification and valuation
In accordance with IFRS 9 upon subsequent valuation debt instruments may either be recognized at fair value through profit or loss, or at amortized cost, or recognized in equity at fair value as other income. The classification is based on two criteria: the Group business model for the management of assets and the question of whether the contractual cash flows from these instruments relate solely to payments of principal and interest on the principal amount outstanding.

An assessment of the Group business model was made at the time of first application as of 01/01/2018. The process was then subsequently carried out retroactively for financial assets not booked out prior to 01/01/2018. An assessment of whether the contractual cash flows from debt instruments relate solely to payments of principal and interest was carried out on the basis of the facts and circumstances applying at the time these assets were first recognized.

The classification and valuation requirements contained in IFRS 9 had no material effects on the Group. The Group has continued to value all financial assets held at fair value pursuant to IAS 39 at said fair value. The changes in classification of Group financial assets are explained as follows:

- Trade receivables, previously classified as receivables, are held for the purpose of collecting contractual cash flows and lead to cash flows that represent solely payments of principal and interest. These items will in future be classified and valued as debt instruments valued at amortized cost.

- Financial investments in gold, investment funds and claims against banks and insurance companies previously classified by the Group as financial assets available for sale will in future be classified and valued as assets recognized at fair value through profit or loss.

As a result of the change in classification of financial investments in gold and investment funds as well as claims against banks and insurance companies deriving from capital investments, the figure for equity deriving from unrealized profits and losses including the associated tax effects was corrected as of January 1, 2018 to reflect accumulated profits in the amount of EUR 190,960. Retained earnings were increased in the same amount.

With regard to trade receivables, the company applies the simplified impairment model as per IFRS 9. Necessary adjustments are made in consideration of historic losses and – where relevant – on the basis of current market developments. In the case of other financial assets not measured at fair value, the company anticipates that a valuation will regularly be carried out at Stage 1 only, given that the company invests only in high-value assets and fixed-term deposits and other cash investments with exclusively reputable financial institutions with positive ratings.

In view of this short-term investment strategy, the investment horizon is per se short-term (less than 1 year) and permits the allocation to be amended at any time at short notice.

The application of these new impairment requirements has resulted in only minor changes to the financial statements.

Published but not yet obligatory standards

The Group has not prematurely applied the following standards, amendments to standards and IFRIC interpretations of IFRS, which have been published but have not yet come into force, and does not plan to do so. The essential effects resulting from these changes are explained hereinafter.

Standard or Interpretation	Description	For financial years with effect from
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	01/01/2019
Amendment to IFRS 9	Reassessment of Embedded Derivatives	01/01/2019
IFRS 16	Leases	01/01/2019

IFRIC Interpretation 23 must be applied when accounting for taxes on income as per IAS 12, if uncertainties exist with regard to tax treatment. It does not apply to taxes or levies that do not fall within the scope of IAS 12 and includes no stipulations with regard to interest and late payment penalties in connection with uncertain tax treatments. The Interpretation deals with the following points in particular:

- Decisions on whether a company should assess uncertain tax treatments individually
- Assumptions that a company may make with regard to reviews of tax treatments by the tax authorities
- Determination of taxable profit (or tax loss), the tax base, unused tax losses, unused tax credits and tax rates
- Consideration of changes in facts and circumstances

A company must determine whether each uncertain tax treatment should be assessed separately, or jointly with one or more other uncertain tax treatments. An approach must be selected which allows for better prediction in terms of resolving the uncertainty. The Interpretation takes effect for reporting periods commencing on or after January 1, 2019. The option does however exist to take advantage of certain transitional simplifications. The Group will apply IFRIC 23 from the point in time at which it takes effect. It is not expected that application of this Interpretation will have any effect on Group financial statements.

In accordance with IFRS 9, a debt instrument may be valued at amortized cost or recognized in equity as other income at fair value if the contractually agreed cash flows represent solely payments of principal and interest on the principal amount outstanding (the SPPI condition) and the debt instrument is held within the framework of a business model which corresponds with this classification. The amendments to IFRS 9 make it clear that a financial asset meets the SPPI condition irrespective of which event or circumstance causes the contract to be prematurely ended and which contracting party pays or receives appropriate compensation for such premature termination. The amendments must be applied with retroactive effect for the first time on 01/01/2019. Earlier application is permissible. These amendments have no effect on Group financial statements.

IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives and SIC 27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 lays the foundations for the recognition, valuation and disclosure requirements with regard to leases and obliges all lessees to recognize all leases in accordance with a single model similar to the treatment of finance leases as per IAS 17. The new standard contains two exceptions from the requirement for lessees to report leases on balance sheet: leases for low value assets (e.g. copiers) and short-term leases (i.e. leases with a maximum term of twelve months). At the beginning of the lease the lessee recognizes a liability to pay the lease rentals (i.e. the lease liability) and an asset representing the right granted to use the leased object for the term of the lease (i.e. the right to use the leased object). Lessees must recognize the interest cost of the lease liability and the depreciation cost for the right to use the leased object separately. In addition lessees are required upon the occurrence of certain events (e.g. a change to the term of the lease or change in future lease payments resulting from a change in the index or interest rate used to determine the lease payments) to revalue the lease liability. Lessees should in general recognize the amount by which the lease liability has been revalued as an adjustment to the right-of-use asset. There are essentially no changes in treatment arising from IFRS 16 for lessors relative to the currently valid IAS 17. They should continue in future to classify all leases in accordance with the principles contained in IAS 17 and distinguish between two types of lease, namely operating leases and finance leases. IFRS 16 is applicable for the first time for financial years commencing on or after 01/01/2019 and obliges lessees and lessors to provide more detailed information relative to IAS 17.

Transition to IFRS 16

The Group will undertake a modified retrospective application of the standard commencing on 01/01/2019, that is to say, an adjustment of previous years' figures will be dispensed with. The cumulative effect of the first-time application of the standard will be recognized as an adjustment to the opening balance for the revenue reserve. The Group will apply this standard to contracts previously classified as leases as per IAS 17 and IFRIC 4. The standard will therefore not be applied to contracts not previously regarded as leases within the meaning of IAS 17 and IFRIC 4. The Group will apply the exemptions contained in this standard to lease contracts, the term of which ends within twelve months of the date of initial application, and to lease contracts for low-value assets. The Group has certain items of office equipment (e.g. printers and photocopiers) on lease which are classified as being of low value. With the application of IFRS 16, linear expenses for operating leases will be replaced by depreciation costs for rights of use and interest costs for lease liabilities. This will result in a deterioration in cash flow from financing activities and an improvement in cash flow from operations.

On the basis of an analysis of the effects on Group financial statements resulting from the application of IFRS 16, we anticipate that as of 01/01/2019 there will be an increase of between EUR 9.4 and 9.5 million in assets resulting from the creation of rights-of-use assets. Lease liabilities will lead to an increase of between EUR 9.9 and 10.0 million. This is essentially attributable to leased properties. The basis for this analysis comprises all contracts entered into up to 12/31/2018.

Standards published but not yet adopted by the EU

The Group has not applied the standards, amendments to standards and IFRIC interpretations of IFRS, which have been published but have not yet been adopted by the EU, and does not plan to do so. The effects resulting from these changes have not been evaluated.

2. Bases for the preparation of the financial statements

The present consolidated financial statements were prepared to 12/31/2018 for the reporting period from January 1 to December 31, 2018. The financial year for all group companies coincides with the calendar year. As a matter of principle the consolidated financial statements are prepared in application of the historical cost method, with the exception of current financial assets which are measured at fair value.

3. Reporting currency

The present consolidated financial statements were prepared in euro. Amounts are rounded up to whole euro units.

4. Consolidated group

The parent company with registered office and stock exchange listing in Germany is ATOSS Software AG, Munich. All subsidiaries are fully consolidated in the Group financial statements for ATOSS Software AG. Subsidiary companies are fully consolidated from the time of acquisition, that is to say, from the time at which the group acquires control. The parent company is deemed to control a subsidiary when the parent is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. As a matter of principle, control is exercised through voting rights. Companies cease to be consolidated when the parent company no longer has control.

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.

Their annual financial statements have been prepared in accordance with national regulations and reconciled in accordance with IFRS. The latest published figures according to national law are as follows:

Company	Proportion of Subscribed capital	Equity 12/31/2017 in EUR	Result for the year 2017 in EUR
ATOSS Aloud GmbH, Munich, Germany	97%	-1,139,513	-466,836
ATOSS CSD Software GmbH, Cham, Germany	100%	2,178,644	795,031
ATOSS Software AG, Zurich, Switzerland	100%	950,477	255,265
ATOSS Software Gesellschaft m.b.H., Vienna, Austria	100%	2,992,727	1,000,591
ATOSS Software S.R.L., Timisoara, Romania	100%	569,790	94,547
ATOSS North America Inc., West Hollywood, USA	100%	17,770	-6,241

5. Consolidation principles

The financial statements for subsidiaries are prepared in application of uniform accounting methods for the same reporting period as the financial statements for the parent company. All Group-internal balances, business events, 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 acquisition method. The recognized values of assets assigned and liabilities accepted representing the acquisition cost of the interest in each relevant company were offset against the equity capital reported by the subsidiary at the time of acquisition.

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. No amalgamations took place in financial year 2018 (previous year: no amalgamations).

ATOSS Aloud GmbH, Munich, is fully consolidated in the Group financial statements for ATOSS Software AG. The equity attributable to minority shareholders in ATOSS Aloud GmbH and the pro rata net earnings are each reported separately in the consolidated balance sheet, income statement, statement of comprehensive income and statement of changes in equity.

6. Discretionary decisions, estimates and assumptions of material importance

In preparing the consolidated financial statements, discretionary decisions, estimates and assumptions are made by management which affect the level of income, expenses, assets and debts reported as well as the associated disclosures and the disclosure of contingent liabilities. As a result of the uncertainty associated with these assumptions and estimates, actual events in future periods may lead to substantial adjustments in the carrying value of the assets and debts concerned.

The Group has made the following discretionary decisions which materially affect the determination of the level and timing of income from contracts with customers:

Determination of contractual obligations where software licenses, maintenance and hardware are sold together
The Group offers maintenance services which may be sold either individually in contracts with customers or as a package together with software licenses. These are separate contractual obligations. The fact that the Group regularly sells both software licenses and maintenance services independently of one another shows that customers can benefit from both individually.

In addition, the Group also sells hardware which may be offered to customers either individually or as part of a package together with the sale of software licenses and/or the performance of maintenance services. Here too, these are separate contractual obligations, since they are neither heavily dependent on one another nor connected with one another. The customer also has the option of purchasing hardware directly from other suppliers.

Where a contract with a customer contains several contractual obligations, pursuant to IFRS 15 the transaction price is apportioned between the individual obligations based on their relative individual selling prices.

Estimates are also 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. These components are based on information which at the time the financial statements are prepared is in the possession of the consultants deployed and of the management in respect of the services to be provided and the required use of resources. It is therefore to some extent more difficult and more complex to make an estimate in the early stages of a project. The software sales revenues deriving from production orders in work at the end of the reporting period amounted in financial year 2018 to EUR 604,275 (previous year: EUR 1,277,312).

Principal vs. agent
The Group generates sales revenues through the sale of hardware. The contractual obligation lies in the provision of the agreed hardware. The Group has determined that it has the power to dispose over the hardware prior to transferring this to the customer and is therefore to be regarded as the principal. The following indicators support this estimation:

- The company is primarily responsible for fulfilling the commitment to supply the hardware.
- The Group has a margin of discretion in setting the price for the hardware.

Further estimates and assumptions
The value of pension provisions is also subject to estimates in respect of the parameters listed

in Note 31. The book value of the provision as of 12/31/2018 stood at EUR 4,782,229 (previous year: EUR 4,826,790).

Actual figures may deviate from estimates made.

In application of the Group accounting methods the company has made the following discretionary decisions that materially affect the sums reported in the consolidated financial statements:

Development costs are recognized as expenses in profit and loss. The criteria contained in IAS 38.57 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.

7. Distinction between current and non-current classification

The Group draws a distinction in the balance sheet between current and non-current assets and liabilities. An asset must be classified as current if: the asset is expected to be realized within the normal business cycle or is held for sale or use within this period,

- the asset is held primarily for trading,
- the asset is expected to be realized within twelve months following the closing date for the financial statements, or
- the asset comprises cash or cash equivalents, unless the exchange or use of the asset for the purpose of fulfilling an obligation is restricted for a period of at least twelve months following the closing date for the accounts.

All other assets are classified as non-current.

A liability must be classified as current if:

- he liability is expected to be fulfilled within the normal business cycle,
- the liability is held primarily for trading,
- the liability is expected to be fulfilled within twelve months following the closing date for the accounts, or
- the company has no unrestricted right to postpone fulfillment of the liability for at least twelve months following the closing date for the accounts.

All other liabilities are classified as non-current.

Deferred tax claims and liabilities are classified as non-current assets or liabilities.

8. Currency translation

The functional currency for all Group companies is the euro.

Foreign currency transactions are initially 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.

9. Segment reporting

The identification of operating segments presupposes that a senior decision-maker monitors and assesses the profitability of significant components of the company as the basis for resource allocation and profitability measurement, that the components of the company generate income and incur expenses as part of their business activities, and that financial information is available for these components of the company. Several segments can be aggregated into one segment if the type of products and services, production processes and customers for which the products and services are intended are similar, as well as the sales methods applied, and where they exhibit a significant shortfall relative to the quantitative thresholds for segment formation.

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 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. For this reason the Management Board manages the company on the basis of key figures for business as a whole. Business activities are not divided into segments, therefore the Group does not prepare segment reports.

The individual software solutions comprise:

- ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE): ASES and ASE are software solutions for time and attendance management and workforce scheduling 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 recording media as merchandise.

  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 of all sizes in a wide variety of industries.

- ATOSS Time Control (ATC): ATC offers a software solution for time and attendance management and workforce scheduling 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.

10. Cash and cash equivalents

The balance sheet item "Cash and cash equivalents" comprises cash on hand and at banks as well as short-term deposits with a term of less than three months and a non-material risk of fluctuations in value. This item also includes financial assets which may be used by the company at any time as a means of covering its short-term liquidity requirements since they may be liquidated at short notice and do not entail any expected material loss even if terminated prematurely.

11. Financial assets

Initial recognition and measurement
Upon first recognition financial assets are classified for the purpose of subsequent valuation either as assets carried at amortized cost or assets valued at fair value through profit or loss.

The classification of financial assets upon first recognition depends on the nature of the contractual cash flow deriving from these assets. With the exception of trade receivables which contain no significant financing components, the Group values financial assets at fair value plus transaction costs. Trade receivables which contain no significant financing components are valued at the transaction price measured in accordance with IFRS 15. In this context we would refer to the accounting methods in Section 18. Revenue from Contracts with Customers.

In order for a financial asset to be classified and valued either as an asset carried at amortized cost or as an asset recognized at fair value in equity, the cash flows must comprise solely payments of principal and interest (SPPI). This assessment is referred to as the SPPI test and is carried out at the level of individual financial instruments.

The financial assets held by the company serve to safeguard liquidity within the framework of the company's conservative investment strategy.

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.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in two categories:

- financial assets measured at amortized cost (debt instruments)
- financial assets at fair value through profit or loss

Financial assets measured at amortized cost (debt instruments)
This category is of greatest importance for the consolidated financial statements. The Group measures financial assets at amortized cost if the following conditions are met:

- The financial asset is held within the framework of a business model, the object of which is to hold financial assets for the purpose of receiving the contractual cash flow,
  and
- The terms of contract underlying the financial asset lead at fixed points in time to cash flows which comprise solely payments of principal and interest.

Group financial assets measured at amortized cost include trade receivables as well as loans and claims against financial institutions.

Impairment of financial assets
Financial assets measured at amortized cost are measured in subsequent periods in application of the effective interest method and any possible impairment must be considered. Profits and losses are recognized in the income statement as and when the asset is derecognized, modified or impaired.

For trade receivables the Group applies the simplified valuation allowance scheme contained in IFRS 9 and applies the expected loss directly over the entire term of the receivable. Necessary adjustments are made in consideration of historic losses and – where relevant – on the basis of current market developments. It is presumed that where a receivable is more than 120 days overdue, a loss has been incurred irrespective of estimated creditworthiness. In individual cases, however, the loss may also be identified directly through information regarding the customer's credit status. In the event of a customer becoming insolvent, the full value of the receivable is reported as a loss. Only at this point is the asset derecognized.

As a matter of principle changes in the carrying value of trade receivables are reduced with the aid of a value adjustment account and the impairment recognized in profit and loss. 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 other operating expenses.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include investments in gold, investment funds, dividend-bearing securities and claims deriving from capital investments with banks and insurance companies. The categorization of investments in gold as financial assets results from a conscious decision by management and conforms with IAS 8.10 whereby in the absence of an IFRS which expressly applies to a specific business event or other events or conditions, management is required to decide which appropriate accounting method should be developed and applied. 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 measured at fair value, or assets which must compulsorily be so measured. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the short term. Financial assets with cash flows that do not solely comprise payments of principal and interest are classified irrespective of the business model as assets measured at fair value through profit or loss and valued accordingly.

Financial assets measured at fair value through profit or loss are recognized on balance sheet at fair value, whereby the balance of changes in fair value is recognized in profit or loss as financial income or expenses.

Derecognition
A financial asset is principally derecognized (i.e. removed from the Group balance sheet) when the contractual rights to the cash flow from the asset are exhausted.

Measurement of fair value
The Group values financial assets on each closing date at fair value.

Fair value is the price that would have been received in an orderly transaction between market participants on the date of measurement for the sale of an asset or paid for the transfer of a liability. In measuring fair value, it is assumed that the business transaction in the course of which the sale of the asset or transfer of the liability is entered into

- either on the principal market for the asset or liability
- or, where no principal market is available, on the most advantageous market for the asset or liability.

The Group must have access to the principal market or most advantageous market.

The fair value of an asset or liability is measured on the basis of the assumptions which market participants would use as a basis for setting the price of the asset or liability. Whereby it is presumed that the market participants would act in their own best financial interests.

When measuring the fair value of a non-financial asset, consideration is given to the ability of the market participant to achieve economic benefit, whether by making the most meaningful and best use of the asset or by selling the same to another market participant who can find the most meaningful and best use.

The Group applies valuation techniques that are appropriate under the respective circumstances and for which sufficient data is available to measure the fair value. In doing so, the use of essentially observable input factors should be maximized as far as possible and any use of non-observable input factors minimized.

All assets and liabilities for which a fair value is ascertained or reported in the financial statements are classified in accordance with the measurement hierarchy described hereinafter, based on the input factor at the lowest stage of overall material importance for the measurement of fair value:

- Level 1: (unadjusted) prices quoted in active markets for identical assets or liabilities
- Level 2: valuation procedures in which the input factor at the lowest level of overall material importance for the measurement of fair value is directly or indirectly observable on the market
- Level 3: valuation procedures in which the input factor at the lowest level of overall material importance for the measurement of fair value is not observable on the market

In the case of assets and liabilities recognized in the financial statements on a recurring basis at fair value, the Group determines whether there have been any changes in assignment to the levels of hierarchy. It does so by verifying the classification at the end of each reporting period (based on the input factor at the lowest level of overall material importance for the measurement of fair value). In order to fulfill the disclosure requirements for fair value, the

Group has defined classes of assets and liabilities based on their nature, features and risks as well as the levels in the measurement hierarchy described above. Apart from bank and insurance products all financial instruments have a Level 1 market price.

12. Impairment of non-current non-financial 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 achievable amount is the higher of either the fair value of an asset or cash-generating entity less disposal costs or its utility value. The achievable 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 groups of assets. If the carrying value of an asset exceeds its achievable value, the asset is impaired and is written down to its achievable value.

To determine the utility value, 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 achievable 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 achievable 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, as in the previous year, there were no impairments of non-current assets pursuant to IAS 36.

13. Tangible and intangible assets

Tangible fixed assets and intangibles are valued at cost less cumulative scheduled linear depreciation. Assets are depreciated over periods of between 3 and 5 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. The cost of acquisition is deemed to be the amount paid in cash or cash equivalents to purchase the asset. At the end of the reporting period the company had no intangible assets with an indefinite service life.

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

A tangible fixed asset or intangible 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 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 least at the end of each financial year and adjusted as required. 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.

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.

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 in equity are similarly recognized. Dependent on the underlying business event, these deferred taxes may be recognized either in other income or directly 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 revenues, 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 other non-financial assets or liabilities.

15. Financial liabilities

Financial liabilities such as trade accounts payable and other liabilities are measured on first recognition at fair value. This generally corresponds with the fair value of the counter-performance received (in the case of trade accounts payable, regularly also with the nominal value). Thereafter these liabilities are carried on the balance sheet at amortized cost. The trade accounts payable and other financial liabilities do not attract interest.

A liability is derecognized when the underlying obligation is satisfied, terminated or expired.

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. 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. Pursuant to this plan, pension payments will commence when the recipient reaches the age of 65 and will be paid for life. To cover this pension commitment the company has arranged pension liability insurance cover with insurers who enjoy positive ratings and assigned the entitlements arising there from with the result that since financial year 2005 the attributable fair value of the assets of the plan deriving from the pension liability insurance policies are 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.

For measurement purposes, the projected unit credit method is applied. In accordance 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.

The pension provision was calculated on the basis of an assumed interest rate of 2.0 percent (previous year: 1.95 percent), an inflation rate of 2.0 percent (previous year: 2.0 percent) and a contractually defined pension trend of 3.0 percent (previous year: 3.0 percent). The biometric tables prepared by Prof. Klaus Heubeck [Richttafeln 2018 G] were applied.

In addition, there are aIso contributory pension plans for a member of the Board of Management and for employees with 15 or more years of 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 2018 amounted to EUR 149.603 (previous year: EUR 144.359).

18. Revenue from Contracts with Customers

ATOSS Software AG derives revenues from the issue of licenses for software products to end users or resellers, from cloud subscriptions, maintenance contracts, consulting services, the sale of hardware and the provision of miscellaneous supplies and services. Revenues are recognized in the amount of the consideration which the Group expects to receive in exchange for these goods and services.

(a) Sale of goodsWith regard to the sale of software licenses, hardware and identification media for time recording and access control modules, revenues are realized at a point in time at which the power to dispose over the asset passes to the customer.

(b) Provision of services
The Group provides consulting and implementation services. These are either sold individually in contracts with customers or offered as a package together with the sale of software licenses. However, the company does not in principle offer consulting and implementation services in an overall package together with software licenses at an overall price. Service revenues are recognized according to the degree of completion. Where a contract with a customer contains several contractual obligations, pursuant to IFRS 15 the transaction price is apportioned between the individual obligations. This apportionment is based on the ratio of the individual selling prices for goods or services at the time of entry into contract. The individual selling price is the price at which a company would sell goods or services to a customer. In the case of ATOSS this price fundamentally equates to the transaction price, that is to say, the price is in no way influenced by whether the goods or services in question are sold together or individually. Discounts (that is to say, where the total of individual prices exceeds the transaction price) are likewise on principle apportioned on the basis of the relative individual selling prices. If however there are indications that the reduction in price relates to only one or certain individual contractual obligations, as is regularly the case at ATOSS, the discount must be directly attributed to this (these) obligation(s).

Where the customer places a long-term production order, the revenues are recognized over a specific period of time on the basis of milestones, provided that at least one of the three following conditions as per IFRS 15.35 is met:

1. The customer receives and utilizes the benefit in parallel with the performance (e.g. service or maintenance),
2. The performance by the company creates or improves an asset which is controlled by the customer during performance, or
3. The performance by the company leads to an asset with no alternative use and the company has an enforceable right to payment for work carried out to date; this criterion therefore cumulatively presupposes that:
   - no alternative use is possible due to contractual or practical restrictions;
   - The right to payment includes not only reimbursement of expenses but also a customary profit margin

In the case of the works and production contracts entered into by ATOSS, the third condition for the application of the percentage of completion method is regularly fulfilled. 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 based on the output-oriented method as per IFRS 15.B14 (a).

Sums invoiced in advance for production orders that are to be performed and taken to income in subsequent periods are carried as contractual liabilities.

(c) Maintenance and hotline services
Maintenance and hotline revenues are generally recognized after the expired time and therefore in installments over the term of the support contract in compliance with the output-oriented method as per IFRS 15.B14 (a). Sums invoiced generally half-yearly or yearly in advance for maintenance services that are to be performed and taken to income in subsequent periods are carried as contractual liabilities.

(d) Cloud subscriptions
Sales revenues for cloud subscriptions and support comprise revenues deriving from the granting of rights to use software functions within a cloud-based infrastructure hosted by third-party providers engaged by ATOSS. The customer has no right to terminate the hosting contract and take possession of the software in order either to operate the same within the customer's own IT infrastructure or engage a third-party hosting provider unconnected with the Group to host and manage the software. Cloud subscription revenues are generally recognized after the expired time and therefore in installments over the term of the cloud contract in compliance with the output-oriented method as per IFRS 15.B14 (a).

Invoices are issued in accordance with the terms of contract, whereby the terms of payment typically require payment within 10 days of invoicing.

Contractual assets
A contractual asset is a claim to receive a consideration in exchange for goods or services transferred to a customer. Where the Group fulfills its contractual obligations to transfer goods or services to a customer before the customer has paid the consideration or before payment is due, a contractual asset is recognized for the contingent claim to the consideration.

Trade receivables
A receivable is an unconditional entitlement on the part of the Group to receive a consideration (i.e. payment becomes due automatically after a period of time). The methods of accounting for financial assets are explained in Section II.11.

Contractual liabilities
A contractual liability is an obligation upon the Group to transfer goods or services to a customer from whom the Group has received (or has yet to receive) a consideration. Where a customer pays a consideration before the Group has transferred the goods or services, a contractual liability is recognized when the payment is made or becomes due (whichever occurs first). Contractual liabilities are recognized as income as soon as the Group has fulfilled its contrac-

tual obligations. The contractual liabilities as of 12/31/2018 are expected to be fulfilled in full within the next 12 months. On 12/31/2018 these liabilities amounted to EUR 2.4 million.

Orders received
The value of orders received corresponds in principle with the estimated revenues deriving from accepted orders in respect of which enforceable rights and obligations exist. Declarations of intent are not included within orders received. Orders on hand on 12/31/2018 amounted to EUR 22.4, of which software licenses and cloud solutions accounted for EUR 5.5 million and EUR 16.9 million respectively.

19. Other operating income and expenses and interest earnings

Other operating income is recognized provided that it is probable that the economic benefit will accrue to the Group and the amount of income can be reliably determined, irrespective of the time payment is made.

Interest earnings are recognized when the interest arises, or in the case of all financial instruments valued at amortized cost, at the effective interest rate. They are reported in profit and loss as a component of financial income.

20. Expenditure on research and development

Development costs are generally recognized as expenses in profit and loss. Typically the criteria as per IAS 38.57 are not fulfilled, since employees are continuously engaged in making only minor updates or improvements in individual areas of the programs sold by the company. Insofar as these adjustments relate only to the requirements of one individual customer, the corresponding expense is attributed to the relevant customer project.

In respect of performance, the improvement of the existing product architecture forms one of the main areas on which the company's development work is focused. Given that this work serves to support the continuing development of existing software versions, and insofar as the independent use or sale thereof would not be possible without the historic underlying basic product, it is not possible for us to identify independent future economic benefits.

21. 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, 2018 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

22. Cash and cash equivalents

EUR	12/31/2018	12/31/2017
Fixed-term deposits	11,700,000	4,100,000
Cash at banks	9,975,798	11,328,403
Total of cash and cash equivalents	**21,675,798**	**15,428,403**

Fixed-term deposits are invested at interest rates of between 0.15 percent and 0.25 percent per annum. Other cash at banks did not attract interest in 2018.

As a result of the positive cash flow from operations in financial year 2018 in the amount of EUR 12,610,477, less investment disbursements of EUR 1,710,497 as well as the dividend distribution of EUR 4,652,585, cash and cash equivalents rose from EUR 15,428,403 to EUR 21,675,798 as of December 31, 2018.

Of the cash at banks, the sum of EUR 391,446 (previous year: EUR 407,490) was pledged as securities in connection with rental contracts and therefore of restricted availability.

Fixed-term deposits and other cash sums are invested with financial institutions with positive ratings.

An unsecured credit line in the amount of EUR 0.5 million (previous year: EUR 0.5 million) is in place with the principal bank of the integrated companies which may optionally be used for guarantee purposes or as an overdraft facility. In financial year 2018 this credit line was used for guarantees in the amount of TEUR 55. As in the year before, no loans were taken out during the past financial year.

The fair value of the company's cash and cash equivalents equates to the book value and accordingly stands at EUR 21,675,798 (previous year: EUR 15,428,403).

23. Other financial assets and trade receivables

Other financial assets and trade receivables were composed as follows:

12/31/2018 (EUR)	Debt instruments measured at amortized cost	Debt instruments, derivatives and equity capital instruments measured at fair value through profit or loss
Trade receivables	6,255,949	0
Other current financial assets		
of which at fair value	0	11,620,425
Other non-current financial assets		
of which at fair value	0	512,740

12/31/2017 (EUR)	Held for trading	Available for sale	Held to maturity	Loans and receivables	Miscella-neous
Trade receivables	0	0	0	5,077,440	0
Other current financial assets					
of which at fair value	0	11,680,269	0	0	0
Other non-current financial assets					
of which at fair value	0	496,975	0	0	0

Trade receivables

The reported trade accounts receivable were composed as follows:

EUR	12/31/2018	12/31/2017
Gross receivables	6,280,578	5,085,136
Less impairments	-24,629	-7,696
Net receivables (carrying value)	**6,255,949**	**5,077,440**

These receivables include those relating to long-term production orders in the amount of EUR 143,378 net (previous year: EUR 86.512). On 12/31/2018 there were no receivables with due dates which had been extended (previous year: EUR 0.00). As in the preceding year there were no receivables with a remaining time to maturity of more than one year.

The following table complies with the disclosure requirement prior to introduction of IFRS 9 adds to the completeness of the comparative period:

EUR		12/31/2017
Neither overdue nor adjusted		3,482,798
Up to 30 days overdue		1,329,143
31 to 60 days overdue		146,822
61 to 90 days overdue		83,910
91 to 120 days overdue		33,436
More than 120 days overdue		9,027
Gross receivables		**5,085,136**
Adjustments		-7,696
Net receivables		**5,077,440**

In general trade accounts receivable are due for payment within 10 days. Historically, the company has only insignificant bad debt losses, so practically no value adjustments have to be made from applying the value adjustment matrix. After analyzing the customers, the management also assumes that no significant changes from future events are currently expected. The material value adjustments result from the individual analysis of receivables with a maturity of >120 days (nominal value EUR 36,714, previous year: EUR 9,027). Impairment losses in the current financial year amount to EUR 24,629 (previous year: EUR 7,696).

The adjustment account developed as follows:

EUR	2018	2017
As of 01/01	7,696	18,772
Expense allocations	16,933	7,078
Usage	0	0
Liquidations	0	-18,154
As of 12/31	**24,629**	**7,696**

The company demands no securities from its customers.

Other financial assets and trade receivables were composed as follows:

Current financial assets

EUR	12/31/2018	12/31/2017
Dividend-bearing securities	4,581	4,676
Claims on insurance companies	5,176,649	5,115,266
Gold	1,422,360	1,379,480
Investment funds	4,910,835	5,067,521
Security deposits	106,000	113,325
Total of (current) financial assets	**11,620,425**	**11,680,269**

Non-current financial assets

EUR	12/31/2018	12/31/2017
Gold	512,740	496,975
Total of (non-current) financial assets	**512,740**	**496,975**

In the financial year 2018 the Group identified expenses deriving from the valuation of current financial assets (Dividend-bearing securities and investment funds) measured at fair value through profit or loss in the amount of EUR 156,782 (previous year: EUR 26,341) and were recognized as financial expenses. In addition, income from the valuation of claims relating to capital assurances used as alternative short-term investments was recognized at fair value in the amount of EUR 61,383 (previous year: EUR 0) as financial income. Further financial investment income in the amount of EUR 58,645 (previous year: EUR 26,341) also resulted from the valuation of current and non-current holdings in gold at fair value.

In the previous year the effects of valuing capital assurance claims, investment funds and non-current gold holdings, which until the introduction of IFRS 9 as of 01/01/2019 fell within the scope and criteria of IAS 39, were recognized in equity in consideration of deferred taxes as other income.

The fair value of financial assets available for sale in the case of holdings in gold and investment funds is measured on the basis of stock market prices on active markets (Level 1). In order to calculate the fair value of claims on capital sum assurances, the Group applies the repurchase value as calculated by the other contracting party (Level 2).

24. Other (current) financial assets

Other current non-financial assets in the amount of EUR 1,500,035 (previous year: EUR 949,971) essentially include deferrals of EUR 1,078,739 (previous year: EUR 581,473).

25. Fixed assets

The development in fixed assets in the financial year was as follows:

	Acquisition and manufacturing costs		
EUR	01/01/2017	Additions	Transfers
I. Intangible assets			
Software	1,951,100	263,256	0
	1,951,100	**263,256**	**0**
II. Property, plant and equipment			
Land and buildings	2,138,011	0	0
Technical equipment	575,061	19,752	0
Office and business equipment	5,444,924	798,758	11,242
Advance payments and assets under construction	11,242	476,856	-11,242
	8,169,238	**1,295,366**	**0**
Total	**10,120,338**	**1,558,622**	**0**

EUR	01/01/2018	Additions	Transfers
I. Intangible assets			
Software	2,213,338	175,051	43,931
	2,213,338	**175,051**	**43,931**
II. Property, plant and equipment			
Land and buildings	2,138,011	0	0
Technical equipment	594,813	50,585	0
Office and business equipment	6,140,934	1,491,361	429,031
Advance payments and assets under construction	476,856	0	-472,963
	9,350,615	**1,541,946**	**-43,931**
Total	**11,563,953**	**1,716,997**	**0**

All non-current assets are located in the countries of origin of the respective software companies (Germany, Austria, Switzerland, Romania), the majority being in Germany.

		Cumulative depreciation				Net carrying values	
Disposals	12/31/2017	01/01/2017	Additions	Disposals	12/31/2017	12/31/2017	12/31/2016
1,018	2,213,338	1,731,743	123,705	1,017	1,854,431	358,907	219,357
1,018	**2,213,338**	**1,731,743**	**123,705**	**1,017**	**1,854,431**	**358,907**	**219,357**
0	2,138,011	405,102	57,930	0	463,032	1,674,979	1,732,909
0	594,813	467,146	19,368	0	486,514	108,299	107,915
113,989	6,140,934	4,263,941	551,854	111,094	4,704,701	1,436,233	1,180,983
0	476,856	0	0	0	0	476,856	11,242
113,989	**9,350,615**	**5,136,189**	**629,152**	**111,094**	**5,654,247**	**3,696,367**	**3,033,049**
115,007	**11,563,953**	**6,867,932**	**752,857**	**112,111**	**7,508,678**	**4,055,275**	**3,252,406**

Disposals	12/31/2018	01/01/2018	Additions	Disposals	12/31/2018	12/31/2018	12/31/2017
0	2,432,320	1,854,431	197,351	0	2,051,782	380,538	358,907
0	**2,432,320**	**1,854,431**	**197,351**	**0**	**2,051,782**	**380,538**	**358,907**
0	2,138,011	463,032	57,930	0	520,962	1,617,049	1,674,979
135,169	510,230	486,514	46,441	99,816	433,139	77,091	108,299
635,915	7,425,412	4,704,701	775,376	634,050	4,846,027	2,579,385	1,436,233
0	3,894	0	0	0	0	3,894	476,856
771,084	**10,077,546**	**5,654,247**	**879,747**	**733,866**	**5,800,128**	**4,277,418**	**3,696,367**
771,084	**12,509,866**	**7,508,678**	**1,077,099**	**733,866**	**7,851,910**	**4,657,956**	**4,055,275**

26. Income taxes

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 41.

The deferred taxes carried as assets in the accounts were composed as follows:

EUR	12/31/2018	12/31/2017
Deferred taxes on reporting and valuation differences carried as assets		
- Pension provisions	1,408,895	1,403,574
- Provision for the costs of the AGM	41,870	41,870
Subtotal	**1,450,765**	**1,445,444**
Deferred taxes on valuation differences carried as liabilities		
- Long-term production orders	521,645	606,579
- Financial assets at fair value through profit or loss (previous year: "Financial assets available for sale")	6,394	3,232
Subtotal	**528,039**	**609,811**
Total	**922,726**	**835,633**

The deferred taxes carried as liabilities in the accounts were composed as follows:

EUR	12/31/2018	12/31/2017
Deferred taxes on reporting and valuation differences carried as liabilities		
- Financial assets at fair value through profit or loss (previous year: "Financial assets available for sale")	54,276	50,335
Total	**54,276**	**50,335**

Effects of the development in deferred taxes recognized in the income statement:

EUR	2018	2017
Tax charge resulting from the reversal of deferred taxes carried as assets		
- Costs of the AGM	0	1,955
Tax charge resulting from the accrual of deferred taxes carried as liabilities		
- on long-term production orders	-299,128	-549,542
- on financial assets at fair value through profit or loss (previous year: "Financial assets available for sale")	-7,104	-3,232
Tax income resulting from the accrual of deferred taxes carried as assets		
- on pension provisions	5,321	84,015
Tax income resulting from the reversal of deferred taxes carried as liabilities		
- on long-term production orders	384,062	482,623
Total	**83,151**	**15,819**

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

EUR	2018	2017
Earnings before taxes	100%	100%
Trade tax	-16.64%	-16.64%
Corporation tax at 15.00 % on taxable profits	-15.00%	-15.00%
Solidarity surcharge of 5.50 % on corporation tax	-0.83%	-0.83%
Nominal proportion of earnings taxed	67.53	67.53%
Computed tax rate	**32.47%**	**32.47%**

The tax rates for subsidiary companies amounted in Austria to 25 percent, in Switzerland to 21.6 percent and in Romania to 16 percent. The US subsidiary is not yet operational. The translation from the expected group tax charge to the actual tax charge as per IAS 12.81 is illustrated as follows:

EUR	2018	2017
Pre-tax earnings as per IFRS	**16,788,914**	**14,060,138**
Expected tax charge (2018: 32.47%; 2017: 32.47%)	-5,451,361	-4,565,327
Non-deductible operating expenses	-33,863	-76,935
Tax payments/refunds for previous years	-43,102	-71,010
Lower tax rates at group companies and branches	223,916	184,961
Current losses for which no deferred tax claim has been recognized	-113,575	-202,317
Trade tax add-backs	-30,852	0
Interests as per § 8b KStG	-95,689	0
Non-tax deductible expenses	-50,707	0
Actual Group tax charge	**-5,595,233**	**-4,730,627**

The Group has taxable loss carry-forwards in the amount of EUR 2,326,347 (previous year: EUR 1,908,531) for which no deferred taxes have been capitalized. The unit concerned has a history of losses and it is accordingly not currently possible to project when these will be utilized.

The Group management has decided to retain the profits at subsidiaries which have not so far been distributed in 2018. It is agreed between Group management and the subsidiaries that distributions will be made only with the consent of Group management. In respect of the subsidiaries, no tax deferrals were formed in the reporting period on temporary differences. Temporary differences in 2018 amounted to EUR 5,995,529 (previous year: EUR 3,944,642).

The company anticipates that in future financial years the tax rate applicable to the parent company will be 32.47 percent. As a result, on the one hand of non-deductible operating expenses and interests as per § 8b KStG and on the other of lower tax rates at group companies and branches, the actual tax charge may be somewhat higher or lower than this figure.

27. Credit lines

An unsecured credit line in the amount of EUR 512,000 million (previous year: EUR 512,000 million) is in place with the principal bank of the integrated companies which may optionally be used for guarantee purposes or as an overdraft facility. In financial year 2018 this credit line was used for guarantees in the amount of TEUR 54,791. No further loans were taken out during the financial year. On the closing date, as in the previous year, there were no liabilities to banks.

28. Other (current) non-financial liabilities

Other non-financial liabilities essentially comprise the following amounts:

EUR	12/31/2018	12/31/2017
Liabilities for salaries and commissions	6,246,080	5,380,911
Anticipated charges	1,664,612	952,454
Miscellaneous liabilities	1,005,945	613,490
Total	**8,916,637**	**6,946,855**

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, as well as wage tax liabilities and provisions for vacation commitments. The anticipated charges relate to performances received but not yet billed prior to the qualifying date. Other liabilities essentially include provisions for costs associated with the financial statements and auditing as well as turnover tax liabilities.

29. Contractual liabilities

The contractual liabilities as of 12/31/2018 were composed as follows:

EUR	12/31/2018	12/31/2017
Amounts invoiced in advance for maintenance works	993,232	828,314
Amounts invoiced in advance for long-term production orders	508,143	1,113,146
Miscellaneous	945,121	2,250,474
Total	**2,446,496**	**4,191,934**

The miscellaneous contractual liabilities here stated include sums invoiced in advance for hotline services as well as for software, hardware and services yet to be supplied. Revenues in the amount of EUR 3,746,482 were recognized in 2018 which as of 12/31/2017 had been included in the balance of contractual liabilities.

30. Other provisions

These provisions essentially comprise the following amounts:

EUR	12/31/2017	Drawndown	Liquidations	Allocations	12/31/2018
Other provisions	89,000	0	69,000	37,800	57,800
Total	**89,000**	**0**	**69,000**	**37,800**	**57,800**

Other provisions essentially include the provisions for warranties.

31. Pension provisions

Pension costs were comprised as follows:

EUR	2018	2017
Current service cost	253,092	340,927
Net interest cost	91,779	92,876
Pension expenses	**344,871**	**433,803**

Current and past service costs are reported in the income statement under sales and marketing costs, while the cost of interest and income from plan assets are reflected in net interest. Actuarial profits and losses are recognized in equity as other income and expenses.

For the year 2019 the company expects pension expenses to amount to EUR 349,822.

The commitment translates to the balance sheet as follows

EUR	12/31/2018	12/31/2017
Defined benefits obligation	8,139,921	7,885,603
Fair value of plan assets	-3,357,692	-3,058,813
Pension provision	**4,782,229**	**4,826,790**

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

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

EUR	12/31/2018	12/31/2017
Defined benefits obligation as of 01.01.	7,885,603	7,656,249
Cost of interest	153,739	149,272
Current service cost	253,092	340,927
Actuarial profits and losses	152,513	260,845
Defined benefits obligation as of 31.12.	**8,444,947**	**7,885,603**

The adjustments to be allowed for in other income and expenses are attributable to actuarial profits and losses:

EUR	2018	2017
Deriving from experience-based adjustment of the obligation	47,835	139,860
from changes in financial assumptions	85,666	120,985
from changes in demographic assumptions	19,012	0
from the deviation in actual income from plan assets relative to income calculated at the discount rate	-336	-8,116
	152,177	**252,729**

In respect of losses recognized both in equity and through profit or loss, tax deferrals in the amount of EUR -49.521 (previous year: EUR -82,390) were formed on the temporary differences between the carrying value of the pension provision on the balance sheet and the value for tax purposes as well as other tax effects.

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

EUR	12/31/2018	12/31/2017
Fair value of plan assets effective 01/01	3,058,813	2,773,667
Returns on plan assets calculated at the discount rate	61,960	56,396
Employer’s contributions	237,255	236,866
Actuarial profits and losses	-336	-8,116
Fair value of plan assets effective 12/31	**3,357,692**	**3,058,813**

The actual return on plan assets in 2018 amounted to EUR 61,624 (previous year: EUR 48,280). The expected return on plan assets for 2019 as per IAS 19.125 amounts to 2.00 percent (previous year: 1.95 percent).

Contributions to the pension plan in financial year 2019 are expected to total EUR 237,645.

Sensitivity analyses

A rise or fall in essential actuarial assumptions would have affected the cash value of the pension liabilities as of 12/31/2018 as follows:

EUR	Development in pension commitment	
	0.25%	**-0.25%**
Discount interest rate (initially 2.0%)	-411,550	440,122
Pension trend (initially 3.0%)	326,081	-309,280
	0.50%	**-0.50%**
Inflation rate (initially 2%)	-796,680	911,168

The above sensitivity analyses of the essential valuation parameters were prepared by a method which extrapolates the effect of realistic changes in the principal assumptions as of the end of the year on the defined benefit obligation.

The mean duration of the defined benefit commitment as of the end of the reporting period was 21.33 years (previous year: 22.20 years). This pension commitment relates to a single person and includes payment of fixed monthly sums which are independent of any development in salary.

32. Equity

The development in equity is evident from the statement of changes in consolidated equity. The dividend paid in 2018 amounted to EUR 1.17 (previous year: EUR 1.16) per share.

Issued shares in circulation
The company's capital is divided into 3,976,568 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 3,976,568 shares in circulation (previous year: 3,976,568).

At the general meeting held on 4/28/2017, the Board of Management was further authorized, other than for purposes of trading in own shares and in consideration of the restrictions imposed by Section 71, Para. 2 of the German Stock Corporation Act, on or before 4/27/2022 to purchase company shares in an 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 Management Board was further authorized at the general meeting on 4/28/2017 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 and 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;

- 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;

- 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 use the shares to fulfill option and/or conversion rights arising from convertible bonds, convertible profit share certificates, warrant-linked bonds or other option rights issued by the company or a Group subsidiary.

The Management Board was further authorized at the general meeting on 4/28/2017 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.

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:

	12/31/2018	12/31/2018
Andreas F.J. Obereder	1,988,285	1,988,285
Peter Kirn	9,343	10,673
Total	**1,997,628**	**1,998,958**

The majority shareholder, Andreas F.J. Obereder of Grünwald, Germany, holds 1,988,285 shares representing 50.0000025 percent of the shares in ATOSS Software. His shares are held via the company AOB Invest GmbH of Grünwald, Germany, which is wholly owned by him.

Capital reserve

On 12/31/2018 the capital reserve stood at EUR -661,338 (previous year: EUR -661,338).
The purpose of this reserve is to carry the premium achieved over and above the subscribed capital (share premium) in connection with a flotation or increase in capital, as well as to carry the amount achieved through the issue of convertible bonds for the purchase of shares (convertible bond premium). Due to losses incurred in the application of treasury shares in connection with the convertible bond program in 2012, the capital reserve showed a negative balance in the amount of EUR 661,338.

Equity deriving from unrealized profits/losses

Equity deriving from unrealized profits / losses was accounted for in the amount of EUR -1,872,779 (previous year: EUR -1,784,476) by the revaluation recognized in equity of defined benefit pension plans and the associated tax effects. As a result of the change in classification of financial assets in connection with the first-time application of IFRS 9, unrealized profits deriving from the revaluation of financial assets which had accrued on 12/31/2017 in the amount of EUR 190,959 were reallocated to revenue reserves.

IV. Notes to the Consolidated Income Statement

33. Sales revenues

The sales revenues were composed as follows:

EUR	2018	2017
Licenses	13,333,387	12,681,849
Maintenance	21,866,228	19,887,779
Cloud	4,171,557	2,020,238
Total software	**39,371,172**	**34,589,866**
Consulting	17,734,483	14,712,266
Hardware	4,082,407	3,717,906
Others	1,422,756	1,586,754
Total sales revenues	**62,610,818**	**54,606,792**

For long-term production orders, pursuant to IAS 15 the company realizes sales in accordance with the project progress as per IFRS 15. The revenues are realized in accordance with milestones reached. The value is measured by the ratio of finalized milestones to the remaining contractual works. A project schedule is prepared for each long-term order. Deferrals which include both amounts invoiced in advance for production orders as well as maintenance services are used to demarcate sales under the heading of contractual liabilities that will be implemented in subsequent periods and be realized at that time.

Overall in financial year 2018 the amount of EUR 2,549,995 (previous year: EUR 2,809,431) deriving from production orders was realized as sales revenues. The costs of long-term production orders during the financial year amounted to EUR 2,366,174 (previous year: EUR 1,787,741).

The company has customers in all branches of industry as well as in the public sector. In financial years 2018 and 2017 no single customer accounted for a proportion of 10 percent or more of total sales.

The sales revenues were distributed between product groups as follows:

EUR	2018	2017
ATOSS Staff Efficiency Suite (ASES) and ATOSS Startup Edition (ASE)	53,017,640	47,199,181
ATOSS Time Control	9,593,178	7,407,611
Total	**62,610,818**	**54,606,792**

The geographic breakdown of sales revenues was as follows:

EUR	2018	2017
Germany	53,056,626	45,760,921
Abroad	9,554,192	8,845,871
of which Austria	4,669,427	4,431,520
of which Switzerland	3,221,038	2,724,425
of which other countries	1,663,727	1,689,926
Total	**62,610,818**	**54,606,792**

Sales revenues are attributed to individual countries dependent on the location of the invoice recipient.

34. 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. Overheads included in the cost of sales essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally allocated on a per capita basis for each functional area.

EUR	2018	2017
Material costs (goods for resale)	3,902,570	3,650,562
Material costs (external services)	735,389	474,317
Personnel costs	9,888,823	8,784,941
Scheduled depreciation of property, plant and equipment as well as intangible assets	290,221	218,352
Overheads	3,624,318	3,095,434
Total	**18,441,321**	**16,223,606**

35. Distribution costs

The distribution costs include personnel costs and overheads attributable to marketing as well as advertising costs recognized as an immediate expense. Overheads included in the cost of sales essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally allocated on a per capita basis for each functional area.

EUR	2018	2017
Distribution personnel costs	7,973,908	7,043,110
Scheduled depreciation of property, plant and equipment as well as intangible assets	274,273	150,139
Distribution overheads	1,634,960	1,659,761
Advertising costs	1,052,221	850,825
Total	**10,935,362**	**9,703,835**

36. Administration costs

Overheads included in the administration costs essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally allocated on a per capita basis for each functional area. The administrative costs were composed as follows:

EUR	2018	2017
Personnel costs	3,922,297	3,319,138
Scheduled depreciation of property, plant and equipment as well as intangible assets	105,891	64,777
Administration overheads	1,187,884	895,882
Total	**5,216,072**	**4,279,797**

37. Expenditure on research and development

Overheads included in the expenditure on research and development essentially comprise rental, infrastructure, travel and motor vehicle costs. Overheads are generally allocated on a per capita basis for each functional area. The expenditure on research and development was composed as follows:

EUR	2018	2017
Research and development personnel costs	9,003,147	8,295,236
Scheduled depreciation of property, plant and equipment as well as intangible assets	406,582	319,407
Research and development overheads	1,816,482	1,646,033
Total	**11,226,211**	**10,260,676**

38. Personnel costs

EUR	2018	2017
Wages and salaries	26,424,229	23,202,864
Social security contributions and expenditure on retirement pensions and welfare	4,363,946	4,239,561
of which expenditure on retirement pensions and welfare EUR 470,174 (previous year: EUR 400,399),		
Service costs EUR 253,092 (previous year: EUR 340,927)		
Total	**30,788,175**	**27,442,426**

39. Financial investment income and expenses

The financial investment income in the amount of EUR 121,936 (previous year: EUR 56,453) relates essentially to the valuation of capital assurance claims in the amount of EUR 61,383 and the write-up in the amount of EUR 58,645 (previous year: EUR 26,341) on the company's holdings in gold. Distributions from the investment into investment funds did not occur in 2018 (previous year: EUR 53,435).

In 2018 the company recorded financial expenses amounting to EUR 249,628 (previous year: EUR 122,053). This essentially concerned financial expenses in connection with the valuation of investment funds measured at fair value through profit or loss at EUR 156,782 (previous year: EUR 26,341) and the net interest cost deriving from the valuation of pension provisions amounting to EUR 91,779 (previous year: EUR 92,876).

40. Other operating income and expenses

Other operating income essentially includes income from the liquidation of miscellaneous liabilities and provisions in the amount of EUR 173,595 (previous year: EUR 76,685) as well as income from exchange rate differentials in the amount of EUR 138,646 (previous year: EUR 41,027).

Other operating expenses essentially comprise the amount of EUR 129,599 (previous year: EUR 156,491) in connection with exchange rate differentials.

41. Tax charge / tax income

EUR	2018	2017
Current tax charge	5,678,384	4,746,446
Deferred taxes (cf. Point 26)	-83,151	-15,819
Tax charge	**5,595,233**	**4,730,627**

V. Notes to the Consolidated Statement of Cash Flows

42. Cash flow from business operations

The cash flow from business operations for the period from 01/01/2018 to 12/31/2018 amounted to EUR 12,610,477 (previous year: EUR 8,857,032) and was thus EUR 3,753,445 higher than in the year before.

The principal factors which impacted positively on cash flow from operations include net earnings, the formation of miscellaneous liabilities resulting from salary and commission entitlements, lower fixed tax payments and tax refunds for previous years (in 2017 the income taxes paid were burdened by tax payments for previous years). Effects that reduced cash flow derived primarily from the formation of trade receivables, other non-financial assets and contractual liabilities.

The average time to receipt in financial year 2018 was 28 days (previous year: 27 days), and may continue to be regarded as very low.

43. Cash flow from investment activities

Cash flow from investments for the period from 01/01/2018 to 12/31/2018 amounted to EUR -1,710,497 (previous year: EUR -3,585,766) and was accordingly EUR 1,875,269 higher than in the year before. This was essentially the result of disbursements to cover investments in fixed assets in the amount of EUR 1,716,997 (previous year: EUR 1,484,055).

44. Cash flow from financing activities

Cash flow from financing activities for the period from 01/01/2018 to 12/31/2018 amounted to EUR -4,652,585 (previous year: EUR -4,612,819) and was accordingly EUR 39,766 lower than in the year before. This resulted from the payment of a dividend of EUR 1.17 per share (previous year: EUR 1.16).

VI. Other disclosures

45. Supervisory Board

The members of the Supervisory Board are:

Peter Kirn	Chairman, corporate consultant, Böblingen
Rolf Baron Vielhauer von Hohenhau	Deputy Chairman, President of the Bund der Steuerzahler in Bayern e.V., Munich.
Klaus Bauer	Supervisory and advisory board member, Nuremberg

In the past financial year the members of the Supervisory Board held other supervisory board positions with the following companies:

Rolf Baron Vielhauer von Hohenhau	Europäischer Wirtschaftssenat e.V., Munich Chairman of the Supervisory Board) Member of the Administrative Board of Stadtsparkasse Augsburg
Klaus Bauer	Schwanhäußer Industrie Holding GmbH & Co. KG, Heroldsberg Schwanhäußer Grundbesitz Holding GmbH & Co. KG, Heroldsberg

Mr. Peter Kirn held no other supervisory or similar board positions in the financial year.

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

EUR	2018	2017
Peter Kirn		
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	6,000
Total	**26,000**	**26,000**

EUR	2018	2017
Rolf Baron Vielhauer von Hohenhau		
Compensation pursuant to the Articles of Association	20,000	20,000
Attendance allowances	6,000	4,500
Total	**26,000**	**24,500**

EUR	2018	2017
Klaus Bauer		
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 2018 there were no payments made for consultancy work beyond the scope of Supervisory Board activities (previous year: EUR 0).

46. Management Board

The members of the Management Board are:

Andreas F.J. Obereder	Chief Executive Officer (CEO), businessman, Grünwald
Christof Leiber	Member of the Board (CFO), lawyer, Munich

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

EUR	2018	2017
Andreas F.J. Obereder		
Non-performance-related remuneration		
Salary	540,000	540,000
Miscellaneous	121,224	119,312
Performance-related remuneration		
Single-year profit-share payment	38,485	32,567
Multi-year profit-share payment	84,000	84,000
Overall remuneration	**783,709**	**775,876**

EUR	2018	2017
Christof Leiber		
Non-performance-related remuneration		
Salary	217,500	207,500
Miscellaneous	70,830	68,054
Performance-related remuneration		
Single-year profit-share payment	82,469	63,972
Multi-year profit-share payment	99,000	90,750
Overall remuneration	**469,799**	**430,276**

On the basis of contract concluded with effect from 01/01/2014 until 12/31/2018 and extended for a further five years effective 01/01/2019, the profit-share payment to the Chief Executive Officer, Mr. Andreas Obereder, includes entitlements for the achievement of single-year (40 percent) and pro rata multi-year targets (60 percent, three-year target-based profit share payment). Given that these entitlements are confirmed only after the financial year has ended, actual payments may deviate.

On the basis of the contract extended for a further five years with effect from 04/01/2017, the profit-share payment to Chief Financial Officer Mr. Christof Leiber includes entitlements for the achievement of single-year (40 percent) and pro rata multi-year targets (60 percent, three-year target-based profit-share payment). Given that these entitlements in respect of single-year targets are confirmed only after the financial year has ended, actual payments may differ from the calculated profit-share payment.

The entitlements calculated for 2018 deriving from multi-year profit-share payments were calculated on the basis of the estimated achievement of 3-year targets. Part-amounts are disbursed by way of advance payments. The actual multi-year profit share payment entitlement may vary dependent on the extent to which targets are achieved over the overall period from 2017 to 2019.

The miscellaneous amounts include insurance premiums paid by the company and the benefit in money's worth of other ancillary items such as the provision of company cars.

With regard to expenses incurred in 2018 for benefits after the retirement of the CEO, please refer to Notes 17 and 31.

As of 12/31/2018, there were provisions for liabilities to members of the Board of Management amounting to EUR 278,236 (previous year: EUR 189,025) in respect of variable remuneration elements not yet paid.

47. Business relations with closely related persons

The wife of the Chief Executive Officer provides services to the company. In 2018, the value of services provided on standard market terms amounted to EUR 1,560 (previous year: EUR 3,016). In addition, the daughter of the Chief Executive Officer is employed on standard market terms, in respect of which in 2018 the company incurred personnel costs in the amount of EUR 21,807.26. In respect of the short-term employment on standard market terms of the daughter of Management Board member Mr. Christof Leiber, the company incurred personnel costs of EUR 952.

On 12/06/2012 the majority shareholder, Andreas F.J. Obereder of Grünwald, Germany, transferred 1,988,285 shares in ATOSS Software to the company AOB Invest GmbH of Grünwald, Germany, which is wholly owned by him. Accordingly, AOB Invest GmbH is the ultimate parent company of ATOSS Software AG.

With the exception of the existing contract between the company and Mr. Andreas F.J. Obereder and the contract newly entered into effective 01/01/2015, there were no reportable events during the financial year in the relationship between our company and AOB Invest GmbH (controlling company) and Mr. Andreas F.J. Obereder, nor with any company associated with AOB Invest GmbH (controlling company) or Mr. Andreas F.J. Obereder. The company is in no way disadvantaged by the abovementioned contract.

In the 2018 reporting period, as in the preceding year, no further reportable transactions took place with members of the Management or Supervisory Boards or other affiliated persons that go beyond those specified in Note 45 (Supervisory Board) or Note 31 (Pension provisions) or exceed existing terms of employment.

48. Employees

At the end of the reporting period the company employed 465 persons (previous year: 417). The average for the year was 444 (previous year: 397); excluding the Management Board, trainees and interns and temporary staff, the average number of employees was 413 (previous year: 375).

The quarterly average number of employees was as follows:

	2018	2017
Sales and marketing	78	67
Consulting	119	110
Development	180	163
Administration	67	57
Total	**444**	**397**
Of which trainees	7	6
Of which temporary staff and interns	22	14
Of which Management Board members	2	2

49. Auditors’ fees

The following fees were recognized as expenses to Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft Stuttgart, Munich branch, and associated companies pursuant to section 285 No. 17 a) of the German Commercial Code (HGB):

EUR	2018	2017
Audit of the annual financial statements	65,440	79,080
of which for support in connection with enforcement proceedings	0	13,640
Total of fees	**65,440**	**79,080**

No further payments pursuant to section 285 No. 17 b) to d) of the German Commercial Code (HGB) were made to the auditors.

50. Financial commitments

The financial commitments 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.

The agreements also in some cases include price adjustment clauses on standard market terms.

The financial obligations in respect of rents and lease payments for the coming financial years were composed as follows as of 12/31/2018:

EUR	Rents for premises	Other rents and lease payments
2019	1,564,115	998,454
2020 to 2022	3,612,666	1,023,900
post 2022	0	0
Total	**5,176,781**	**2,022,354**

For the leased Group office space in Munich, there is an extension option of 5 years after expiry of the contractual fixed term of 5 years. The rental payments for the extension option amount to EUR 5,023,085.

The overall costs of all rental and lease agreements in financial year 2018 amounted to EUR 2,662,955 (previous year: EUR 1,711,893).

51. 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 12/31/2018 and 12/31/2017 no changes were 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 at its disposal including for example trade accounts receivable, financial assets and cash and cash equivalents. The essential risks deriving from the financial assets comprise market, liquidity and credit risks.

Due to the absence of external funding and the non-material level of transactions outside the Eurozone, interest rate and currency risks have no material significance for the Group and are therefore not further explained.

Market risk

The market risk is deemed to be material in respect of financial assets measures at fair value through profit or loss. The market risk is namely the risk that the fair value of or cash flows from a financial instrument may fluctuate as a result of variations in market prices. The investments made by the Group in physical gold are susceptible to market price risks arising from uncertainties in the future development in the value of these financial instruments. The Group limits its exposure to market price risk by restricting the volumes allocated to individual forms of investment. Moreover the company does not invest its available liquidity in speculative forms of investment. The Group's investment strategy is oriented towards preserving value and safeguarding against inflation in the long term. The Group management and Supervisory Board regularly receive reports on the development in financial assets available for sale. All decisions concerning investments in financial assets are reviewed and approved by the company management.

As of the balance sheet closing date, the risk associated with financial assets invested in investment funds amounted at fair value to EUR 4,910,835 (previous year: EUR 5,067,521). A fall of 25 percent in the market price of the investment funds as a consequence of changes in market conditions would impact Group earnings in the amount of EUR -1,227,709 (previous year: EUR 0).

In the case of financial assets invested in gold, the risk on the closing date amounted at fair value to EUR 1,935,100 (previous year: EUR 1,876,455). A fall of 10 percent in the gold price as a consequence of changes in market conditions would impact earnings in the amount of EUR -193,510 (previous year: EUR -137,948).

These sensitivity analyses each relate to the situation as of 12/31/2018.

The Group holds no derivative financial instruments. In accordance with internal policy, the Group did not engage in any trading in derivatives in financial years 2018 or 2017, nor will it do so in future.

Credit risk

To manage these 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 23. 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.

Liquidity risk
In addition in order to continuously monitor the risk of a liquidity shortage, the Group prepares liquidity forecasts with a fixed planning horizon of one year. The Group assesses the concentration of risk in connection with other financial assets as low. Receivables are due from customers in a variety of sectors, operating in independent markets. The Group also invests its available liquidity in various forms of investment such as gold, investment funds, capital investments in banks and insurance companies and fixed-term deposits.

52. Events after the balance sheet closing date

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

53. German Corporate Governance Code

The Management and Supervisory Boards of ATOSS Software AG issued a declaration regarding the German Corporate Governance Code on 11/28/2018. The full text of the declaration as per § 161 of the German Stock Corporation Act is available on the Internet at https://www.atoss.com/system/files/document/2018-11/atoss-entsprechenserklaerung-2018.pdf. The Management and Supervisory Boards make a declaration each year detailing their compliance with the German Corporate Governance Code and the recommendations contained therein and include the contents in the annual report.

54. Notifiable participating interests

As of 12/31/2018 on the basis of information received by the company as per §§ 21 ff. of the German Securities Trading Act, notifiable participating interests were as follows:

On 04/10/2002 Mrs. Ursula Obereder, Grünwald, reported an interest of 6.5 percent of the company’s capital stock.

Since 12/06/2012 AOB Invest GmbH, Grünwald, has held 50.000025 percent of the company’s capital stock.

Since 10/10/2013 Investmentgesellschaft für langfristige Investoren TGV, Bonn, has held 5.004 percent of the company’s capital stock.

Since 12/16/2014 MainFirst SICAV, Luxembourg, has held 5.07 percent of the company’s capital stock.

The actual number of voting rights may deviate from the number reported due to interim non-notifiable or unreported trades.

55. Adoption of the consolidated financial statements

The present annual financial statements were passed on 02/14/2019 by the Management Board 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 03/06/2019.

56. Appropriation of net income

The Management and Supervisory Boards propose that the surplus net income reported by ATOSS Software AG, Munich, for the past financial year 2018 in the amount of EUR 20,723,379.61 should be used to pay a dividend of EUR 4.00 per dividend-bearing share.

The remainder of the net income will be carried forward to new account.

Munich, February 14, 2019

Andreas F.J. Obereder	Christof Leiber
Chief Executive Officer	Member of the Management Board

Independent auditor's report

To ATOSS Software AG

Report on the audit of the consolidated financial statements and of the group management report

Opinions

We have audited the consolidated financial statements of ATOSS Software AG, Munich and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement for the fiscal year from 1 January 2018 to 31 December 2018 and the consolidated statement of changes in equity as at 31 December 2018 as well as the notes of the consolidated financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the group management report of the group for the fiscal year from 1 January 2018 to 31 December 2018. In accordance with the German legal requirements, we have not audited the content of the declaration on the Corporate Governance Code as well as the Corporate governance report to which is being referred contained in section 2. Financial basis of the group management report

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the supplemental provisions of German law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code] and give a true and fair view of the assets, liabilities and financial position of the Group as at 31 December 2018 and of its financial performance for the fiscal year from 1 January 2018 to 31 December 2018 in compliance with German legally required accounting principles, and

- the accompanying group management report as a whole provides an appropriate view of the group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the group management report does not cover the content of the declaration on the Corporate Governance Code and the Corporate governance report referred to above.

Pursuant to Sec. 322 (3) Sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Sec. 317 HGB and the EU Audit Regulation (No 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report" section of our auditor's report. We are independent of the Group in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Art. 10 (2) f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Art. 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

Key audit matters in the audit of the consolidated financial statements
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the fiscal year from 1 January 2018 to 31 December 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon; we do not provide a separate opinion on these matters.

Below, we describe what we consider to be the key audit matters:

1. Revenue recognition

Reasons why the matter was determined to be a key audit matter
The ATOSS Software AG Group generates revenue from a number of service offerings. These include selling software licenses to end customers and resellers, rendering maintenance services and other services as well as long-term production contracts. In accordance with IFRS 15 "Revenue from Contracts with Customers", revenue recognition is dependent on the satisfaction of the underlying performance obligation and must be evaluated based on the underlying contract basis.

Due to the wide range of services offered and the associated complexity of revenue recognition especially in the light of the first time application of IFRS 15, there is a risk of incorrect recognition of revenue as regards the timing and the amount of the revenue recognized. As a result, revenue recognition is considered to be a key audit matter.

Auditor's response
In the course of our audit, we examined the underlying business processes with respect to the recognition of revenue and the measurement of those. Furthermore, our audit procedures included reviewing significant contracts, obtaining external confirmations from customers and additional documentation regarding the satisfaction of identified performance obligation within the underlying contract. We also analyzed the interim transaction data for anomalies and in comparison to the prior year.

In addition, we reviewed the disclosures in the notes to the consolidated financial statements.

Our audit did not lead to any reservations concerning the recognition of revenue.

Reference to related disclosures
We refer to the disclosures in II. Accounting and Valuation Methods: 18. Recognition of sales revenues and income in the notes to the consolidated financial statements as well as the disclosures on revenue in IV. Notes to the Consolidated Income Statement: 33. Sales revenues in the notes to the consolidated financial statements with regard to the accounting policies applied for revenue recognition.

2. Transactions with related parties

Reasons why the matter was determined to be a key audit matter
The ATOSS Software AG Group as the parent company of an organically grown group has a close relationship with the founder of the Company, who exercises indirect control of the Group. As a result of the close connections, there is a risk that transactions with related parties may not be recognized in full in the consolidated financial statements or that transactions are made with related parties that do not serve the purpose of the Company/Group. As a result, transactions with related parties are considered to be a key audit matter during our audit.

Auditor's response
We analyzed the journal entries to determine whether any transactions were made with related parties. Based on the evidence received, we assessed whether the services and assets purchased serve the purpose of the Company. We reviewed the confirmations from banks and lawyers for any indications of transactions with related parties.

We also examined the minutes of the annual general meeting, supervisory board and management board meetings for information on existing transactions with related parties. Furthermore, we assessed the processes used to identify and evaluate the substance of transactions with related parties. In this context, we also reviewed the disclosures made by ATOSS Software AG's management board in the report on relationships with affiliates ("dependent company report") prepared in accordance with Sec. 312 AktG ["Aktiengesetz": German Stock Corporation Act].

Our audit did not lead to any reservations concerning the completeness or substance of transactions with related parties.

Reference to related disclosures
We refer to the disclosures in VII. Other disclosures: 47. Business relations with closely related persons in the notes to the consolidated financial statements with regard to related parties.

Other information
The supervisory board is responsible for the report of supervisory board. In all other respects, the executive directors are responsible for the other information. The other information comprises declaration on the Corporate Governance Code included in section 2. Financial basis of the

group management report, the reference to the on the website published statement on corporate governance included in the same section of the group management report and the responsibility statement from the group´s executives directors.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the group management report or our knowledge obtained in the audit, or

- otherwise appears to be materially misstated.

Responsibilities of the executive directors and the supervisory board for the consolidated financial statements and the group management report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the group in compliance with German legally required accounting principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German legally required accounting principles, have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the group’s ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group’s position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The supervisory board is responsible for overseeing the group’s financial reporting process for the preparation of the consolidated financial statements and of the group management report.

Auditor's responsibilities for the audit of the consolidated financial statements and of the group management report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems of the Company;

- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures;

- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS as adopted by the EU and the supplemental provisions of German law applicable pursuant to Sec. 315a (1) HGB;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions;

- evaluate the consistency of the group management report with the consolidated financial statements, its conformity with law, and the view of the Company's position it provides;

- perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Further information pursuant to Art. 10 of the EU Audit Regulation
We were elected as auditor by the annual general meeting on 26 April 2018. We were engaged by the supervisory board on 26 April 2018. We have been the auditor of the Group without interruption since fiscal year 2003.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Art. 11 of the EU Audit Regulation (long-form audit report).

German Public Auditor responsible for the engagement
The German Public Auditor responsible for the engagement is Martin Dahmen.

Munich, 14 February 2019

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Dahmen Wirtschaftsprüfer [German Public Auditor]	Grünewald 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, February 14, 2019

Andreas F.J. Obereder
Chief Executive Officer

Christof Leiber
Member of the Board of Management

CORPORATE CALENDAR

January 31, 2019
Press release preliminary results 2018

March 8, 2019
Publication annual report 2018

March 8, 2019
Balance sheet press conference

April 25, 2019
Press release three months' statement

April 30, 2019
Annual general meeting

July 24, 2019
Press release six months' statement

August 9, 2019
Publication six months' statement

October 24, 2019
Press release nine months' statement

November 25 – 27, 2019
ATOSS at the German Equity Forum

IMPRINT

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